

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 170 – SOCIAL WELFARE DEPARTMENT**

#### **Subhead 700 General non-recurrent**

#### **New Item “Partnership Fund for the Disadvantaged”**

Members are invited to approve the creation of a new commitment of \$200 million for the establishment of the Partnership Fund for the Disadvantaged.

### **PROBLEM**

We need to provide funding resources to promote the development of a tripartite social partnership comprising the Government, the business community and the welfare sector in helping the disadvantaged.

### **PROPOSAL**

2. The Secretary for Health, Welfare and Food (SHWF) proposes to create a new commitment of \$200 million for the establishment of a Partnership Fund for the Disadvantaged.

### **JUSTIFICATION**

3. To promote corporate social responsibility and encourage corporations to take part in helping the disadvantaged, the Government has earmarked in the 2004-05 Budget \$200 million on a one-off basis for promoting the development of a tripartite social partnership comprising the Government, the business community and the welfare sector. Following extensive consultation with the stakeholders, it is decided that the fund should be disbursed in the form of a matching grant to incentivise the welfare sector to seek and secure corporate participation in organising projects for the direct benefit of the disadvantaged.

**/Proposed .....**

**Proposed Uses of the Fund**

4. The Fund aims to incentivise the welfare sector to expand their network in seeking and securing corporate participation, and encourage the business sector to take up more social responsibility in helping to create a cohesive, harmonious and caring society.

5. To achieve these objectives, we propose to use the Fund for two main purposes -

- (a) **Matching Grant Portion** (about \$190 million) : funding applications will be invited from non-governmental organizations (NGOs) in the welfare sector for projects to help the disadvantaged. Grants to NGOs would be calculated in accordance with the contributions from business corporations, in cash or in kind or both, on a dollar-to-dollar matching basis; and
- (b) **Support Measures Portion** (up to a maximum of \$10 million) : various support measures would be carried out to facilitate the formation and sustainability of tripartite partnership.

6. For the matching grant portion, we plan to allocate the funding in two rounds. We have tentatively earmarked \$80 million for the first round and \$110 million for the second round. Any unallocated funding of the first round will be transferred to the second or subsequent round(s) for allocation until depletion of the Fund.

7. To encourage participation of NGOs and in order that the Fund will benefit the largest number of NGOs possible, each applicant NGO will only be allowed to submit one application in the first round and allocation for each successful application will be capped at a maximum of \$500,000. There is no limit on the amount of contribution from the business corporations.

8. On the portion for support measures, this has been proposed in response to the strong request from both the welfare and business sectors that such measures should be in place to encourage more NGOs to form partnership with the business sector and for such partnerships to sustain. We propose to reserve up to \$10 million of the Fund for the following support measures -

/(a) .....

- (a) commissioning research, evaluative studies or projects that would enhance NGOs' understanding and competence on building up and maintaining partnership with the business sector;
- (b) establishing and maintaining a web-based platform to promote the tripartite social partnership; and
- (c) conducting promotional activities to gain support over the objectives of the Fund from the society as a whole.

Any unused funding reserved for support measures will be transferred for matching purpose.

9. We will conduct a review of the scheme after completion of the first round so that improvements can be made in subsequent round(s) in the light of the experience gained. The review will cover, among others, the ceiling for each application, as well as the allocation between the two portions. Any changes would be announced before applications are invited for the subsequent round(s).

Encls. 1 & 2 10. The eligibility criteria, application requirements, monitoring mechanism and support measures under the Fund are set out in Enclosure 1. The proposed breakdown of the use of the \$200 million is set out at Enclosure 2.

### **Administration of the Fund**

11. The Director of Social Welfare (DSW) will be the Controlling Officer of the Fund. An Advisory Committee comprising non-official members from the welfare, business and academic sectors will be set up to examine and advise DSW on which applications should be approved and on all matters relating to the operation of the Fund including reviewing and refining the guidelines for assessing applications in the light of experience and changing circumstances. Social Welfare Department (SWD) will provide secretariat support.

12. We intend to adopt the following guidelines in assessing applications for the matching grant portion -

- (a) priority would be given to applications which support one or more of the Government's welfare policies in building individual capacity, strengthening families and enhancing community mutual support and provide more direct benefits to the underprivileged groups. Other priorities may also be drawn up by the Advisory Committee in the light of the latest socio-economic situation;

/(b) .....

- (b) priority would be given to proposals which can sustain partnership with the business corporations in serving the underprivileged groups after exhaustion of funding from the Fund. The plans of how to sustain the partnership may be modified from the original proposal, with possibly different contributions from the NGO and the business corporations;
- (c) priority would be given to proposals which use funding from the Fund in a way that would maximize the benefits of the disadvantaged groups;
- (d) we encourage business corporations to contribute as much as possible rather than being constrained by the ceiling for each application to be granted under the Fund;
- (e) all contributions in cash from business corporations will be accepted, except for donations from professional associations and religious bodies, contributions from charitable trusts and funds under the management of government departments/public bodies;
- (f) business contributions in kind will be translated into monetary value for matching purpose. Used (not brand new) items would not be counted; and
- (g) joint contributions from more than one business corporation for the same application can be accepted.

### **Implementation Timetable**

13. Subject to Members' approval, we plan to launch the Fund in the first quarter of 2005. We expect to disburse grants for successful applications in the second quarter of 2005. Timing of the second round of applications is subject to review.

### **FINANICAL IMPLICATIONS**

14. The Government has earmarked sufficient funds in the General Revenue Account for the launching of the Fund in 2004-05. The actual cash flow and duration of the scheme will depend on the speed at which the NGOs can secure the donations, and the amount involved. Subject to Members' agreement, we will include sufficient provision in the annual estimates of the relevant financial years.

**/BACKGROUND .....**

## BACKGROUND INFORMATION

15. In the 2004 Policy Address, the Chief Executive asked the SHWF to examine, in consultation with the Social Welfare Advisory Committee (SWAC) and the Community Investment and Inclusion Fund Committee, ways to develop a tripartite partnership between government, the business community and the not-for-profits sectors, and to consolidate and promote the successful experience of the Community Investment and Inclusion Fund<sup>Note 1</sup> (CIIF). To take the concept further, the Financial Secretary has earmarked in the 2004-05 Budget an additional \$200 million on a one-off basis for promoting the development of tripartite social partnership. The Health, Welfare and Food Bureau was invited to consult the social welfare sector on how best to use this fund, whether, for example, to use a matching grant or other modality to incentivise the sector to seek and secure corporate participation.

16. SWD has conducted extensive consultation sessions with the welfare sector, including both subvented and non-subvented NGOs, and business corporations, from April to November 2004. At the same time, we have also exchanged views with the Hong Kong Council of Social Service (HKCSS), the Community Chest, the Hong Kong General Chamber of Commerce (HKGCC), and other interested individuals in the business sector. Both NGOs and business corporations generally welcome the initiative, which is regarded as a useful incentive to encourage NGOs to build up and expand their partnership with business corporations in helping the disadvantaged. They have also expressed views on the scope, allocation and details of the use of the Fund, and the other assistance they might need in the matching process. In particular, the business sector raised their concern that only a limited portion of the project cost should be used to cover the staffing or administration expenses in order to bring maximum benefits to the disadvantaged groups. We have taken into account their views in formulating the proposed operational arrangements.

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Note 1 The Partnership Fund for the Disadvantaged is different from the CIIF as they each have their own focus as follows -

- (a) the CIIF funds projects which promote the enhancement of **social capital** which may take various forms such as capacity building of individuals, mutual help among different groups of the society (not necessarily involving the business sector), one sector of the community such as the aged undertaking volunteering work to help the other sector say the deprived youth. Tripartite partnership between the Government, the business community and the third sector is one of the many possible ways to enhance social capital across the three sectors, but it is not a must in projects funded by CIIF; and
- (b) the Partnership Fund for the Disadvantaged on the other hand places emphasis on the **partnership relationship** to be formed between the three sectors. They may work together for a large variety of possible projects to help the disadvantaged, including but not limited to projects which would promote social capital.

17. The SWAC and the Women's Commission were consulted in October and November 2004. While supporting the proposal, some Members raised objection to the original proposed acceptance of contribution of free services by business corporations for matching purpose under the Fund. They also suggested that flexibility needed to be retained for the detailed arrangements for the second and, if necessary, subsequent rounds so that experience accumulated could be taken into account in refining the arrangements. We have taken on board their suggestions in our latest proposal.

18. We briefed the [Legislative Council Panel on Welfare Services on 8 November 2004](#). Some Members raised concern on the originally proposed ceiling of 15% of the grants from the Fund for staffing or administrative expenses. To address Members' concern, we will not mandate a ceiling for staffing or administrative expenses, but in considering applications, priority will be given to proposals which use funding in a way that would bring maximum benefits to the disadvantaged groups. A Member also suggested that the portion of the Fund reserved for support measures should be increased from \$10 million to \$20 million and that such support measures should not be limited to the development of a web-based platform. We took note of the welfare sector's request and clarified that the support measures would not be confined to the development of a web-based platform. Considering that the primary objective of the Fund is to encourage the formation of tripartite partnership for the direct benefit of disadvantaged groups, and that the forming of partnership is itself a learning process for NGOs, our assessment at this stage is that \$10 million should be adequate for this purpose, but this may be reviewed in the light of experience.

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Health, Welfare and Food Bureau  
December 2004

**Eligibility Criteria, Application Requirements,  
Monitoring Mechanism and Support Measures  
for the Partnership Fund for the Disadvantaged<sup>Note 2</sup>**

**Eligibility Criteria**

The eligibility criteria are proposed below.

Eligible Applicants

2. Bona-fide charitable welfare NGOs having tax-exempted status under Section 88 of the Inland Revenue Ordinance can apply for the Fund.

Proposals to be Accepted for Consideration

3. The Fund is an additional source of public resources to promote the development of tripartite social partnership. Project proposals meeting the following conditions will be eligible for further consideration -

- (a) the proposal should be an initiative in support of the Government's welfare policy but currently not receiving funding support from the Government in any form (e.g. being supported under a funding and service agreement with SWD, being a service contract awarded by SWD, or funded by any public funds such as the Lotteries Fund, the CIIF), or from any established charitable Trusts/Foundations etc.;
- (b) the initiative should be delivered in Hong Kong, and would benefit directly the welfare of the underprivileged groups such as people with disability, elderly people with inadequate social support, children from deprived families and victims of family violence/abuse, etc.;
- (c) contributions should be made by business corporations registered and operating their business in Hong Kong;

/(d) .....

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<sup>Note 2</sup> The eligibility criteria, application requirements, monitoring mechanism and support measures set out in this Enclosure may be subject to changes as deemed necessary in light of the actual experience gained during implementation.

- (d) the proposal submitted by applicant NGO should have business corporation's contribution in cash, in kind or a combination of the two, but contribution in service would not be recognized for matching purpose under the Fund. We have not proposed to accept contribution in services as this may affect the development of corporate volunteering work. Moreover, it would be difficult to quantify and monitor such contributions in services;
- (e) the proposals should not have received any committed business contributions before the formal launch of the Fund. This is to encourage the formation of more partnerships between NGOs and business corporations, which is the prime objective of the Fund. In the same spirit, proposals should not be self-financing projects either, as they are already operating in a cost recovery mode through fee charging; and
- (f) donations should not come from corporations running business in connection with smoking.

### **Application Requirements**

4. The detailed application requirements will be drawn up and we expect that applicants should provide the following information in their applications -

- (a) details of the project (including operational plan, budget and timeframe);
- (b) for NGOs currently not receiving SWD subventions, documents showing the eligibility of their organization as a welfare NGO, which include the registration under Section 88 of the Inland Revenue Ordinance, detailed information on its constitution, the management structure and the persons involved, and the audited accounts of the organisation of the previous year;
- (c) written confirmation of the amount and nature of contributions of the partnering business corporation(s);
- (d) translation of business contributions in kind into monetary terms;

/(e) .....



- (e) participation of the partnering business corporation(s) beyond financial contributions such as volunteering, if any;
- (f) any plan on how to sustain partnership with the business corporation(s) in serving the underprivileged groups after the end of the project period; and
- (g) any other factors meriting the Advisory Committee's special consideration.

Debriefing sessions will be arranged for unsuccessful applicants to share areas for future improvement.

### **Monitoring Mechanism**

5. Grants from the Fund will be disbursed to the applicant NGO, either in one go or at intervals to be directed by the Advisory Committee, upon confirmation of the commencement of the project and receipt of contribution from the business corporation concerned. SWD reserves the right to withhold any payment if the applicant NGO fails to provide adequate information as required or fails to deliver the project as approved and on time. NGOs will be required to furnish a concise report at the end of the project, or progress reports at intervals as specified by the Advisory Committee, to SWD, which will be uploaded onto a web-based platform for public scrutiny.

6. NGOs will be required to submit final audited financial statements to account for the usage of the grant from the Fund (not the part of the business contributions) to SWD, and to certify that the grant from the Fund has been used for the purposes as specified in the applications. For projects in receipt of grants of above \$250,000 from the Fund, NGOs will be required to submit annual audited accounts as well. As a requirement, NGOs should exhaust all or an amount equal to the approved grant under the Fund, whichever is the lower, of the donations from the business corporations if they are contributions in cash before using the grant from the Fund. Unless otherwise approved by the Advisory Committee, any unspent sum from the Fund at the end of the project should be returned to SWD.

**/Support .....**

## **Support Measures**

7. Support measures will be put in place to encourage more NGOs to form partnership with the business sector and for such partnerships to sustain and they include the following -

- (a) the HKCSS and the HKGCC have kindly agreed to consider mobilising their existing platforms for matching NGOs with business corporations. SWD will not be directly involved in the matching process but will organize matching fora, including kick-off events, and provide information to all enquiring NGOs or corporations;
- (b) a web-based platform will be established to promote tripartite social partnership. For all proposals that have successfully secured support from the Fund, the applicant NGOs will be required to upload a summary of the proposal, progress report and their final report onto the platform for public scrutiny. At the same time, NGOs may upload their planned projects and initiatives to the web for appealing contributions and support from business corporations. Business corporations, on the other hand, are welcome to make use of the platform to promulgate their missions in fulfilling corporate social responsibility and resources available for supporting NGOs to carry out welfare initiatives;
- (c) commissioning of researches, evaluative studies or projects (including training) that would enhance NGOs' understanding and competence in building up and maintaining partnership with the business sector; and
- (d) promotional activities including giving recognition to the contributions of the business sector, gaining support over the objectives of the Fund from the society as a whole etc.

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**Proposed Breakdown of the Use of the \$200 million for  
the Partnership Fund for the Disadvantaged**

	Purpose	Amount (\$ Million)	
		Sub-total	Total
<b>I.</b>	<b>Matching Grant Portion</b>		
	(a) First Round (any unspent balance will be carried forward to the second or subsequent round(s) for allocations)		80
	(b) Second Round		initially at 110
<b>II.</b>	<b>Support Measures Portion<sup>Note 3</sup></b>		10
	(a) <i>Projects for promoting tripartite social partnership and enhancement of NGOs' capability in forming sustainable partnership with business sector -</i>	8	
	- researches on overseas practice and experience;		
	- projects on partnership enhancement and sustainability;		
	- evaluative studies on projects being launched;		
	- training; and		
	- other projects as deemed necessary		
	(b) <i>Web-based Platform</i>	1	
	(c) <i>Matching and Promotion Activities for NGOs and business sector</i>	1	
	- kick-off event(s)		
	- award scheme		
	- sharing session(s)		
	<b>Total</b>		<b>200</b>

<sup>Note 3</sup> The breakdown of the use of the \$10 million for support measures is indicative only. The actual amount to be spent for each of the three areas may be subject to refinement as deemed necessary.