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Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 16 April 2013**

Partnership Fund for the Disadvantaged

Purpose

This paper provides information on Members' deliberations on the establishment and implementation of the Partnership Fund for the Disadvantaged ("PFD").

Background

2. In the 2004-2005 Budget, the Financial Secretary had earmarked \$200 million on a one-off basis for promoting the development of tripartite social partnership of the Government, the business sector and the welfare non-governmental organizations ("NGOs") in helping the disadvantaged.

3. Following consultation with the stakeholders, the Administration decided that funding would be disbursed in the form of a Matching Grant ("the Grant") to incentivize the welfare sector to seek and secure corporate participation in organizing projects for the direct benefit of the disadvantaged. PFD would be used for two main purposes –

- (a) *Matching Grant Portion* (about \$190 million): funding applications would be invited from 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.

4. Since the inception of PFD in 2005, seven rounds of funding applications have been completed. In May 2010, the Administration injected a one-off funding of \$200 million into PFD to further encourage cross-sectoral collaboration in helping the disadvantaged. By end-February 2013, 141 NGOs have obtained Matching Grants totalling over \$247 million to implement 573 welfare projects, benefiting over 800 000 disadvantaged persons.

Members' deliberations

Proposed arrangement for the allocation of the Matching Grant

5. At the meeting of the Panel on Welfare Services ("the Panel") on 8 November 2004, the Administration briefed members on the following arrangements for the allocation of the Grant –

- (a) all bona-fide charitable welfare NGOs having tax-exempted status under section 88 of the Inland Revenue Ordinance (Cap. 112) could apply for the Grant;
- (b) the applications should involve welfare-oriented initiatives. Contributions in cash or in kind from business corporations registered and operating their business in Hong Kong would be accepted for matching purpose;
- (c) eligible proposals should be an initiative within the welfare ambit but not receiving funding support from the Government in any form. The initiative would be delivered in Hong Kong and benefit the disadvantaged groups directly; and
- (d) priority would be accorded to proposals which met the Government's welfare policy objectives in building individual capacity, strengthening families and enhancing community mutual support. Donations from corporations running business in connection with smoking would not be matched by the Grant.

6. The Administration's initial plan was to arrange for two rounds of funding allocations, with about \$80 million to be earmarked for the first round and around \$110 million for the second round. Any unallocated funding of the first

round would be transferred to the second round. Each applicant NGO would be allowed to submit one application in the first round. Allocation for each application would be capped at the ceiling of \$500,000. In addition, NGOs would be allowed to use not more than 15% of the allocation from the Grant for staffing and administrative expenses.

7. While Panel members raised no objection to the proposal, they expressed reservation about setting a ceiling of 15% of the Grant for staffing and administrative expenses. After taking into account members' views, the Administration agreed not to mandate a ceiling for staffing or administrative expenses but would, when considering applications, accord priority to proposals which used funding in a way that would bring maximum benefits to the disadvantaged groups.

8. A suggestion to increase the portion of funding reserved for support measures from \$10 million to \$20 million was also made at the Panel meeting. The Administration pointed out that the primary objective of PFD was to encourage the formation of partnership for the direct benefit of disadvantaged groups, and such formation was in itself a learning process for NGOs. The amount of \$10 million to be spent on promoting tripartite social partnership was considered adequate at the initial stage, and would be reviewed in the light of experience.

Facilitating measures to assist NGOs in applying for PFD

9. The funding proposal for the establishment of PFD was approved by the Finance Committee on 17 December 2004 and the progress of the implementation of PFD was reported to the Panel from time to time. While members were supportive of the establishment of PFD, some members expressed concern that smaller welfare organizations which did not have well-established connections with the business sector would not be able to secure contributions and benefit from the Grant. They considered that assistance should be provided for these organizations.

10. The Administration explained that the purpose of capping the allocation for each successful application at a maximum of \$500,000 was aimed at facilitating smaller welfare organizations to secure funding. Apart from launching extensive publicity on the establishment of PFD, the Administration would also provide necessary assistance to facilitate matching between welfare organizations and the business sector.

11. Noting that at the first two rounds of applications from March to December 2005, only \$13 million, which represented 6.5% of PFD, had been allocated to 43 approved projects, members were concerned about the slow

progress of PFD and whether the approving criteria were too stringent. Some members pointed out that some applications were unsuccessful because the partners of the applicant NGOs were charitable non-profit making organizations instead of business organizations.

12. To encourage more applications for PFD, the Administration advised that the following facilitating measures had been introduced prior to inviting the third round of applications –

- (a) NGOs could submit their applications any time until 20 July 2007 for the third round;
- (b) the maximum amount of PFD grant for each project had been increased from \$500,000 to \$1,000,000 in a bid to provide a greater incentive for NGOs to secure larger sponsorship;
- (c) each NGO could submit a total of three applications per round; and
- (d) contributions from charitable trusts/foundations established and managed by business corporations registered and operating their business in Hong Kong would be accepted as business contributions.

13. The Administration further advised that as PFD aimed to encourage the welfare sector to take the initiative in building up closer social partnership with business corporations, the Administration considered it inappropriate to play an active role in the matching process. Notwithstanding this, the Administration would facilitate the formation of partnership between NGOs and the business sector through enhanced publicity efforts and the establishment of a web-based platform where NGOs could upload their proposals for business sponsorship. In addition, briefing sessions had been/would be held prior to inviting applications, and these could provide a platform for NGOs and business corporations to match partners.

14. According to the Administration, in the fourth round of applications launched between January and June 2008, further facilitating measures, including raising the maximum amount of the PFD grant for each project from \$1 million to \$2 million and allowing each NGO to submit a maximum of 10 applications, were introduced. These measures aimed to provide NGOs with greater incentive to secure larger sponsorships so that more disadvantaged people could benefit. NGOs could also implement more projects to cater for different users. Taking into account the operational experience of PFD and the views of members of the Panel, the Administration kept the maximum grant for

individual NGOs under PFD at \$2 million per project and the maximum number of applications per NGO at 10.

Nature and size of PFD projects

15. Regarding the nature of approved PFD projects and the target beneficiaries, the Administration advised that the main categories of PFD projects were: elderly services; family and child welfare services; rehabilitation and medical social services, youth and corrections services; and services for other disadvantaged groups including the unemployed, street sleepers, people suffering from chronic illness and drug abusers. NGOs were required to submit final evaluation reports and audited financial reports upon the completion of their projects. PFD projects were generally implemented according to the project proposals, and the outcomes of the projects were considered satisfactory. In response to members' concern about assistance to the unemployed under PFD, the Administration advised that in the sixth round of applications launched in the second half of 2010-2011, priority was given to projects in pursuit of 4 "Es"¹ which included, inter alia, "Employment/skills development".

16. As regards the amount of grants for each project, members were advised that of the 319 PFD projects approved by May 2010, 228 projects (71.5%) were given PFD grant below \$0.5 million, 62 projects (19.4%) between \$0.5 million to \$0.99 million, 21 projects (6.6%) between \$1 million to \$1.99 million, and eight projects (2.5%) \$2 million or above. Members also noted that as a special measure to assist the vulnerable individuals or families affected by the financial crisis in 2008, the maximum amount of PFD grant had once been raised to \$3 million per project for projects which could strengthen support for these individuals or families, such as those providing employment assistance, counselling or professional support on financial management. The maximum PFD grant for projects serving other disadvantaged groups remained at \$2 million per project.

Evaluation study

17. Members were advised that the Social Welfare Department had commissioned the Hong Kong Polytechnic University ("PolyU") to conduct an "Evaluation Study on Promoting and Sustaining Partnership between NGOs and Business Corporations" based on the review of 43 approved projects in the first and second rounds of applications. Commencing in January 2007, the study aimed at identifying (i) the critical success factors and hurdles for NGOs in forming and sustaining partnerships with business corporations; (ii) how far the

¹ The 4 "Es" are Enhancement of quality of life, Employment/skills development, Empowerment and Exclusion prevention.

approved projects had achieved the objectives of promoting social partnership formation and helping the disadvantaged; and (iii) best practices of NGOs in forming sustainable partnerships.

18. The findings of the study, which were released in June 2008, revealed that most NGOs, business partners and service users were pleased with the outcomes of the projects; and NGOs and business corporations responded positively to the possibility of continued collaboration after the completion of their projects. Strategic partnerships were formed in more than 60% of the 43 PFD projects under study, and these partnerships are more likely to sustain. Some good practices which would be conducive to forming and sustaining the partnerships were also identified.

19. The study made the following recommendations on how to facilitate the formation and maintenance of tripartite partnerships in helping the disadvantaged –

- (a) to facilitate the formation of partnerships, NGOs may adopt appropriate marketing and networking strategies and strengthen their relationships with business corporations. The business partners may also have a clear corporate policy to serve the disadvantaged and let NGOs know more about their vision in this regard. The Government can also assist the small NGOs in identifying suitable partners if necessary;
- (b) to create a win-win situation for NGOs and their business partners, both parties should capitalize on their respective strengths in the promotion of corporate image. While NGOs would have greater support from their business partners in terms of financial and manpower resources, the business corporations would also have a better understanding of the community and the needs of their customers. The Government should give recognition to the participating corporations and NGOs and encourage them to sustain their partnerships;
- (c) to sustain the partnership, the involvement of staff of NGOs and business partners at various levels should be encouraged. NGOs should pay more attention to the good practices. The Government can provide more training and sharing opportunities for them in this regard; and
- (d) to continuously engage their partners in helping the disadvantaged, NGOs may publicize their work and success stories, so that the business partners could be attracted to support their services after

the completion of the PFD projects. The Government can encourage those NGOs with good performance to keep up the momentum.

20. In 2010, the Administration commissioned PolyU to conduct another evaluation study of PFD to review the effectiveness of PFD and make recommendation on its future direction. The study was completed in February 2012.

Latest development

21. The Administration will brief the Panel on the implementation of PFD at its meeting on 16 April 2013.

Relevant papers

22. A list of the relevant papers on the Legislative Council website is in the **Appendix**.

Council Business Division 2
Legislative Council Secretariat
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Relevant papers on Partnership Fund for the Disadvantaged

Committee	Date of meeting	Papers
Panel on Welfare Services	8 November 2004 (Item VII)	Agenda Minutes
Finance Committee	17 December 2004	Minutes FCR(2004-05)34
Panel on Welfare Services	13 October 2006 (Item I)	Agenda Minutes
Panel on Welfare Services	11 December 2006 (Item IV)	Agenda Minutes
Panel on Welfare Services	12 June 2008 (Item III)	Agenda Minutes
Panel on Welfare Services	9 March 2009 (Item V)	Agenda Minutes
Panel on Welfare Services	12 April 2010 (Item VI)	Agenda Minutes
Finance Committee	28 May 2010	Minutes FCR(2010-11)16
Finance Committee	24 March 2011	Administration's replies to members' written questions in examining the Estimates of Expenditure 2011-2012 Pages 85-86 and 720
Finance Committee	8 March 2012	Administration's replies to members' written questions in examining the Estimates of Expenditure 2012-2013 Pages 53-58