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**Meeting of Panel on Welfare Services
on 12 June 2008**

Background brief prepared by the Legislative Council Secretariat

Partnership Fund for the Disadvantaged

Purpose

This paper provides information on Members' deliberations on the establishment 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 comprising the Government, the business community and the welfare sector 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 to incentivise the welfare sector to seek and secure corporate participation in organising projects for the direct benefit of the disadvantaged. The Fund would be used for two main purposes –

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

Deliberations on the establishment of the Fund

Proposed arrangement for the allocation of the Matching Grant

4. At the meeting of the Panel on Welfare Services on 8 November 2004, the Administration briefed members on the following arrangements for the allocation of the Matching 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. Contribution 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 underprivileged 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.

5. 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.

6. 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.

7. 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 the forming of partnership 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.

8. The funding proposal for the establishment of PFD was approved by the Finance Committee on 17 December 2004. 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 Matching Grant. They considered that assistance should be provided to these organisations.

9. 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 organisations 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 organisations and the business sector.

Progress of PFD

10. At the Panel meetings on 13 October and 11 December 2006, members were advised that two rounds of applications had been invited in March and October 2005 respectively. A total of 43 projects had been approved, involving grant from PFD of over \$13 million. These projects had attracted 109 business partners, with total business sponsorship (in cash or in kind) of over \$16 million. The Administration expected that a total of 120 000 disadvantaged persons to benefit from these projects. The amount of PFD grant approved for each project ranged from \$30,000 to \$50,000, and the projects lasted from two months to three years. The third round of applications was invited on 21 July 2006.

11. Noting that 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 facilitation 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. Some members remained concerned that small NGOs which did not have well established connections with the business sector would be at a disadvantaged position to secure contributions and benefit from PFD. They considered that assistance should be provided to these organizations.

14. The Administration responded 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.

15. Members were advised that as a means to sustain the impetus of PFD and to enhance NGOs' capacity for forming tripartite social partnership, an evaluation study on promoting and sustaining partnership between NGOs and business corporations would be carried out, tentatively in January 2007. The Administration had further advised that the study would be completed in a year's time, and would revert to the Panel on its findings and recommendations.

16. The Administration will brief the Panel on the progress of PFD at its meeting on 12 June 2008.

Relevant papers

17. Members may wish to refer to the Administration's papers for the meetings of the Panel on Welfare Services on 8 November 2004, 13 October and 11 December 2006, the Finance Committee on 17 December 2004 and the relevant minutes of meetings for details.

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