

Study on the Third Sector Landscape in Hong Kong

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OVERVIEW OF THE THIRD SECTOR IN HONG KONG*

I. Background

Introduction

- 1 The Chief Executive of the Hong Kong Special Administrative Region Government, in his 2000 Policy Address, pointed out the significant roles and functions of the Third Sector in Hong Kong and the need to further maximize its contributions. In response, the Central Policy Unit (CPU) of the Government decided to conduct several studies on Hong Kong's Third Sector, the first of which, dealing with corporate philanthropy in Hong Kong, was concluded in early 2002¹. The second one, the present study, seeks to review the "landscape" of Hong Kong's Third Sector by studying the tangibles (third-sector organizations : their types, their numbers and the activities they perform) as well as the intangibles (their missions, services, methods of delivery, decision-making mechanisms, leadership structure, membership, funding, the extent of their networks and the challenges they face). These studies will enable the Administration to better understand Hong Kong's Third Sector and to assess the need for relevant policymaking to help strengthen the sector in the future.

Definition

- 2 The Third Sector refers to the category of non-profit, voluntary, non-governmental institutions which are distinctly different from those in the government and market sectors in their aims, structures and operations. This sector, with its own characteristics, features and dynamics, has already emerged as a powerful force in the world. Third Sector organizations are extremely diverse and may be economic, cultural, educational, religious, legal, political, health, welfare, environmental or philanthropic in nature, and may be interest-based, development-driven or issue-oriented.
- 3 According to the definition proposed by researchers at Johns Hopkins University (JHU)², the non-profit or the Third Sector is characterized by the following five structural-operational features:
 - a) they are organized, i.e., institutionalized to some extent;
 - b) they are private, i.e., separate from the government institutionally and do not exercise governmental authority;
 - c) they are non-profit, i.e., do not return profits to their directors or owners, and all profits are used to further the stated purpose of the organization;
 - d) they are self-governing, i.e., have their own internal governance procedures, control their own activities and enjoy a meaningful degree of autonomy;

* This Overview Chapter was jointly written by (in alphabetical order) Dr. Chan Kam-tong, Dr. Lian Yi-zheng, Ms. Eva Liu, Ms. Christine Loh and Professor Angelina Yuen.

¹ Golin/Harris Forrest (2001). *The Role of Companies in the Development of a Vibrant Third Sector in Hong Kong*. Hong Kong: The Central Policy Unit, Hong Kong SAR Government.

² Salamon, L.M. and Anheier H. K. (1997) *Defining the nonprofit sector: A cross-national analysis*. Manchester and New York. Manchester University Press.

- e) they are voluntary, i.e., involve some meaningful degree of voluntary participation, either in the actual conduct of the organization's activities or in the management of its affairs.
- 4 Researchers from Johns Hopkins University also developed an International Classification of Non-profit Organizations (ICNPO), which categorized non-profit organizations into the following 12 groups:
- a) Culture and Recreation
 - b) Education and Research
 - c) Health
 - d) Social Services
 - e) Environment
 - f) Development and Housing
 - g) Law, Advocacy and Politics
 - h) Philanthropic Intermediaries and Voluntarism Promotion
 - i) International Activities
 - j) Religion
 - k) Business and Professional Associations, Unions
 - l) Not elsewhere classified
- 5 In our study, we have basically adopted the definition of the Third Sector as proposed by Johns Hopkins University. With regard to the classification of non-profit organizations, we have adapted the Johns Hopkins University scheme to suit our local context and have arrived at the following 14 categories:
- a) Education and Research
 - b) Professional, Industry, Business and Trade Unions
 - c) District and Community-based Organizations
 - d) Civic and Advocacy Organizations
 - e) Law and Legal Services
 - f) Politics
 - g) Welfare Services
 - h) Health Services
 - i) Environment
 - j) Sports
 - k) Arts and Culture
 - l) Religion
 - m) Philanthropic Intermediaries

n) International and Cross-boundary Activities

- 6 The modifications take into account the unique characteristics of the Third Sector in Hong Kong. For example, the JHU “Law, Advocacy and Politics” category has been broken down into three separate categories or sub-sectors, namely, “Civic and Advocacy Organizations”, “Law and Legal Services” and “Politics”. The main reason for breaking down this JHU category is because the political system of Hong Kong is not designed to have advocacy necessarily linked to legal services or to legislative work. Likewise, “Development and Housing” has been incorporated into “District and Community-based Organizations”, since the services offered in this JHU category are mainly provided by district and community-based organizations in Hong Kong. Also, “Sports and Service Organizations” has been added to reflect the long tradition of having largely non-profit sports-related recreation and service organizations in Hong Kong and they attract a significant number of participants.

The Research Process

- 7 A CPU-organized Research Advisory Panel, consisting of scholars and third-sector practitioners, was established in April 2002 to advise the CPU throughout the study process. Invitations were sent to relevant academic and research institutions to solicit bidding for doing the actual research projects. However, no single bidder was considered appropriate to take up the entire study. The Advisory Panel then decided to conduct the research in an unconventional manner: five unrelated research teams, under the leadership of a Project Manager, were commissioned to conduct research into different sub-sectors.
- 8 The Advisory Panel nominated scholars and third-sector practitioners with demonstrated expertise to lead the research. A Project Manager was also commissioned to coordinate the entire project, including the identification of Principal Investigators (PIs) and researchers for the five research teams and the writing of the report. Five Principal Investigators were subsequently selected to lead each of the five teams; their job was to identify and contact the appropriate target organizations in the Third Sector and make arrangements for doing surveys, interviews and focus group discussions within them.
- 9 Different research teams occasionally met with the Project Manager to discuss issues and to resolve problems. The Research Advisory Panel was responsible for giving advice to the research teams and met with them periodically to keep track of the research process and to give advice and guidance where necessary.

The Research Methodology

- 10 While surveys provided quantitative data on the overall characteristics of the sub-sectors, focus groups and interviews helped to provide a qualitative aspect to our understanding. The detailed findings from both the quantitative surveys and the separate qualitative sub-sector reports are included in this report.
- 11 A questionnaire was sent out to organizations selected from the sampling frame. This questionnaire was first drafted by the Project Manager based on a study of

the relevant JHU studies, with the participation of all the Principal Investigators, researchers and CPU professional staff. The questionnaire was available in both English and Chinese³. Tabulation of the responses was undertaken by the Computer-Aided Survey Team (CAST), Centre for Social Policy Studies, Hong Kong Polytechnic University.

- 12 The researchers also provided a list of organizations for each sub-sector for preparation of a sampling frame. Reference was made to the List of Approved Charitable Institutions and Trusts of a Public Character, 2002, as published in Special Supplement No. 4 to the Government of the Hong Kong Special Administrative Region Gazette No. 30 of 26 July, 2002. Various other sources were also consulted (e.g., the Census and Statistics Department database of voluntary organizations and schools list, the Lands Registry database of owners incorporated organizations, the Home Affairs Department database of district- and community-based organizations, the Labour Department list of registered trade unions, Hong Kong Trade Development Council's *Trade Directory*, Hong Kong Tourism Board's publication *Associations and Societies in Hong Kong (2001)*, Teachers' Centre's list of educational organizations, and the membership list of the Hong Kong Council of Social Service). A total of 16,662 organizations formed the population of this study, from which a sample of 2,876 organizations was drawn.
- 13 A draft outline for focus group discussion and interview was circulated in mid-September 2002 for comments and modification. It covered funding, staffing/management, government policies, public awareness, ethics, pattern of dynamics and role in the economy and in society. The final version⁴ was adopted by all researchers with the understanding that some questions might not be discussed by certain sub-sectors but all researchers would need to ensure consistency in their interviews and focus group discussions.

Data collection and analysis

- 14 We conducted a postal survey of organizations selected from the population of organizations. The organizations were chosen in the following way: We made a random sample of 20% for five sectors, viz., District and Community-based Organizations, Professional, Industry, Business and Trade Unions, Philanthropic Intermediaries, Religion, Sports; a full sample of 100% for another five sectors, viz. Civic Associations and Advocacy, International and Cross-boundary Activities, Law and Legal Services, Politics, Environment; and stratified sampling of 20% and 100% for the remaining sub-sectors – Arts and Culture, Education and Research, Health, Welfare. We made sure that all sub-sectors were included in the sample.
- 15 A random sampling of 6% of Owners-incorporated Organizations was made. This was because their population size, 6,810, made up 40% of the total population and the results would have been unfairly skewed if a larger sample had been used.

³ A copy of each is at Annex I to this Report

⁴ Copy attached as Annex II to this Report.

- 16 A special group of “Big Organizations⁵” (14 in total) was excluded from the overall statistics, as they provide multi-services which span several sub-sectors, and their inclusion would muddle the picture or even cause double-counting. A separate mention of Big Organizations would be made later in this chapter.
- 17 Excluding the Big Organizations, we sent out 2,860 questionnaires by October 31, 2002. Organizations that did not respond were contacted by telephone three times for follow-up enquiries. The information-gathering part of the survey was completed on January 20, 2003.

II. A History of the Third Sector in Hong Kong

Beginning of the Colony

- 18 At the beginning of the colony, the Government had limited involvement in the life of ordinary Chinese residents. Many basic public services, such as education, health and welfare services, were left to third-sector organizations to deliver. At that time, there were two main groups, foreign missionaries and traditional Chinese welfare organizations.
- 19 Long before the cession of Hong Kong to Britain, Hong Kong children received private educational services that followed the traditional Chinese education system, in which a private teacher took the responsibility to teach a group of paying students.
- 20 The main objective of foreign missionaries was to convert the local people. They operated schools that taught both religious and secular subjects. Most notable among these schools were the Morrison Education Society School, which opened in 1842, and the Ying Wa (Anglo-Chinese) College, founded in 1843. Other Catholic and Protestant groups also established schools in subsequent years.
- 21 The missionaries were involved in more than education. Some also provided medical services both to help the sick and to spread the gospel to the patients. One example was the London Missionary Society. On June 1, 1843, the Medical Missionary Hospital of Hong Kong was opened by the society in Wanchai. It was the first hospital to provide Western medicine to the local Chinese. In subsequent years, the London Missionary Society established more hospitals – the Alice Memorial Hospital and the Nethersole Hospital. Other religious groups also established and operated hospitals, such as the United Christian Hospital, the Caritas Medical Centre and the Hong Kong Baptist Hospital.
- 22 Religious groups also provided welfare services. In 1848, a Catholic missionary order, the Sisters of St. Paul de Chartres, arrived in Hong Kong and took care of foundlings as well as sick and elderly people in Wanchai. Other missionaries, both Catholic and Protestant, followed, and established orphanages and special schools for the disabled, such as the Hong Kong School for the Deaf, before

⁵ Big Organizations comprise those which provide multi-services, such as education, welfare and health, and which may employ over 1,000 staff. For privacy, specific names are not mentioned in this Report.

World War II.

- 23 The important role played by the missionaries was made possible by the existence of religious freedom in Hong Kong. All religious organizations were free to preach their beliefs. The Roman Catholic Church was established as a Mission Prefecture in 1841 and became a diocese in 1946. The presence of the Protestant community in Hong Kong also dated back to 1841. The earliest ecumenical body that facilitated cooperative work among Protestant churches was the Hong Kong Chinese Christian Churches Union, established in 1915. The Muslim community in Hong Kong also has a long history. The oldest mosque in Hong Kong was built in the 1840s. Traditional Chinese religious organizations have an even longer history. Local Buddhist and Taoist temples can be traced back more than 700 years. The Buddhist Association was established in 1945 to promote the faith and to engage in social services. Other than religious bodies, traditional Chinese organizations also were deeply involved in providing public services⁶.
- 24 As Hong Kong was a port, many businessmen, workmen and servants came to Hong Kong from other parts of China. Naturally, some of them died. It was Chinese practice to put the death tablets of deceased persons in a temple and the Government agreed to the construction of the Kwong Fook I-ts'z (廣福義祠), or "wide and benevolent common ancestral hall." Soon, however, in addition to housing death tablets, coffins awaiting shipment to the deceased's native village for burial were taken there as well.
- 25 While the I-ts'z was supposed to house only death tablets, sick people awaiting death were also placed there. This showed that the medical services provided at that time by the Government Civil Hospital and the Missionary Hospital were not well-received by the local Chinese. They needed a different kind of hospital where there was no unwanted proffering of either Western medical practices or Christian teachings.
- 26 In May 1869, Governor Richard Macdonnell proposed the establishment of a Chinese hospital that would be subject to government regulation. The Tung Wah Hospital was opened in 1872. An ordinance was passed in 1870 for its establishment. According to the ordinance, all the members of its Board of Governors must be of Chinese origin. The Tung Wah Hospital became the first "Chinese Hospital" serving the Chinese. Patients in the hospital were treated by practitioners of traditional medicine. Later, other charitable groups modelled after the Tung Wah Hospital (now called the Tung Wah Group of Hospitals and practises both Chinese and Western medicine) emerged. Nowadays, the Yan Chai Hospital and the Pok Oi Hospital, together with the Tung Wah Group of Hospitals, continue the tradition. These days the Tung Wah Group of Hospitals is involved not only in health services, but also in education, philanthropy and welfare.
- 27 In those days, the abduction and trafficking of women and children were serious problems. In 1878, four prominent merchants presented a petition to the

⁶ See "Religion", Chapter 12 of this Report.

Governor, John Pope Hennessy, for permission to set up the Po Leung Kuk, whose purpose was to prevent such kidnapping and to protect the victims. The Po Leung Kuk later became an authorized organization. Like the Tung Wah Group of Hospitals, today it includes education, health, philanthropy and welfare in its services.

- 28 With limited involvement in local affairs, the Government provided little support for local culture and arts. The main cultural influence on Hong Kong came from Southern China because of geographical proximity. Frequent visits by artists and members of the literati from China led to the establishment of arts and culture organizations in the 1920s and 1930s. Most of them were amateur and non-profit societies. Cantonese operas and cinema were the major forms of entertainment at that time. In the 1940s and 1950s, many artists and intellectuals in mainland China migrated to Hong Kong in view of the unstable political situation and they set up arts and culture organizations⁷.

Hong Kong after World War II

- 29 The social situation changed significantly after World War II. The Chinese civil war of 1946-49 caused a huge influx of refugees from mainland China into Hong Kong. The Government had only limited resources to help them, and major services were left to third-sector organizations. With funding largely coming from developed countries and overseas relief organisations, third-sector organisations struggled alongside with the Government to feed, clothe and house the stricken immigrants. In the spirit of community, other groups also sprang up to serve the needy. Some of these were neighbourhood associations, known as *kaifong* associations, while others were formed by people who wanted to help those who hailed from the same area of China as themselves. These were known as “*tung heung wui*,” or “same-village associations.”
- 30 *Kaifong* associations emerged in 1949 with help from the Government. The leaders of *these* associations were mainly well-off members of the community. Their main mission was to provide free or low-cost health or educational services. Other associations, based either on family names or native places, were also established. These associations, which will be referred to in this study as clansmen’s associations, provided not only general social services but also job referrals, accommodations for new immigrants and financial aid.⁸
- 31 In the health area, the Government concentrated its resources on communicable diseases, particularly small-pox and cholera. This left a wide area of activity for third-sector organizations, including the fight against tuberculosis, family planning and community-based primary health projects.

Hong Kong during the economic take-off

- 32 The industrialization of Hong Kong started in the early 1960s. With the economic take-off, a more stable society and a growing population, the demand

⁷ See “Arts and Culture”, Chapter 11 of this Report.

⁸ See “District and Community-based organisations”, Chapter 3 of this report.

for better public services increased. With more resources on hand, the Government was also in a better position to deliver improved services to the people.

- 33 For example, in the health sector, the Government in 1957 outlined a forward plan in which it proposed numerical targets for hospital beds and clinics based on demographic projections. In 1964, the Government published a white paper, the first consolidated and publicly available document detailing the Government's development plans. The thrust was to build more hospitals, to expand the subvented⁹ sector and to increase the bed-to-population ratio.
- 34 The Government demonstrated its commitment to social welfare by issuing its first white paper on the subject in 1965. In this document, the Government emphasized that social welfare services were only meant to assist those incapable of standing on their own feet.
- 35 Faced with increasing social demands, the Government also provided legal services for the public. A Legal Aid Ordinance was passed in November 1966. It provided free and subsidized legal assistance funded by the Government. Professional bodies such as the Hong Kong Bar Association and the Law Society of Hong Kong have participated from the beginning in providing services. Over the past two decades, an increasing number of welfare, political and advocacy organizations have also offered various free legal services. These services include mediation, dispute resolution, legal advice, information hotlines and referral to formal legal services¹⁰.

The 1967 riot and its aftermath

- 36 In 1967, Hong Kong faced a political crisis. With the cost of living rising in Hong Kong and the Cultural Revolution at full boil in mainland China, an industrial dispute involving some disgruntled factory workers in May escalated into a full-scale riot. For weeks, Hong Kong was the scene of looting, bomb attacks, bloody clashes with the police and other acts of violence.
- 37 The Hong Kong Federation of Trade Unions played an active role in these events. Hong Kong trade unions had traditional links with China. Reflecting the rivalry between the Kuomintang and Communist Party, there were also rival camps of trade unions in Hong Kong, with the Hong Kong Federation of Trade Unions being pro-Communist and the Hong Kong and Kowloon Trade Union Councils being pro-Kuomintang.
- 38 During 1950s and 1960s, these trade unions were heavily involved in the political rivalry between mainland China and Taiwan. But on local labour issues, they both adopted a non-militant stand, delivering mutual aid benefits to their members instead of undertaking to negotiate with employers. Also, they rarely spoke up in public on labour issues¹¹.

⁹ (Note: subvention is not a common word in non-Commonwealth countries. It refers to the 'block grant' provided by the government to third-sector organizations in need of financial support.)

¹⁰ See "Law and Legal Services Organizations", Chapter 5 of this Report.

¹¹ See "Professional and Industry/Business Organizations, Trade Unions", Chapter 2 of this Report.

- 39 After the 1967 riots, the Government started an investigation into the origins of the disturbances. Income disparities, limited welfare protection for the lower class, and dissatisfaction with the colonial Government, especially among young people, were found to be major causes behind the unrest. As a result, the pace of social welfare development, particularly in youth-related services, was hastened.
- 40 Hong Kong became one of Asia's fastest-developing economies in the 1970s, with a flourishing manufacturing and industrial sector. With more resources at its disposal, the Government decided to spend more on social welfare. In its 1973 policy paper, the Government for the first time recognized voluntary agencies as an important partner in the area of social welfare planning. This resulted in a favourable environment for the growth of voluntary agencies, later called non-governmental organizations (NGOs). However, as the funding for voluntary organizations came to depend more and more on government subvention, they rapidly became less independent in many ways.
- 41 As Hong Kong was no longer viewed as a refugee relief area or a “less-developed country”, overseas donations and funds for voluntary welfare work began to dry up. Third-sector organizations needed to raise funds from the community in order to develop new and better services. However, fund-raising activities by individual organizations were disorganized and sometimes became confusing to the general public. The Hong Kong Community Chest was established in 1968 to coordinate most of the fund-raising activities on behalf of the voluntary organizations.
- 42 The Hong Kong Community Chest is still one of the important philanthropic intermediaries in Hong Kong. As mentioned above, given limited intervention by the Government, philanthropic intermediaries play an important role to fill the gap for funding third-sector organizations. Most of those intermediaries prefer a low-profile existence in order to maintain a high level of flexibility in their activities. They are generally small, and applications are considered on the basis of an intricate network of personal relationships as well as recommendations by past beneficiaries¹².
- 43 As Hong Kong needed more and more skilled workers to meet the demand for economic development, the Government began to put more resources into the education sector. In 1971, it started to offer six years of free and compulsory primary education for all children and, in 1978, extended this to nine years to include junior secondary education. In order to rapidly increase the placement of students, the Government built schools and subsidized third-sector organizations to manage those schools. At present, the majority of schools that provide basic education are run by third-sector organizations. The Protestant and Catholic churches are the two most dominant groups operating those schools. Among non-faith-based organizations, examples of major education providers are Po Leung Kuk, the Tung Wah Group of Hospitals, Lok Sin Tong, Shun Tak Fraternities and Yan Chai Hospital¹³.

¹² See “Philanthropic Intermediaries”, Chapter 13 of this Report.

¹³ See “Education and Research”, Chapter 1 of this Report.

- 44 With the rapidly increasing population and the scarcity of land, more and more people have been housed in multi-storey buildings. To improve the sense of “neighbourhood”, the Government encouraged residents to form residents’ associations and mutual aid committees. The committees are to promote mutual help to enhance security, improve the environment and permit more effective management of multi-storey residential buildings.
- 45 The Government also recognized the importance of providing recreational activities. Third-sector organized sports has a long history, with Hong Kong’s premier sports club having been founded in 1849 and the Amateur Sports Federation and Olympic Committee being established in 1950. The Government did much to ensure that sports and recreation were developed and made available to everyone. This includes subsidizing sports clubs, building and maintaining sports facilities, providing training for athletes, educating the public and coordinating sports activities. At present, Hong Kong has about a hundred community sports clubs based at public venues and affiliated to our local National Sports Associations¹⁴.
- 46 The Government also stepped up funding for arts and culture after the 1967 riots. In 1973, the then Urban Council, a major supporter of the arts, became financially autonomous. With its support, art activities have flourished.

1980s onward: preparation for change of sovereignty

- 47 In the early 1980s, Hong Kong once again had to face stark political realities. As the lease of the New Territories was scheduled to expire in 1997, the British and Chinese governments began negotiations on the future of Hong Kong. After Britain agreed to hand Hong Kong back to China, Hong Kong people, especially the middle class, realized that they needed to take part in politics more actively to press for a democratic self-governing Hong Kong after 1997. Meanwhile, the Government, too, instituted political reforms to increase its legitimacy in governance. District Boards were set up in 1982 as a laboratory for democratization. Soon, political groups such as the Meeting Point, the Association of Democracy and People’s Livelihood and the Hong Kong Affairs Society were formed. At the beginning, these political groups developed very slowly. One reason was that Hong Kong people were apprehensive that the emergence of political parties might lead to a political struggle in Hong Kong resembling that between the Kuomintang and the Communist Party.
- 48 The 1989 Tiananmen Square incident marked a turning point in popular attitudes toward political participation. People were more willing to accept political parties. “Pro-democracy” parties such as the United Democrats of Hong Kong (UDHK) were formed. In the Legislative Council election held in 1991, “pro-democracy” forces won the majority of directly elected seats.

¹⁴ See “Sports and Recreation”, Chapter 10 of this Report. Note : although Hong Kong is not a “nation”, traditionally international sports associations such as the International Olympic Committee has referred the highest level sports associations in Hong Kong as “National Sports Associations”, a term still being used in Hong Kong.

- 49 With the encouragement of the Chinese authorities, “pro-China” forces also began to organize political parties such as the Democratic Alliance for the Betterment of Hong Kong, which together with the “pro-business” Liberal Party sought to counter the “pro-democracy” forces. In 1994, the two “pro-democracy” political groups, Meeting Point and the UDHK, merged to form the Democratic Party.
- 50 Despite their small numbers, these political groups have been leading the debate on Hong Kong’s public affairs¹⁵.
- 51 The political changes also affected the trade union movement. As mentioned previously, Hong Kong trade unions were mainly linked to either the Hong Kong Federation of Trade Unions or the Hong Kong and Kowloon Trade Union Council. With the onset of democratic reforms, a new organization, the Hong Kong Confederation of Trade Unions, representing pro-democratic and independent trade unions, was established. Rather than concentrating on the rivalry between the Kuomintang and Communist Party, these trade unions began to focus more on local labour issues. Nowadays, as the rivalry between the Kuomintang and the Communist Party has subsided, the Hong Kong Federation of Trade Unions is also focusing more on the welfare of Hong Kong’s employees, while the Hong Kong and Kowloon Trade Unions Council has become moribund.

Other socio-economic changes since 1980s

- 52 The rapid economic development and build-up of infrastructure in the 1970s led to the emergence of Hong Kong as a cosmopolitan city in the 1980s. With this came a rise in international third-sector organizations.
- 53 As mentioned above, many international third-sector organizations have been involved in serving Hong Kong’s needy right from the beginning of the colony. However, as Hong Kong’s economy developed, the demand for the services from these international organizations was reduced. Instead, Hong Kong became for them a source of financial support and expertise for their operations elsewhere. For example, the Hong Kong offices of Amnesty International, Oxfam and the United Nations Children’s Fund raised funds here for their activities elsewhere¹⁶.
- 54 Meanwhile, Hong Kong people began to concern themselves more with universal social issues, which had previously been neglected, such as environment protection, human rights, consumer protection, poverty and civil society development.
- 55 In 1982, following the Chernobyl nuclear accident, a coalition of organizations collected one million signatures for a petition against the building of the Daya Bay Nuclear Power Plant, now situated right across the border, in one of the largest civil campaigns in Hong Kong history.
- 56 Prior to 1988 the Government labelled environmental organizations as

¹⁵ See “Political groups/organizations”, Chapter 6 of this Report.

¹⁶ See “International and Cross-Boundary Organizations”, Chapter 14 of this Report.

potentially subversive. However, as a number of pressure groups developed an educational role and gradually built up working relationships with the Government, the influence of environmental organizations was well entrenched in the policy making process by the end of the 1980s.

- 57 The Government accorded environmental issues a low priority before 1997. However, immediately after the handover, the combination of food hygiene scares, worsening regional air pollution and the SARS crisis led to increased public concern over environmental issues. The roles of environmental organizations once again become important¹⁷.
- 58 Until late 1970s only a few Hong Kong organizations were concerned with human rights or political issues. The pioneering organization was the Hong Kong Observers, which was concerned with the discussion of public affairs and government accountability. The Government did nothing to encourage people to discuss human rights issues. The Tiananmen Square incident changed the situation. The Government introduced the Hong Kong Bill of Rights Ordinance and, as a result, Hong Kong people became more aware of human rights issues. The Society for Community Organization, the Hong Kong Human Rights Commission and the Hong Kong Human Rights Monitor are third-sector organizations that focus on this area.
- 59 Human rights protection included the protection of minority rights. The rights of minority ethnic groups and of women are two important concerns of third-sector organizations.
- 60 Third-sector organizations working with the Filipino ethnic community first emerged in the 1980s. In the 1990s, many other groups emerged that focused on the prevention of exploitation of ethnic groups as well as on their general welfare. Some provide shelters or assist migrant workers with immigration problems. Other advocacy groups such as the Movement Against Discrimination campaign for laws against racial discrimination in Hong Kong.
- 61 The issue of women's rights has been on the agenda of third-sector organizations for a long time. Most of those organizations formed before 1980 provided social services and activities for women but seldom challenged the gender structure of society. More radical grassroots-oriented women's groups were formed in 1980s, including the Association for the Advancement of Feminism, the Hong Kong Women Worker's Association, the Federation of Women Centre and the Hong Kong Women Christian Council. They championed women's rights and made women's issues more visible in Hong Kong. Unlike the pre-1980s groups, these third-sector organizations were more progressive in articulating their demands and in mobilizing other social forces to support their agenda¹⁸.
- 62 The consumer protection movement in Hong Kong began in the 1970s. The major organization in this area is the Hong Kong Consumer Council. It is a statutory body under the 1977 Consumer Council Ordinance. Its main activities

¹⁷ See "Environmental Sector", Chapter 9 of this Report.

¹⁸ See "Civic and Advocacy Organizations", Chapter 4 of this Report.

include education, product research and investigation of consumer complaints and enquiries. The number of complaints registered with the Council continues to rise as more consumers have become aware of their rights. However, as the Government continues to stick to its “non-intervention” philosophy, the movement still has a long way to go.

- 63 The 1980s was a period in which Hong Kong people changed their attitudes toward Hong Kong and themselves. This was because of a demographic shift, with a Hong Kong-born generation growing up whose members identified more with Hong Kong than did their parents. They also were better educated and wanted to participate in and take charge of their own affairs. The Daya Bay issue was an example. The growing sense of a Hong Kong identity was also reflected in the development of professional associations and self-help organizations.
- 64 Although some professional associations developed as far back as the 1940s, many evolved in the 1980s. The Government also began to accord these associations statutory rights and obligations. These self-governing associations set up disciplinary procedures and undertook statutory functions such as licensing and registration. They also represent their members and fight for their collective interests.
- 65 Self-help organizations have become an important part of the health sector, with the number growing rapidly in the 1980s and 1990s. Self-help organizations can be defined as groups of individuals who organize themselves to pursue common goals in furthering their own welfare and interests. These organizations not only provide meaningful social, educational and leisure activities, but also promote a spirit of mutual help among people with disabilities. The Government has now formally recognized the important role that self-help organizations play in helping to rehabilitate patients.

Most recent development

- 66 Although the Government has been increasingly involved in providing services to the public, it continues to hold its “small-government” ideology and tries to delegate some of its functions and powers to quasi-governmental organizations and NGOs. The Housing Authority, established in 1970s by ordinance, is an early example. Another example is the Hospital Authority.
- 67 The establishment of the Hospital Authority was a milestone in the history of Hong Kong’s medical services. Throughout the 1960s and 1970s, medical facilities continued to be inadequate although the Government had poured resources into building new hospitals. Government hospitals were so crowded that camp beds had to be erected in hospital corridors. On the other hand, subvented hospitals run by voluntary organizations were left free to manage things in their own way, with little or no coordination with the Government. There was growing pressure for change in the beginning of the 1980s. Several Legislative Councillors proposed the concept of a “Hospital Authority” in 1983.
- 68 The Hospital Authority was finally established on December 1, 1990 as a quasi-governmental organization under the Hospital Authority Ordinance. It has an

independent Board of Directors but is accountable to the Government through the Secretary for Health, Welfare and Food, who is responsible for formulating health policies and monitoring the performance of the authority. Although the Hospital Authority is largely funded by the Government, it retains some operational autonomy¹⁹.

- 69 Hong Kong saw its most severe economic downturn in the wake of the Asian Financial Crisis of 1997. Faced with a structural budget shortfall, the Government has been reducing its funding in many areas. Meanwhile, the Government also changed its NGO subvention policies so as to introduce more market mechanisms.
- 70 In 1999, the Government suggested that the old input-driven social services provision system had become too rigid and cumbersome. Massive administrative work was generated, and the system provided disincentives for efficiency and stifled innovation. The Government suggested that funding would be based on a lump-sum grant, coupled with a mechanism for enhancing accountability. The aim was to achieve a more efficient and flexible use of resources by linking the allocation of funds to the output of services. Under the Lump Sum Grant policy implemented in 2000, the amount of subvention for an organization was capped according to the mid-point of the salary calculations of an organization in the year 2000.
- 71 Moreover, under the new policy, all new services would be allocated on the basis of a bidding process emphasizing both quality and cost. The Government tried to create a market-like mechanism to encourage competition among the various service providers. Private profit-making firms were not excluded from the bidding. The Government suggested that this would result in a more efficient service allocation process²⁰.
- 72 As the Hong Kong economy started to slow down after 1997, the Government began facing the problem of budget deficits. With funding for public services shrinking, third-sector organizations face a major challenge: how to continue providing high quality services.
- 73 In reviewing the history and development of the Third Sector in Hong Kong, it is evident that the sector has been closely linked with social and economic developments in Hong Kong. Also, the evolution of the Third Sector is associated with the changing needs of the Hong Kong community. The next part will examine salient features and issues affecting their development.

III. Salient Features of the Third Sector in Hong Kong

Introduction

- 74 Hong Kong prides itself on having a sizable and vibrant Third Sector which has contributed significantly to its development into a modern cosmopolitan city. The

¹⁹ See "Health", Chapter 8 of this Report.

²⁰ See "Welfare", Chapter 7 of this Report.

Third Sector of Hong Kong is highly dynamic, innovative and resourceful, and is composed of a large variety of organizations and groups varying in mission, size, activities, beneficiaries, and funding sources. However, because little systematic effort has been made to construct a comprehensive picture of the Third Sector in Hong Kong, our understanding of the Sector is largely impressionistic or anecdotal. The present study is the first attempt in this direction and it is hoped that further studies could be developed to increase our understanding of Hong Kong's Third Sector.

- 75 In the following discussion, we will draw from the data gathered through interviews and focus group discussions held between October and November 2002, to develop the salient features of the Third Sector in Hong Kong.

General Profile of Third Sector

- 76 The population size of the different sub-sectors surveyed in this research varies tremendously. For example, while the District and Community-based Organizations sub-sector consists of over 10,000 groups, the Politics and the Law and Legal Services sub-sectors both consist of fewer than 10 organizations. Many of the sub-sectors consist of over a thousand organizations. These include the Education and Research; Professional, Industry/Business, Trade Unions; Art and Culture, and the Religion sub-sectors. Those consisting of around 100 to several hundred organizations include Civic and Advocacy, Welfare Services, Health Services, Environment, Sports, Philanthropic Intermediaries, and International and Cross-boundary Activities sub-sectors.
- 77 But it should be noted that while the Welfare Services sub-sector supposedly consists of only 364 organizations, there are in actual fact 3,400 units in this sub-sector because most of the NGOs within this sub-sector consist of many sub-units. To further complicate the matter, there are also a few large "umbrella organizations" representing groups of NGOs, such as the Hong Kong Council of Social Service. A similar pattern exists in the Education and Research sub-sector in that there are 383 educational sponsoring bodies running a total of 1,604 schools. In terms of employed staff, over 59% of the surveyed organizations have only one to ten staff members, while half of the Big Organizations have over 1,000 staff members.
- 78 In our survey, it was found that organizations in the Third Sector generate a total annual expenditure of between \$18.59 billion and \$27.36 billion (with a mean at \$22.97 billion) as of October 1, 2002. This represents between 1.5% and 2.1% (with a mean at 1.8%) of the GDP of Hong Kong in 2002. It was also found that a total of between 149,230 and 371,800 (a mean of approximately 258,300) people work full-time for pay in organizations in the Third Sector, which is between 4.6% and 11.4% (a mean of approximately 7.9%) of the total work force of 3,267,000 in Hong Kong. Total membership in Third Sector organizations in Hong Kong ranges from 3.7 million to 8.3 million, with a mean at 5.6 million. This is a sizable sector in the socio-economic make-up of Hong Kong.
- 79 The above also suggests that the Third Sector of Hong Kong is highly diverse and that the organizations within the sector vary greatly in size and in structure.

It is therefore extremely difficult, if not impossible, to arrive at a generalized picture of the Third Sector of Hong Kong.

Mission and Core Values

- 80 Every organization has a mission. The mission can be broadly defined as those goals that the individuals who make up the respective organizations commit themselves to achieve. Third Sector missions are extremely diverse, representing a variety of ideologies and values.
- 81 The majority of Hong Kong's third-sector organizations champion missions that are charity and/or service oriented. Those from the educational, welfare, district and community-based, health, and philanthropic sub-sectors are key proponents of charity-oriented and/or service-inclined missions. As a result of their commitment to service-oriented mission goals, many of these non-profit voluntary organizations are instrumental in pioneering essential educational, health and welfare services for the Hong Kong community especially during the early years when the Government adopted a laid-back position towards public welfare provisions. These organizations continued to adhere to their charity/service missions and continued to provide high quality public welfare services to the local community even when the Government had shifted to a more active stance towards public welfare provision.
- 82 On the other hand, some third-sector organizations espouse missions that are highly ideological. Those from the Politics and the Civic Associations and Advocacy sub-sectors are typical examples. Their mission may range from those on the "right" to the "left"; from "pro-business" and "pro-market" to "pro-people"; and from "liberal" to "conservative". Among them, some endeavour to "change the world" by changing the status quo, while others accept Hong Kong's "materialistic orientation" but nevertheless try to provide improvements within given constraints. Some organizations within the Law and Legal sub-sector and the Environment sub-sector also subscribe to ideological missions, while others are more service oriented in their missions.
- 83 Organizations may subscribe to interest-based, faith-based, issue-based, profession-oriented, or development-oriented missions. Their chosen missions will direct their organizational functions and determine their directions. While some organizations are extremely sharp in their articulation of missions and in their development of strategies to achieve their intended missions, some organizations, like many of those in the district and community-based sub-sector, are not particularly clear in their missions and core values, largely because of their looseness in organization and the lack of leadership and resources. As such, it is natural that many of these organizations may be activity driven rather than mission driven, and pursue short-term and ad hoc goals rather than long-term, mission-driven goals.
- 84 But the missions and core values of third-sector organizations are not static and mutually exclusive. Many organizations may adhere to more than one set of missions and goals and may, for instance, pursue both ideological goals as well as service-oriented goals. Some Civic Associations and Advocacy as well as

Environment organizations are good examples. Moreover, many organizations, because of changing needs, demands and leadership in the organization or other reasons, have gradually modified their missions through the years. The evolution in organization missions and core values is a natural phenomenon in the ecology of organizational development and Third Sector development.

- 85 In our survey, it was found that 72.5% of Third Sector organizations primarily serve their members while 27.5% primarily serve the public. Over 66% of third-sector organizations provide services to residents in Hong Kong, while only 4% serve the public outside of Hong Kong. Each person living in Hong Kong receives an average of 4.3 times a year some service from third-sector organizations.

Major Activities

- 86 The activities of third-sector organizations are closely linked to their respective missions and goals. For those organizations that subscribe to charity/service-oriented missions, their major activities are focused on the provision of educational, health and social services. The amount of services provided by Third Sector organizations and the proportion of such services in comparison to those provided by the Government is phenomenal. For example, non-governmental educational organizations operate and manage 64% of kindergartens, 83% of primary schools, 68% of secondary schools and 100% of special schools in Hong Kong. The NGOs also operate about 70% of all social welfare services and over 100 hospital and health care units in Hong Kong. While the Government provides most of the funding for these operations, the NGOs running these services offer their reputation, experience, expertise, leadership and management resources. Moreover, most of these educational, health and social services were originally pioneered by NGOs, which had made significant contributions in laying the groundwork and setting the standard for these essential public welfare services.
- 87 Third-sector organizations that subscribe to ideological missions develop their activities in accordance with their mission goals. Activities of the Politics organizations naturally focus on organizing and promoting members' political and civic awareness through training and research; monitoring and influencing Government policies; linking between the Government and the people to handle complaints and to advocate public interests. The Civic Associations and Advocacy groups advocate the rights of specific groups concerned, such as women's groups and disabled or elderly groups; campaign and lobby the Government for the promotion and protection of human rights, social justice and freedom of expression; provide training and workshops to members; and provide counselling and consultative services for target groups concerned. The Environment and some International and Cross-boundary Activities advocacy groups likewise organize activities that aim at promoting public awareness in environmental/development issues and advocating corresponding policy changes. The Law and Legal Services groups provide free legal services, advice and assistance for the public and help in dispute resolution or mediation services out of court.

- 88 The activities of the interest-based or issue-based groups are highly diverse and are closely related to the core missions of their respective organizational functions. For example, the Arts and Culture organizations, and the Sports organizations focus their activities on the promotion and organization of arts, cultural and sports activities, and on advocating improved Government policies in their respective areas of concern.
- 89 Community-based groups, such as the Owners' Corporations, Mutual Aid Committees, Residents' Committees, Rural Committees and *Kaifong* associations are highly varied in terms of their size, functions, capacity and resources. As such, most of these organizations are primarily concerned with proper self-management. Those with more resources would organize social, recreational and cultural activities for their members and act as bridges between the Government and their members at the local level. The more established ones may even provide social and educational services to the public.
- 90 Trade/industry-oriented groups such as management associations, professional associations, trade unions and chambers of commerce organize their activities around issues and functions pertaining to the core missions of their respective organizations. Their activities mostly focus on membership education; standard setting and quality assurance; lobbying for improvements in Government policies and practices, and regional and international exchanges.
- 91 Religious groups are primarily devoted to promoting and engaging the public in religious activities and in the provision of social services for the public. In fact, these groups provide 16% of social services, 45% of health services, and 51% of educational services in Hong Kong.

Prime Beneficiaries and Sources of Volunteers

- 92 The majority of the third-sector organizations serve the public at large, while some render services exclusively to their own members. Their volunteers are also recruited from the community or from their respective networks.
- 93 The major third-sector organizations in the education, health and welfare sub-sectors provide services for the public at large. Numerous schools, hospitals and clinics and social service units have been established in different communities to cater to the needs of the public. In the main, they render their services to all those who need them, though prioritization based on fair principles may have to be established when resources are limited. These sub-sectors have also established associations and groups to provide opportunities for communication and exchange among professionals and service-users concerned. For example, there are Parent-Teacher Associations for parents and teachers, students' associations and alumni associations for students and graduates, patient self-help groups for hospital patients, and research groups for professionals who are committed to the long-term scholarly and policy developments of the respective areas of concern. Some volunteers in these sub-sectors are recruited from the public, though service users or ex-service users tend to form the core groups of volunteers for these organizations.

- 94 The district and community-based groups serve their members who generally are owners or residents in their respective communities. Their volunteers are recruited from the same pool of residents through community networking. The trade/industry-oriented groups regard as their prime beneficiaries their members. Their volunteers are membership based and are professionals who are committed to the missions and goals of their respective organizations. The interest-based groups also serve the public at large and recruit volunteers from their pool of supporters and service-users.
- 95 Faith-based organizations exist to serve the public in general and their members in particular. The different religious groups, dominated by the Protestant and the Catholic churches, play a significant role in providing education, health and social services. Volunteers recruited from their religious groups help both on the management boards/committees and in direct delivery of social services.
- 96 Advocacy groups are committed to serving the needs of their respective target groups, such as women, children, disabled, elderly, ethnic groups and racial groups. Their volunteers are recruited from members of the public who identify with their causes or from service users and their family members. The law and legal services groups endeavour to service those who encounter legal issues and problems and their volunteers are recruited from legal professionals who identify with the cause of the respective groups concerned. The politics groups endeavour to serve the needs of the public in general and their members in particular. Their volunteers, who are usually their members, assist in election campaigns and organize community functions. But the volunteers tend to identify and affiliate with individual figures or “political stars” rather than with the political groups as a whole and this has often given rise to problems in volunteer recruitment and retention.
- 97 In our survey, it was found that 57% of third-sector organizations in Hong Kong use volunteers while 30% did not. (The remaining organizations did not respond to this question.) The mean total number of volunteers is estimated at 553,890 (or 8.2% of the Hong Kong population, or 15.7% of the total workforce), and the mean number of volunteers per organization is estimated at 106. The contribution made by volunteer labour in third-sector organizations in Hong Kong in 2002 can be expressed as a labour cost ranging from \$53 million to \$83 million, with a mean value at \$68 million.

Sources of Funding

- 98 Third-sector organizations in Hong Kong tap into different sources of funding to support their activities (sectoral details are tabulated in an appendix to this chapter). Local funding sources include Government subventions and grants, contributions from parent organizations, assistance from other NGOs, membership fees, Flag Day proceeds, charges for activities, private sector sponsorships, individual donor contributions, direct marketing incomes, sale of pro-bono services, sale of products and for-profit activities. A few of them also tap into overseas grant-making bodies for funding support.
- 99 However, many third-sector organizations in Hong Kong, especially those in the

educational, health and welfare services sub-sectors, are heavily reliant on Government subventions to support their services and are becoming increasingly indistinguishable from the Government in their missions and operations. For instance, while the Welfare sub-sectors used to be highly innovative and independent both in service development and in financial management, the fact that many NGOs depend on the Government for as much as 90% of their funding sometimes means that their degrees of autonomy and flexibility could be constrained. The introduction of market-driven measures such as competitive bidding seems to have created some frustration among the NGOs and has diverted their attention from service innovation and development to contract bidding, fund raising and politicking. The Education and Health sub-sectors are experiencing similar problems. In view of the difficulty in raising funds from other sources such as the Community Chest, foundations and the market sector due to the recent economic recession, it is likely that third-sector organizations in education, health and welfare will have to continue to depend on the Government for much of their revenue, at least in the foreseeable future.

- 100 District and Community-based groups secure their funding primarily from management or membership fees paid by local residents. Small Government grants to Mutual Aid Committees and Rural Committees, as well as donations from committee members, also help provide necessary funding to support their occasional activities. Though their funding is relatively stable, it is by no means substantial; so they are seldom able to sustain activities and projects that have long- term impact on the community.
- 101 Trade/Industry-oriented groups obtain their funding from membership fees, member donations, investment income, levies, fees from training and continuing education programmes, seminars and conferences, publications and occasional small Government funding support. While some organizations are extremely resourceful and powerful, others are very small and do not have steady funding sources. The financial stability of the organization impacts strongly on its capacity to achieve intended goals.
- 102 Interest-based groups including the Sports sub-sector and the Arts and Culture sub-sector obtain Government subventions, corporate sponsorship, private donations and activity fees. While many of these organizations also rely on the Government for funding, their funding sources are adequately varied so as to allow them to maintain a high degree of autonomy and flexibility in their activities.
- 103 The faith-based organizations are relatively more independent financially. Funding for religious activities is mainly supported by donations both locally and overseas and some groups are supported financially by their parent organizations. Though the Government does not subsidize these faith-based organizations in cash, it provides resources such as land allocation for places of worship and social service complexes, and provides subsidies for educational, health and social services rendered by faith-based organizations.
- 104 In our survey, it was found that the largest sources of operating income for third-sector organizations in the past year were ranked in the following order: direct

Government subvention or grant or reimbursement arrangement (28%), membership dues (18%) and private donation or sponsorship (15%).

- 105 Third-sector organizations with strong ideological and advocacy missions, such as those in the Civic Associations and Advocacy and Politics sub-sectors and some in the Law and Legal Services and Environment sub-sectors, mostly suffer from lack of funds. These organizations obtain their funding from members' donations, local and overseas foundations, churches and occasional government project/consultancy fees. But by virtue of their advocacy nature, many of these organizations tend to avoid regular funding support from governments and private corporations in order to avoid possible conflict of interest and loss of autonomy. However, some important business people fund certain pro-establishment political or lobbying organizations and think tanks using their private money. The lack of stable funding has affected the effectiveness of many organizations in this category in achieving their ideological missions and in organizing activities with a long-term impact on society.
- 106 International Cross-boundary organizations are heavily dependent on fund-raising activities and donations from individuals, corporations and overseas bodies to support their services. Because of the highly focused missions of these organizations and their specific service areas/targets, they are able to maintain their normal services without much government subsidies.
- 107 Philanthropic Intermediaries are funding bodies that provide money to third-sector organizations. They derive their funds from investment returns, private donations, sponsorship, fees and charges. However, most of these organizations are not transparent in their funding strategies, policies and selection criteria. It is evident that the provision of financial support by Philanthropic Intermediaries to third-sector organizations has played a key role in facilitating the development of a vibrant and innovative Third Sector in Hong Kong.

IV. Links among the Government, the market and the Third Sector

- 108 The market, the government and the Third Sector have different characteristics, operate on different assumptions and logic, and are best suited to perform different tasks. The market runs on competition, efficiency and profit principles. Under ideal conditions it is the main productive sector employing the largest number of people. The government sector emphasizes impartiality, openness, formality, stability, representation and public accountability, although in recent times, certain virtues of the market sector, such as efficiency, responsiveness and flexibility, have also become valued characteristics. Under ideal conditions, it should be small but effective, strong but unassuming. The Third Sector relies heavily on freedom participation, trust, goodwill, spontaneity, shared values, team spirit, as well as gratuitous give and take. While not emphasizing the number of people it gainfully employs, it seeks to involve all members of the community in different aspects of its activities.
- 109 Third-sector organizations often come into existence to meet certain social needs not best met by either the Government or the market. As these needs change in time and may arise very quickly, successful third-sector organizations must be

very adaptable and responsive. In fact, third-sector organizations are diverse in terms of size, nature, purpose, form, governance, mode of service delivery and duration of existence. They also relate or link to the two other sectors in many different ways in order to best achieve their objectives. These linkages bear more in-depth analysis.

- 110 The three sectors relate to each other through three types of interactions or flows. They are the flow of people, of resources and of ideas or volitions.
- 111 People may be gainfully employed in one specific sector, but as free individuals, they flow from one sector to another, bringing with them demands that they hope can be satisfied, or supplies that they hope will be valued. The flow of people through the sectors measures the vitality and the *raison d'être* of each of the three sectors. For Hong Kong's Third Sector, we have ample evidence pointing to the inflow of people and ideas from the two other sectors. Members of the Government and private business often sit on the boards of directors of third-sector organizations and participate in their activities as volunteers. On the other hand, the flow in the opposite direction is probably not as strong. While a few major corporations have invited third-sector persons to sit on their boards, this is not yet a pattern. While the Government does invite third-sector people to sit on many of its advisory committees, they do not exert significant influence. In fact, a commonly heard grievance from the focus groups organized by our research team was that third-sector people do not have much influence even in advisory committees that are supposed to give policy ideas to related bureaux. While this flow disparity may be quite universal across countries, the political situation of Hong Kong makes it especially important to address the problem.
- 112 Aside from the demands and supplies that people bring to the various sectors, they also bring along ideas and volitions, and these impact on how each of the sectors will function in the future. In this study, we find that some organizations (1.35%) are explicitly pressure groups or political organizations, and their efforts are mainly directed at educating or persuading the public and influencing or lobbying the Government or corporations. Other Third Sector organizations may be more service oriented (27.5%), but still, in their course of operation, they may also present ideas and volitions to the two other sectors for some desired outcome from their own organizational perspectives. The private sector, as ultimate major producer of resources for use by the other two sectors, can also exert influence to demand better performance from the latter. Thus, in recent years businesspeople are among the most enthusiastic in demanding public sector reform in Hong Kong. The Government, in turn, has been passing along some useful private-sector ideas that it has adopted, such as operational efficiency, financial accountability, etc, to the Third Sector. The move by the HKSAR Government to change the funding and internal financial operational modes of subvented Social Welfare organizations is one good example. More generally, the Government may also provide incentives and encouragement, apply pressure, promulgate laws and set policies to guide the development of the other two sectors and effect changes along certain desired directions. The 2001 call by the HKSAR Chief Executive to develop a more vibrant Third Sector in Hong Kong is a prime example. Throughout Hong Kong's history, the legislative approach has even called into existence third-sector organizations such as the Po Leung

Kuk and the Tung Wah Group of Hospitals. There, the role of the Government is that of a regulator as well as a facilitator.

- 113 In Hong Kong, except in certain restricted areas, the Government does not take part in productive activities that the market can adequately provide. Thus, the market remains the sector that produces the bulk of goods and services, or generally the resources, of our society. The resources available for use by the Third Sector are therefore mainly and ultimately coming from the private sector. Thus, while the subvented third-sector organizations receive much of their financial resources from the Government, these resources are actually produced by the market sector and expropriated by the Government in the form of revenue. There is a more direct way for resources to reach the Third Sector from the private sector, and that is through corporate or private charity donations. At present, while we do not have cut-and-dried figures, evidence suggests that the indirect way accounts for the bulk of Third Sector revenue, so that there is a heavy dependence of Third Sector organizations on the Government. In fact, the survey of this study shows that direct government subvention or grants and other reimbursement arrangements are considered by 39.5% of the respondent organizations as either the first or second largest source of funding²¹. Thus, it can be safely said that government funding directly determines the financial well-being of over 40% of our Third Sector organizations. While different countries have different percentages of direct resource support for their Third Sector by their public sector, that in Hong Kong seems to be very much on the high side. There are serious arguments in favour of lowering that ratio, and the matter should be a major point for consideration in any subsequent study of the Third Sector to be undertaken by the Government.

V. Issues Facing the Third Sector

- 114 Third-sector organizations exist to bring about a change in individuals and in society. They come in all shapes and sizes with a myriad missions that reflect the many needs and aspirations of modern society. This section provides an analysis based on interviews and focus group discussions held between October and November 2002 to identify what third-sector participants thought were the key issues facing them.
- 115 In broad terms, there were two sets of issues: first, those that related to the overall capability of the Third Sector, and second, those that related to the environment in which an NGO operates in Hong Kong. These issues are interlocking and inter-dependent as they reflect not only the overall development of the Third Sector but Hong Kong society in general and thus will be discussed together here. This section includes capacity issues, such as fund raising, managing NGOs, NGO accountability, as well as government policy.

Issues Facing the Third Sector

- 116 Virtually all the individuals and groups interviewed said funding was their key constraint. Other issues highlighted were inadequacy in leadership and

²¹ See Tables 20 and 21 in the Chapter on Survey.

management skills (which is also related to the lack of funding in terms of the quality of people the Third Sector can attract to work full-time), and in attracting quality board members and managing volunteers. A high proportion of the key representative of the Third Sector interviewed feels unappreciated and undervalued by the Government and commercial sectors. They feel that the other sectors as well as the general public do not understand the importance of their work in building social capital and strengthening social stability in Hong Kong.

A) Funding Difficulties

Fund raising is perceived to be the biggest challenge for the Third Sector. Our study found that Hong Kong third-sector organizations could be divided into those that receive a substantial portion of their income from Government subventions and grants, and those that rely primarily on private donations and support.

a) Government-subsentved third-sector organizations

In terms of numbers, welfare, health and education organizations are among the most numerous. The Government funds the vast majority of them either directly or indirectly. With a contracting fiscal outlook since 1997, most of the third-sector organizations interviewed worried about an even more drastic reduction in funding in the coming years. For those providing various welfare and social support, the Government's 2003-2004 budget reduced welfare spending by 11%²². While additional government funding has been set aside for public health and hygiene programmes as well as building social cohesion projects as a direct result of the SARS outbreak in March 2003, majority of the third-sector organizations relying heavily on government funding reported that they would continue to find it difficult to make long-term plans as a consequence of the Government's continuing budget deficit.

An important observation by the interviewees was their worry that NGOs relying heavily on government subvention lost some of their independence as they sometimes had to modify their programmes or make compromises in order to satisfy Government priorities. Some of them also felt that it was harder to play an advocacy role where their views were opposed to those of the Government.

b) Privately funded third-sector organizations

However, it should not be overlooked that private funding is not insubstantial since the Religious, Professional/Business/Industry/ Trade Unions, the District/Community/Owners' Incorporated, and the International NGOs depend mainly on non-government sources of funding for their operations. These third-sector organizations were also impacted by unpromising economic conditions and expected lower incomes in the short term.

²² Budget 2003-2004, paragraphs 65 and 66. This reduction is however largely due to the adjustment of social security payment in accordance with the Social Security Assistance Index of Prices. In fact, excluding CSSA/SSA, welfare spending for the said budget period actually *increased*.

One aspect worth noting was that those third-sector organizations that represented professional and business interests were cautious of their advocacy roles especially when their views differed from those of either the Government or the senior echelons of the business establishment. In the cases of chambers of commerce and professional institutes, since their member companies or professional members were a part of the market sector, and the Government and big business were some of their major commercial clients, they were more eager not to appear to be anti-government or be critical of the big players in the market sector.

The following are some of the issues which the Third Sector faces with regard to funding:

i) *Alleviating the funding problem*

Funding was seen as the biggest issue by the interviewees. Many of their concerns were systemic in nature and could not be solely attributed to Hong Kong's current economic conditions. They felt that they did not have sufficient financial and full-time human resources to serve the needs that they clearly saw in society. Furthermore, there was no additional resource to help third-sector organizations become more capable in managing their organizations and promoting their issues. Many of the interviewees lamented that they knew they were not reaching their full potential due to a lack of funding. Funding was an issue also because many NGOs, big and small, said they were unfamiliar with fund raising and did not have the necessary know-how to build a donor constituency or to fully exploit the market for private "giving" in Hong Kong (although this may be more of an informational rather than funding problem per se). With a heightened awareness in corporate social responsibility as well as with individuals setting up funds and foundations to support social enterprise, there is an opportunity for the further development of private giving in Hong Kong that all sectors should have an interest to encourage.

ii) *Funding diverse endeavours and activities*

The diversity and complexity of society creates many needs, some of which are crucial to creating a just society and building overall social cohesion. The same can be said for advocacy and political groups since their ideas often pave the way for an open society and the path of social progress. It is the totality of breadth and depth of the Third Sector that makes a strong and interesting society in a global world where cities and countries compete not just on commercial and economic terms but also in intellectual, social and cultural diversity.

Hong Kong is a wealthy community with an average per capita GDP of about US\$24,000. Hong Kong can be tapped more effectively by third-sector organizations. In view of the generally

high level of sophistication of Hong Kong society, the skills of fund raising and the art of giving are capable of becoming better developed. It is beyond the scope of this report to discuss how to help third-sector organizations improve their fund raising capabilities as well as help donors and potential donors to understand better the power of “gift-giving” to the Third Sector. Suffice it to say that there is much that Hong Kong can learn from overseas countries where the Third Sector is relatively more developed.

iii) *Difficulties caused by Government restrictions on funding*

It is obvious that the HKSAR Government²³ and society want to see an efficient and innovative Third Sector. However, there seem to be certain underlying assumptions about the sector by the Government that need to be changed in order to promote greater efficiency. These assumptions can be seen from how the Government funds NGOs. Some of our interviewees disclosed that their main problem encountered is that the Government expects those labouring in NGOs to work substantially as volunteers. This assumption also underlies some of the new public sector funds.

The ceiling on paying for people’s time is also prevalent in some private funds presumably having copied it from long-standing government practice. Such private donors also seem to want to pay out-of-pocket costs but not the people who generate the intellectual content. The prevailing official attitude seems to be that people should be willing to help others without expectation of financial compensation.

Such an attitude implies that community work is unworthy of full payment when compared with the commercial sector because the Third Sector is seen essentially as the charity sector where people should work with at least some volunteering spirit. This assumption may misconceive the role of the Third Sector in a modern society, and lead to continuing under-valuation of the sector’s importance and runs counter to the need to attract good people to work full-time in the Third Sector.

B) Leadership and Management Skills

Almost all the interviewees identified human resources issues as a primary problem facing third-sector organizations. The following are the key issues identified:

a) Leadership

i) *Internal organizational leadership*

²³ Chief Executive Policy Address, 11 October 2000, *Serving the Community, Sharing Common Goals*, paragraph 98.

Leadership is critical to any organization in determining its development. Our study showed that leadership appeared to be a more significant issue for third-sector organizations founded in Hong Kong than for organizations founded overseas. It may be that international third-sector organizations linked to a global network are more prestigious and resourceful and thus find it easier to recruit people, whether from overseas or locally, who see those jobs as meaningful and challenging or as stepping stones in their careers. The terms and conditions for employing the heads of international third-sector organizations appear to be reasonably competitive. Another difference worthy of note is that the international third-sector organizations in general are more interested in and know more about the Third Sector in other parts of the world than do local ones.

ii) *External leadership*

In terms of looking at leadership not just within an NGO but also for the Third Sector as a whole, we detect that there is room for NGO leadership to emerge to help clarify issues in the broad interest of the entire sector. For example, there was an interest from many interviewees in more sharing of NGO best practices by increased networking. While some NGOs said they wanted the Government to take a more active role in organizing them, there is room for third-sector leaders see the formation of federations and alliances among themselves as a possible way for empowerment.

b) Recruitment

There are three issues relating to third-sector recruitment:

First, there is insufficient funding to hire enough qualified people to carry out the work at hand, leading to constant understaffing. Hiring experienced people is difficult as the terms that most local third-sector organizations can offer are just too uncompetitive.

Second, it is difficult to find the right candidate even if funding is available. While there may be many applicants for jobs in a depressed economic environment, finding the right people remains challenging, as the pool of people with solid NGO experience is small.

Third, many smaller third-sector organizations with no office and paid staff depend entirely on volunteers. Their ability to function depends on what private resources they can solicit and the time that they can put into pursuing their cause. This state of affairs is prevalent among Advocacy, Community, and Recreation groups, proper administration for which may be haphazard.

The reasons for recruitment difficulties include failure of candidates and education institutions to view the Third Sector as a legitimate career option; lack of long-term commitment (thus high turnover); poor

literary skills (and in particular for international third-sector organizations, the lack of English or multilingual abilities); lack of relevant training/expertise in Hong Kong, and lack of experience in volunteer development. It is also particularly difficult for Advocacy organizations to find the right candidates who are passionate about their issues.

c) Staff management

A critical issue in management is the appropriate re-allocation of manpower resulting from government restrictions. For government-subsidized organizations in the Education, Health and Welfare sub-sectors, there were complaints about heavy workloads in dealing with bureaucracy and administration, which took valuable time away from frontline work. For other third-sector organizations, including small advocacy groups most dependent on volunteers, people who work for them generally have heavy workloads, which often lead to “burnt out”.

d) Volunteers and Boards

The Third Sector may be said to have three types of volunteers: those who serve at the board level, volunteers who provide professional help, and general volunteers. In general, our study showed that interviewees had problems finding, using and keeping volunteers. This may well be due to a lack of focus and inexperience in how to put volunteers to good use as well as not having sufficient time to spend on developing the volunteers.

i) **NGO Boards** – The key function of a board of directors is to ensure proper governance of an organization. However, there is a substantial difference between how a board functions where the NGO is a start-up and one that is already established or that is large and having a long history. Whichever stage it is in, the board and staff need to work as a partnership. Start-up boards are often quite “hands on” as the board members are usually believers in the cause and understand the organizational mission well. A more established NGO board helps deal with macro and strategic issues. Board members are often people with a close connection to the organization to whom staff can go for assistance ranging from talking ideas through to seeking fund raising help and asking for introductions to others who may be helpful to the organization. The more established and large NGOs in the health, welfare, arts, tertiary education and business sectors have influential people serving on their boards and councils although the degree of participation and involvement vary considerably. The interviewees generally expressed difficulty in finding the right board members who are willing to be active and who can use their connections and resources to build the NGO.

ii) **Professionals** – Apart from religious organizations, the other third-sector organizations prefer to have greater participation by

professional volunteers whom they could call upon for a variety of expert advice beyond having law and accountancy firms serving as honorary legal advisers and auditors. This is necessary in an increasingly knowledge-driven environment where third-sector organizations must display sufficient expertise in carrying out their missions. Working with third-sector organizations can provide professionals with employment opportunities and even better career development, as well as more latitude in trying out new ideas or ways of doing things.

- iii) **General Volunteers** – Many NGOs, particularly government-subsidized welfare and health organizations, recruit volunteers on an ad hoc, short-term, basis. Some use volunteers to perform core services where resources are insufficient. Volunteers in these sectors often receive basic training on how to perform their work but the high turnover rate means the NGOs have to spend considerable time on equipping volunteers to assist them. Some third-sector organizations do not have the capacity, competence and/or resources to use volunteers effectively as these volunteers need clear guidance as well as close supervision. Political groups said they had problems sustaining longer-term interest among their volunteers. Language is a barrier for international third-sector organizations to recruit volunteers, as it is a barrier for local Cantonese-speaking organizations to tap the non-Chinese speaking community in Hong Kong.

C) **NGO Reputation and Accountability**

While most third-sector organizations said that Government policies do not require or encourage NGOs to operate at a high standard of transparency and financial accountability. This may well be the result of the longstanding *laissez-faire* attitude within Government culture. Since notions of transparency and accountability are relatively new even for the Government and market sectors, it is not surprising that there is a lack of specific requirements on these issues for the Third Sector. However, with these notions gaining ground in Hong Kong, including the push for better political accountability within the Government and corporate governance within the market sector, the interest in ensuring higher standards within the Third Sector will likely follow. The Social Welfare Department recently published a booklet called “Leading Your NGOs” and commissioned a study on corporate governance of the subsidized non-governmental organizations in Hong Kong. The major objective is to further strengthen the corporate governance of publicly funded organizations.

- a) Overall positive public view of third-sector organizations
A majority of the third-sector organizations interviewed did not see ethics and accountability as problem areas for the Third Sector. They believed on the whole that the sector operated with integrity and that the overall reputation of the Third Sector remained positive in the public’s mind. Many of them also saw themselves as leaders in such areas as being equal opportunity employers.

The positive overall attitude towards third-sector organizations has much to do with the fact that these are non-profit organizations. The public accepts that on the whole third-sector organizations do what they do for the social good and not for financial gain. However, while they have a generally favourable view of the Third Sector, the irony is that they have low expectation of their performance and accountability precisely because of their non-profit nature. As discussed in a previous section, this leads to the work of the Third Sector being undervalued. As a result, parents, schools and students do not see the Third Sector as a priority when it comes to career development, resulting in third-sector organizations having staff recruitment problems.

b) Lax regulatory structure

The assumption that third-sector organizations do not operate for profit has also led to low levels of regulation. The Societies Ordinance reflects this assumption most clearly. The law requires “societies” to be registered. Section 2 defines “societies” widely to include “any club, company, partnership or associations of persons, whatever the nature or objects”. Section 5A provides that a society established solely for religious, charitable, social or recreational purposes or as a rural committee can apply for formal registration exemption. Societies are however not required by law to have their annual accounts audited. While that is not to say third-sector organizations formed under the Societies Ordinance are financially less accountable, the fact is that the matter is left to individual organizations on a voluntary basis.

In reality, whether formed under the Companies Ordinance, which does require annual auditing, or under the Societies Ordinance, NGOs that receive government subventions or private sector grants must comply with what the funding organizations require in terms of accounting and accountability. Social welfare NGOs receiving money from the Social Welfare Department or NGOs receiving funds from large donors, such as the Hong Kong Jockey Club, have to provide detailed accounts on each item of spending, an effort that takes considerable time to track and prepare.

A number of international NGOs pointed out that the regulatory gate-keeping role is paradoxical. In the case of the Inland Revenue Department, once charitable status has been granted, there is no mechanism for regulating fund-raising. These NGOs believe the whole sector would benefit from having to observe a higher standard of accountability, which could best be done through an explicit government policy backed by legislation that regulated non-profit-making organizations.

c) Conflict of interest

Some third-sector organizations pointed to potential areas of conflict of interest. For example, the interviewees pointed to situations where the management of an NGO became “too friendly” with Government

officials in order to get more benefits; where environmental groups compromised their independence by getting “too close” to corporate donors; where political groups toned down their criticisms after accepting donations from large donors; and where issues were “blown-up” in order to get greater media coverage. The international NGOs raised the issue of how NGOs could be less “pressured” into changing their positions after they have accepted a donation and suggested that stronger and more frequent networking among NGOs might help.

D) Attitude Towards Government Policy

a) General policy towards third-sector organizations

In terms of government policy towards the Third Sector, the interviewees wanted to see the following:

- Official recognition and acknowledgement of the importance of the Third Sector to the overall well-being of Hong Kong;
- Development of a policy to enable the Government to play a better facilitation role to enable a more vibrant Third Sector; and
- Consultation of and partnering with the Third Sector by the Government in the development of better specific policies.

b) Specific policy areas

Beyond funding issues, many interviewees brought up issues relating to government policy in other areas. The various sub-sector reports to this study reflect the many areas of public policy that the interviewees thought were inadequate or wrong. Each of the appended sub-sector reports provide a list of what the interviewees saw as some of the most urgent policy areas requiring attention.

c) Underlying mistrust and tension

It is also important to note that some third-sector organizations were suspicious of the Government. They expressed a certain degree of “distrust” with the current administration and feared that the Government’s effort to compile a third-sector report would be used to negatively influence the work of NGOs in Hong Kong. The suspicion and distrust were strongest among those who saw themselves as embodying very different ideas from official policies, such as those engaged in advocacy, human rights and social movements. For example, the issue over national security legislation to implement Article 23 of the Basic Law was taken by them as a case in point. On the whole, NGOs guarded their freedom of speech and of expression as well as of association and assembly vigorously. A few of the NGOs contacted did not want to be interviewed for this study at all because they were highly suspicious of the Government’s intention.

VI. Overall limitations of the current study

117 The Third Sector is a relatively new concept to Hong Kong, though in substance it has been well developed. This study intends to take stock of what there is in this non-government, non-market sector, and to find out its characteristics. With this study being the first of its kind, we have understandably encountered many difficulties, ranging from inadequate awareness of the Third Sector by Third Sector organizations to practical problems of data collection. Details have been listed in the chapter on the survey. Such problems have inevitably given rise to reasonable doubts on the reliability of the quantitative results or the sketchiness of the qualitative findings. In the study we have encountered the following difficulties, among others:

A) Difficulties in classification of organizations

As there is great diversity in the nature and the service provided by organizations in the Third Sector, there has been much discussion regarding classification of certain organizations. The first point concerns organizations specific to the Hong Kong social environment which might not have been anticipated in the JHU classification, such as educational foundations set up for tax rather than philanthropic purposes. The second point concerns organizations in Hong Kong that have been classified in a way different from the JHU definition, such as services for the disabled, which have always been classified, and received funding, as welfare, not advocacy, organizations in Hong Kong. Similarly, certain victims assistance groups have been treated as welfare and not legal-related organizations. The third point concerns organizations which provide multi-services that span several categories in the JHU definition. These include both religious and non-religious organizations that provide education, health and welfare services all under one umbrella. One special category, known as “Big Organizations,” was created for them. Moreover, due to the large number of Owners Incorporated organizations and the singular function they perform—mainly building management, we separated them from other community and district-related organizations so that their responses would not skew the results of other community and district-related organizations.

B) Inadequate information on the Third Sector to construct a sampling frame

As there is neither a central database of organizations in the overall Third Sector nor in individual sub-sectors, much effort and time had to be spent to compile the addresses and telephone numbers of organizations. Sometimes, even official organizations such as Mutual Aid Committees did not have up-to-date records. In addition, quite a number of organizations did not apply for tax-exemption status under the Inland Revenue Ordinance and are not on the List of Approved Charitable Institutions and Trusts of a Public Character, 2002, published in Special Supplement No. 4 to the Government of the Hong Kong Special Administrative Region Gazette No. 30 of 26 July 2002. It was not possible for us to discover their profile and operations from this study. As a result, the picture we draw from our study does not include them. The population frame that was constructed represents only a best effort, non-exhaustive frame, and may not include all organizations that

should have been included in the Third Sector under the JHU definition.

C) Lack of awareness about the Third Sector

Many third-sector organizations themselves were not aware of the concept of “the Third Sector” and did not choose to respond to the survey. This could have contributed to a lower-than-hoped-for response rate.

In interviews and focus group discussions we encountered the following difficulties, among others: some organizations refused to be interviewed or to participate in focus group discussions because they suspected that there were ulterior government motives behind this study; some groups did not realize that they were part of the Third Sector; some organizations were prohibited by statutory supervisory entities to take part in the study because there were perceived conflicts between their organizational role and the purpose of the study.

The study also coincided with proposed policy or legislative changes which affect, in various degrees and to various extents, the operations of third-sector organizations, leading some to withhold response. For example, some advocacy groups in particular rejected the interviews due to the notion that some researchers might be agents from the Government during the process of enacting legislation to implement Article 23 of the Basic Law.

Summary of Sub-sector funding sources

Sub-sector	Code	Funding Sources
Education and research	ER	Most educational institutions are publicly funded and most research institutions are attached to universities. Universities face substantial funding cuts in the next few years and need to explore both charging higher fees as well as cutting cost and programmes. A substantial part of university research funding comes from the Research Grants Council, with some funding also coming from companies particularly those related to technology and applied research.
Professional and industry/business organizations, including trade unions	PB	Membership fees and cost-recovery activities fund local and international chambers of commerce and business and professional associations. While some are well funded, the smaller organizations have greater funding pressure in times of economic downturn. Trade unions depend on membership fees and some have funding from overseas sources.
District and community-based organizations	DC	In many district, rural, and clansmen organizations, the main source of funding is board/committee members. The organizations may apply for modest public funding for specific activities, such as local clean-ups.
Owners' incorporated	OI	Funding comes from residents paying monthly management fees. Owners committees may also apply for modest public funding for specific awareness building activities, such as improving public hygiene.
Civic associations and advocacy	AV	Groups working with the elderly, disabled and children receive partial funding from the Community Chest but those working on human rights and equal opportunities depend mostly on volunteer time, private funding by the active members, and in some cases grants from overseas foundations.
Law and legal services	LL	In all the areas covered under this category, government funding provides the majority of the NGO income. The main NGO concern is government bureaucracy and inflexibility in funding prioritisation.

Sub-sector	Code	Funding Sources
Politics	PL	Political parties and groups rely heavily on members serving in the District Councils and Legislative Council to contribute a part of their public salaries to party coffers and to use government funding for the running of their offices to help cover staff and local activities costs. They have heavy fund-raising commitments prior to election times. They raise money by selling raffle tickets, and organizing annual fund-raising dinners and street donation events. Some of the parties have good connections with the business sector and have been able to raise substantial funding from companies and businessmen. Some of them reported that the amounts they could raise in recent years had been smaller due to the economic downturn.
Welfare	W	This large sector providing direct services to the needy and the disadvantaged depends substantially on government subvention and from bodies such as the Community Chest and, to an extent, the Hong Kong Jockey Club, which usually give priority to those areas that the Government favours. Government funding is expected to continue to be cut back in the foreseeable future for many service areas. Some NGOs experimented with “for-profit” businesses to raise funds, such as by extending their services to the middle class and charging higher fees.
Health	H	Hospitals under the Hospital Authority’s management are publicly funded ²⁴ . Nursing, elderly homes and mental health institutions are mostly subvented as well. While more funding is expected in SARS prevention areas, by and large funding is expected to be cut. Some NGOs experimented with “for-profit” schemes, such as by operating nursing homes for the elderly.

²⁴ (Note: In this study, the Hospital Authority is not included as it represents a statutory body established by government. The major roles of the HA are to coordinate and monitor all the schedule I (formerly government hospitals) and schedule II (formerly subsidized hospitals). Funds for the HA come mainly from the Government.)

Sub-sector	Code	Funding Sources
Environmental	EN	The Government does not subvent environmental NGOs. The more established ones with offices and paid staffs are constantly raising funds to cover cost and promote projects. They apply for grants from a variety of sources, including government environmental schemes, corporate funds, the Hong Kong Jockey Club and private foundations. The smaller NGOs are usually managed entirely by volunteers using their own private resources.
Sports and recreation	SR	This sector has access to funding through a number of sources. Those national sports associations are funded by various government departments and funds although funding is often not adequate for hiring staff and providing training programmes. Non-sports based groups, such as recreation and service clubs as well as alumni associations, generally rely on membership fees and cost recovery activities to fund their activities. The smaller organizations have greater problems in raising funds during hard economic times.
Arts and culture	AC	Many of the major arts organizations are subvented by the Government, as are museums and zoos. They usually have space allocated by the Government where the rent is modest. The performing arts organizations also obtain sponsorship from companies and wealthy individuals and receive proceeds from ticket sales. Smaller arts and literary clubs and galleries are often managed by committed volunteers. Media and communication organizations such as the Hong Kong Journalist Association and the Foreign Correspondents' Club are funded by members. Soft economic conditions generally have a negative impact on funding for arts and culture.
Religion	RG	Churches and religious groups are often established and wealthy organizations with funding from non-government sources. Many of them own properties and receive regular donations from parishioners.
Philanthropic intermediaries	PH	The grant-making foundations earn income from their capital investments and donations from benefactors. This sector also includes the Community Chest and other more modest grantors (e.g. Rotary Clubs) that raise money from its own members in Hong Kong to support worthy causes.

Sub-sector	Code	Funding Sources
International and cross-boundary activities	IN	<p>Most of these have strong affiliations with overseas organizations and they cover a wide range of causes, some of which are to alleviate poverty in developing countries, including mainland China. Despite tougher economic conditions, they reported that the number of donors had remained steady, and a few had even seen a rise in donations. As they raise money from the general Hong Kong public, their success shows that local residents are willing to give to many good causes.</p>