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Panel on Welfare Services

**Updated background brief prepared by the Legislative Council Secretariat
for the meeting on 25 July 2014**

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. According to the Administration, the \$200 million PFD was set up in 2005 to promote the development of tripartite social partnership of the Government, the business sector and the welfare non-governmental organizations ("NGOs") in helping the disadvantaged. The funding was 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.

3. PFD had allocated about \$190 million for welfare NGOs to apply to launch projects to help the disadvantaged. Grants to NGOs would be calculated in accordance with the contributions from business corporations, in cash or in kind, on a dollar-for-dollar basis. About \$10 million would be used to implement various support measures to build and sustain the tripartite partnership. 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.

4. Since the inception of PFD in 2005, eight rounds of funding applications have been completed. By March 2014, a total of over \$310 million has been

approved for 156 NGOs, together with 1 120 business partners, to implement 694 welfare projects, which have benefited over one million disadvantaged persons. The ninth round of funding application was launched on 16 December 2013, with the first phase closed by end-February 2014 while the second phase closing on 29 August 2014.

Members' deliberations

Proposed arrangement for the allocation of the 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 \$0.5 million.

7. While Members raised no objection to the proposal, they suggested increasing the portion of funding reserved for support measures from \$10

million to \$20 million. 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.

Participation of NGOs and business corporations in PFD

8. 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 of them expressed concerns about the slow progress of PFD and whether the approving criteria were too stringent. Members also pointed out that smaller welfare NGOs, which did not have well-established connections with the business sector, would not be able to secure donations and support from business corporations or achieve financial self-sustainability. The requirement of involvement of business partners might lead to an emphasis on self-financing or even profit-making. Such an emphasis was hard to put into practice for welfare projects for the disadvantaged.

9. The Administration advised that, prior to inviting the third round of applications, facilitating measures had been introduced to encourage more applications for PFD. For example, increasing the maximum amount of the Grant for each project from \$0.5 million to \$1 million in a bid, and permitting each NGO to submit a total of three applications per round, as well as accepting contributions from charitable trusts/foundations established and managed by business corporations registered and operating their business in Hong Kong as business contributions. Since the fourth round of applications, further facilitating measures had been adopted, including raising the maximum amount of the Grant for each project from \$1 million to \$2 million and allowing each NGO to submit a maximum of 10 applications per round.

10. Understanding the difficulty of smaller NGOs to secure donations from business corporations, the Administration advised that it would facilitate the formation of partnership between NGOs and the business sector through the establishment of a web-based platform where NGOs could upload their proposals for business sponsorship. The 11 District Social Welfare Offices under the Social Welfare Department ("SWD") were also mobilized to undertake the tasks which included promoting PFD to local business corporations through various local platforms, and assisting small and medium-sized local NGOs in searching for potential business partners in the districts, as well as organizing district-based promotional activities. 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. All applications for PFD should involve welfare-oriented initiatives and priority would not be accorded to proposals which were self-financed.

11. Members were of the view that under the low tax environment in Hong Kong, the Administration should promote the active participation of the companies with assessable profits of \$10 million or above in PFD. The Administration advised that SWD had promoted PFD through press briefings and enlisted the support of various chambers of commerce, previous and potential business partners, and local business corporations or NGOs through sharing sessions, programmes, as well as district platforms. All business partners of approved projects in various rounds of applications were made known on the dedicated webpage for PFD. The Administration added that the number of new business partners involved in approved PFD applications increased from 80 in the first round to 127 in the seventh round of application.

12. Noting that the number of applications involving the Grant at \$0.1 million or below had risen by 120% from 20 applications in the sixth round to 44 applications in the eighth round, Members asked whether the significant rise was mainly attributed to the active participation and support of small and medium-sized business corporations. The Administration advised that it had adopted a streamlined procedure for processing applications involving the Grant at \$0.1 million or below since the seventh round, in order to speed up the application, vetting and approval procedures. The response from the welfare sector was encouraging. In addition, there was an increasing support by local small business operators for district-based projects which addressed the local needs of the disadvantaged.

13. Members cast doubt on the effectiveness to promote business corporations' support for the welfare projects for the disadvantaged through PFD. Members urged the Administration to consider increasing the profits tax by 1% and injecting the revenue to a new Fund to be managed by NGOs to ensure that adequate funds would be provided to NGOs for implementing various welfare projects to meet the needs of the disadvantaged. The Administration advised that PFD was not funded through allocation of a certain percentage of taxation income. It hoped that PFD could serve to promote corporate social responsibility.

Nature and size of PFD projects

14. Regarding the nature of the 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 correctional services; and services for other disadvantaged groups including the low-income class, unemployed, ethnic minorities and new arrivals. 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".

15. 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 the 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 the 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 ceiling of the Grant for projects serving other disadvantaged groups remained at \$2 million per project.

Evaluative studies

16. Members were advised that SWD had commissioned the Hong Kong Polytechnic University ("PolyU") in January 2007 to conduct an "Evaluative 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. 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 were more likely to sustain. Some good practices which would be conducive to forming and sustaining the partnerships were also identified.

17. In September 2010, the Administration commissioned PolyU to conduct "An Evaluative Study of the Partnership Fund for the Disadvantaged for the

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

Social Welfare Department". The study aimed at reviewing the effectiveness of the approved PFD projects in pursuit of the objectives of PFD to promote and sustain the tripartite partnership to help the disadvantaged. According to the Administration, the study, which was completed in February 2012, found that PFD projects had demonstrated positive impact on their recipients in terms of quality of life, empowerment, employment and social inclusion. To take forward the recommendations of the study, SWD had launched the eighth round of application by giving priority consideration to project proposals with outcome evaluation and those with promising sustainability and strategic partnerships with the business corporations, as well as mobilising SWD's 11 District Social Welfare Offices to undertake the tasks mentioned in paragraph 10 above.

Latest development

18. The Chief Executive announced in the 2014 Policy Address that the Government would earmark \$400 million for PFD to encourage further cross-sectoral collaboration to launch more welfare projects for the disadvantaged, half of the sum would be dedicated to support more after-school learning and support programmes for primary and secondary school children from grassroots families for strengthening their whole-person development.

Relevant papers

19. 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
	11 December 2006 (Item IV)	Agenda Minutes
	12 June 2008 (Item III)	Agenda Minutes
	9 March 2009 (Item V)	Agenda Minutes
	12 April 2010 (Item VI)	Agenda Minutes
Finance Committee	28 May 2010	Minutes FCR(2010-11)16
Panel on Welfare Services	16 April 2013 (Item IV)	Agenda Minutes