

**For discussion on
8 November 2004**

LEGISLATIVE COUNCIL PANEL ON WELFARE SERVICES

Matching Grant for Social Welfare Services

PURPOSE

This paper seeks Members' advice on the Social Welfare Department's (SWD's) plan regarding the \$200 million one-off Matching Grant earmarked in the 2004-05 Budget for promoting tripartite social partnership.

BACKGROUND

2. In the 2004-05 Budget, the Financial Secretary has earmarked \$200 million on a one-off basis for promoting the development of tripartite social partnership comprising the Government, the business community and the welfare sector, and for encouraging corporations to take part in helping the disadvantaged.

OBJECTIVE

3. The \$200 million one-off grant, to be called the Matching Grant for Social Welfare Services or the Grant in short, aims, on the one hand, at incentivising the welfare sector to expand their network in seeking and securing corporate participation, and on the other encourages the business sector to show more social responsibility in helping to create a cohesive, harmonious and caring society.

CONSULTATION WITH STAKEHOLDERS

4. SWD has conducted extensive consultation sessions with the Social Welfare Advisory Committee, the Women's Commission, the subvented and non-subvented Non-governmental Organisations (NGOs), and business corporations from April to November 2004. At the same time, we also exchanged views with the Hong Kong Council of Social Service, the Community Chest, the Hong Kong General Chambers of Commerce, and other interested individuals in the business sector. The initiative is generally welcomed by both the welfare and business sectors. It is regarded as a useful incentive to encourage NGOs to build up and expand their partnership with business corporations in helping the disadvantaged. This would also provide an opportunity for NGOs to demonstrate to the private sector their efforts or achievements in helping the needy.

5. Taking into account the views and suggestions expressed by stakeholders, the proposed arrangements for allocating the Grant are outlined in the following paragraphs.

MATCHING GRANT FOR WELFARE INITIATIVES

6. The bulk of the \$200 million will be allocated to NGOs in the form of a matching grant. All bona-fide charitable welfare NGOs having tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap. 112 of Hong Kong Laws) can apply for the matching grant. As the Grant is earmarked for the welfare sector for the promotion of tripartite social partnership, only applications from NGOs which are engaged in welfare activities as stated in their constitutions, will be accepted.

7. The applications should involve welfare-oriented initiatives. Contributions in cash or in kind from business corporations registered and operating their business in Hong Kong will be accepted for matching purpose with the conditions as specified below -

- (a) all contributions in cash from business corporations, with the exclusion of donations from professional associations and religious

bodies, contributions from charity trusts and funds under the management of government departments/public bodies, will be accepted for matching purpose on a dollar-to-dollar basis; and

- (b) contributions in kind will be translated into monetary value for matching purpose. We would put in place safeguard measures to ensure that a reasonable amount is attributed to such contributions, e.g. reference will be made to the Government's Price List of Common Furniture and Equipment for valuation of donations, NGOs will be required to provide quotations in accordance with the Lotteries Fund Manual if the donated items are not on that List, used (not brand new) items would not be counted, and so on. These measures can be further refined in the light of actual experience.

8. There is a suggestion to include for matching purpose contribution in services from business corporations, which otherwise the applicant NGOs have to purchase in the market. However, there are concerns that it will be very difficult to ascertain the value of services and that this may defeat the effort to promote volunteer services. On balance, we do not propose to include donation in services for the purpose of matching under the Grant at this stage. Instead, we will continue to encourage business corporations to provide voluntary services for the welfare sector.

9. Eligible proposals should be an initiative:

- (a) within the welfare ambit 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 Community Investment and Inclusion Fund¹, etc.; and
- (b) which is 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

¹ The Community Investment and Inclusion Fund is a \$300 million fund set up in 2002 for funding community-initiated projects which promote social capital.

deprived families and victims of family violence/abuse, etc.

NGOs are also expected to provide, as part of their proposals, plans on how to sustain partnership with the business corporations in serving the underprivileged group. The plans may involve modification of the original proposal, with possibly different contributions from the NGO and the business corporation.

10. Priority will be accorded to proposals that meet the Government's welfare policy objectives in building individual capacity, strengthening families and enhancing community mutual support. A Vetting Committee to be established for the Grant (with details set out in paragraph 16 below) will also determine other priorities in the light of the latest socio-economic circumstances and the community needs.

11. We will not consider proposals with business contributions committed before the formal launch of the Grant in order to encourage more partnerships between NGOs and business corporations, which is the prime objective of the Grant. In the same spirit, for self-financing projects, which are those operating in a cost recovery mode through fee charging, we see no reason for NGOs to move away from such mode and apply for the Grant. The Grant should be used to support those projects which cannot be self-financed for various reasons.

12. In line with the Government policy, donations from corporations running business in connection with smoking would not be matched by the Grant.

13. Our initial plan is to have two rounds of funding allocations. An amount of about \$80 million would be earmarked for the first round and around \$110 million for the second. Any unallocated funding of the first round will be transferred to the second round. The application procedure would allow sufficient time for NGOs to formulate their proposals. To encourage participation from more NGOs, each applicant NGO will only be allowed to submit one application in the first round. Allocation for each application will be capped at the ceiling of \$500,000. Taking into account the experience gained in the first round, a review of the arrangements of the Grant, including the ceiling for each application, will be conducted before they are finalized for the second round of applications.

14. To ensure that allocations from the Grant will bring maximum benefit to the disadvantaged groups, we consider it inappropriate that a significant portion of the allocation is to be spent on staffing or administrative costs. However, we recognise that some administrative expenses, covering staff costs for implementing the projects, may be inevitable. On balance, we propose that NGOs would be allowed to use not more than 15% of the allocation from the Grant for a proposal as administrative expenses. The ceiling of 15% is proposed having regard to the need for NGOs to show their efforts in helping the needy by making contributions in administrative costs. However, under very exceptional circumstances, worthwhile projects which can only be delivered with a higher percentage of justifiable administrative expenses may be considered for approval by the Vetting Committee. On the other hand, we do not intend to restrict the percentage of administrative expenses for the portion of the project cost contributed by the business sector, which should be a matter of discussions between the NGO and the business corporation.

SUPPORT MEASURES FOR FORMING TRIPARTITE SOCIAL PARTNERSHIP

15. Throughout the consultation process, there is a strong request from both the welfare and business sectors that we should put in place support measures to encourage more NGOs to form partnership with the business sector and for such partnerships to sustain. Such support measures will be critical to achieving the objectives of the Grant. We therefore plan to provide the following support measures:

- (a) for NGOs requiring assistance in identifying business partners, the Hong Kong Council of Social Service and the Hong Kong General Chamber of Commerce have kindly agreed to consider mobilising their existing platforms for matching NGOs with business corporations. To maintain impartiality, SWD, however, 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 the tripartite social partnership. For all proposals that have successfully secured support by the Grant, the applicant NGOs will be required

to upload a summary of the proposal and their final report on the platform for public scrutiny. At the same time, NGOs may upload their planned projects and initiative 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) we will also conduct extensive promotional activities including giving recognition to the contributions of the business sector, to gain support over the objective of the Grant from the society as a whole; and
- (d) we will commission research and evaluative studies or projects including training sessions that would enhance NGOs' understanding and competence in building up and maintaining partnership with the business sector, and that would help promoting corporate social responsibility, which is the basis for the formation of sustainable tripartite social partnership in Hong Kong.

We propose to reserve a small amount from the \$200 million one-off grant to cover the above support measures.

VETTING COMMITTEE

16. A Vetting Committee comprising official and non-official members from the subvented, non-subvented welfare sectors, business sector and so on will be set up to advise SWD on the strategies to promote the Grant, the eligibility of project proposals and approval of the Grant to NGOs. Debriefing sessions will be arranged for unsuccessful NGOs to share areas for future improvement.

MONITORING

17. NGOs will be required to submit an audited financial statement to

account for the usage of the Grant to SWD, and to certify that the Grant has been used for the purposes as specified in the applications. Upon the project completion, NGOs are also required to furnish a concise report, which will be uploaded to the web-based platform for public scrutiny.

LAUNCHING OF THE SCHEME

18. SWD will invite the first round of applications around January/February 2005. The second round of applications will be announced in later part of 2005-06 after a review.

WAY FORWARD

19. Subject to Members' views, we will put up our proposal on the Grant as detailed above to the Finance Committee of the Legislative Council for funding approval.

ADVICE SOUGHT

20. Members are invited to give advice on the contents of the proposal.

Social Welfare Department
November 2004