
Guide to

*“Enhancing Employment of People
with Disabilities through Small
Enterprise” Project*

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1.1 Background

It is the Government's policy to promote and enhance the employment opportunities for people with disabilities. The Financial Secretary announced in his Speech on the 2001-02 Budget a one-off provision of \$50 million for non-governmental organizations (NGOs) to create employment opportunities for the disabled. The "Enhancing Employment of People with Disabilities through Small Enterprise" Project (The Project) was launched by Social Welfare Department (SWD) in September 2001 and, as at October 2006, over 80 applications have been received. Assessment Panels comprising un-official members from the Advisory Committee on Enhancing Employment of People with Disabilities were set up by the Project to examine the applications. As at October 2006, 38 applications involving a total grant of about \$20 million have been approved by the Assessment Panels and some 491 employment opportunities have been created, in which 357 are targeted for people with disabilities.

1.2 What is the "Enhancing Employment of People with Disabilities through Small Enterprise" Project (The Project)

In recent years, some NGOs have pioneered simulated businesses to create training and work opportunities for people with disabilities. This endeavour is adopting the model of social firms developed in overseas countries such as the United Kingdom, Italy, Germany, Spain and Sweden, etc. Social firms take the form of business activities in pursuit of a social mission to improve the employment of people with disabilities. The advantage of such operations is that people with disabilities can enjoy genuine employment in a carefully planned and sympathetic working environment. It resolves the problem of continuous transition of people with disabilities in different training and work settings and have difficulty in sustaining a job in the open market. In Hong Kong, NGOs are running businesses, including cleansing contracts, running of cafes, kiosks and fruit stalls, as part of the Supported Employment Programme and in the majority of cases, workers in these business undertakings are regarded as trainees or service users, rather than employees per se.

The Government sees much scope for further developing this mode of support to people with disabilities. The merit of this proposal rests not only in providing another employment outlet for people with disabilities, but also in giving these people the genuine status of an employee. To kick start these enterprises, a commitment of \$50 million has been approved by the Legislative Council Finance Committee for making grants to assist NGOs to create and run small enterprises or businesses employing people with disabilities.

2.1 Objective

The objective of the Project is to enhance the employment of people with disabilities through market-driven approach and direct creation of more work opportunities for people with disabilities. Through the payment of grants as seed money to NGOs, the Project supports the creation of small enterprises/ businesses, (the “Business” which expression shall, as the context may permit, include the proposed business before the grant, the business approved for the grant and the business created or carried on with the grant) to ensure people with disabilities can enjoy genuine employment in a carefully planned and sympathetic working environment.

2.2 Guiding principle

To achieve the above objective, the number of employees with disabilities should **not be less than 50%** of the total number of persons on the pay-roll for the Business. For the employees, a proper employer-employee relationship such as the entitlement to the normal employment benefits as defined under the Employment Ordinance etc. is expected. For the purpose of calculating the percentage under this paragraph, in case if there is any consultant or other similar person who receives any consultancy or management fee from the Business, the consultant or the person himself and all his/its employees shall be deemed to be persons on the pay-roll of the Business.

2.3 Who are eligible to apply

The grants from the Project are open for application by bona-fide charitable NGOs which have their own distinct legal entities authorized to carry out business activities in the Hong Kong Special Administrative Region. These NGOs must have tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap. 112). They may or may not be receiving subventions from the Social Welfare Department. For NGOs not receiving subventions from the Social Welfare Department, documentary proof of their having tax-exempted status under Section 88 of the Inland Revenue Ordinance (Cap. 112) to the satisfaction of the Director of Social Welfare and to substantiate their having actively engaged in welfare and charitable activities for at least **five** years before the submission of the applications have to be submitted with the applications. The applicant NGO may create and conduct the Business in its own name or by way of a wholly-owned subsidiary incorporated for this specific purpose. In the latter case, documentary proof of the relationship between the applicant NGO and the wholly-owned subsidiary has to be submitted with the application. In any event, separate books and accounts of the Business are required to be kept.

2.4 Form of funding support

Funding support is given in the form of a non-recurrent grant to the successful NGOs to assist them to pay the necessary initial capital expenditure on equipment, fitting-out works, etc. and the initial operating expenses for the preparatory business or marketing team. The funding support will be determined by the Assessment Panels with reference to NGOs' projections to be submitted in accordance with para. 3.3.4 below and any other factors deemed appropriate. The maximum amount of a grant is **\$2 million per Business**. Supplementary grant will normally not be considered. Disbursement of the grant will be based on specific milestones in the development of the Business, taking account of circumstances of individual cases. That part of the grant to support the initial operation of the Business from the time of commencement should normally be confined to a period of **two years**. The Business is expected to become self-sustaining after one year's operation.

2.5 How to apply

There is no deadline for the application of the Project. Eligible NGOs may submit their applications at any time throughout the year.

The application form can be downloaded from the Social Welfare Department's web page at the URL: <http://www.info.gov.hk/swd>.

Each applicant NGO can submit more than one application and no application fee is charged.

Completed application form together with copies of the necessary documentary proof should be submitted by mail to the **“Enhancing Employment of People with Disabilities through Small Enterprise” Project Secretariat of the Rehabilitation and Medical Social Services Branch, Social Welfare Department** at 9/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong. Please also note that it may take up to two months to approve an application. For enquiry on the application procedures, please contact the Secretariat at telephone number 2892 5561.

2.6 Responsibilities of NGOs

Applicant NGOs should note that when their applications are approved, they are expected to enter into proper employment contracts with people to be employed for the Businesses. Applicant NGOs should also comply with the requirements of relevant legislations in Hong Kong in relation to the work safety, workmen compensation insurance, mandatory provident fund, etc. for these people.

If the Business is operated by the Applicant NGOs, the Applicant NGOs should make sure that profits derived from their Businesses should be exempted from tax under Section 88 of the Inland Revenue Ordinance (Cap. 112). If the Business is operated by the Applicant's wholly-owned subsidiary and the subsidiary has not been exempted from tax under Section 88 of Cap. 112, the Applicant should undertake in its contract signed with SWD that no profit, remuneration or other benefit in money or money's worth shall be given by the Business to any member of the board of directors or board of management. In any event, the profit derived should be used for the creation of more employment opportunities and improvement of the working conditions for people with disabilities or other charitable purposes as approved by the SWD.

The Government of the Hong Kong Special Administrative Region will not accept any liabilities arising from the implementation and operation of the Businesses by applicant NGOs.

3.1 General

- ◆ The application form contains three parts, all sections of which have to be completed with supporting documents wherever required. Where the information sought is not applicable or not available, please fill in “N.A.”.
- ◆ In completing the form, only Hong Kong currency should be used for monetary figures.
- ◆ The application form must be typed or printed as appropriate.
- ◆ Please give clear and concise information. Additional pages may be attached to the form if such is necessary.
- ◆ One soft copy (1.44 MB 3.5” floppy disk in MS WORD for Windows format) and three hard copies of the completed application form have to be submitted. Only three hard copies of the documentary proof are required to be submitted.
- ◆ Please send your application to:

“Enhancing Employment of People with Disabilities
through Small Enterprise” Project Secretariat
Rehabilitation and Medical Social Services Branch
Social Welfare Department
9/F, Wu Chung House,
213 Queen’s Road East,
Wan Chai, Hong Kong.

- ◆ Once approval is granted to an application, the information given by the applicant NGO in Part I of the application form may be put on the web for public access. If the NGO does not wish certain information to be released, please forward its request and justifications upon submission of the application to the Project Secretariat.
- ◆ Acknowledgement will be sent to the applicant NGO upon receipt of an application by the Project Secretariat.

3.2 Data of NGO (Part I)

Particulars of the applicant NGO and other details of the business proposal should be provided in Part I of the application.

3.3 Details of the business proposal (Part II)

The application should contain the prescribed details of a viable business proposal, which can commence **not later than six months** after approval of the grant. The application should also contain information on whether similar application is being put up for other funding support or the amount of other funding being secured. Whenever necessary, the Marketing Consultancy Office (Rehabilitation) of the Social Welfare Department can provide advice for the applicant NGOs in their formulation of the business plans. The Marketing Consultancy Office (Rehabilitation) can be contacted at 23/F, Southorn Centre, 130 Hennessy Road, Wan Chai, Hong Kong. The telephone number is 2835 1933.

3.3.1 *Concept summary*

This should be a brief description of the concept, in both English and Chinese, setting out the objectives, business/strategic alliances, business plan, target markets/buyers, the amount of funding requested, etc.

3.3.2 *Details of the proposal*

State in clearer and more specific terms the objectives of the proposal and its outcomes as well as metrics for measurement. The business plan should be detailed enough as the Assessment Panels will base on the information provided for assessing the viability of the proposal. The plan may cover market analysis and research, the availability of business opportunities, analysis of the composition of the proposed work team, the required and available skill sets, management structure and its effectiveness, marketing strategies, contingency plans and long-term development, etc.

Please also analyze the Business with the SWOT (Strength, Weakness, Opportunity and Threats) framework.

Information of the applicant NGO's relevant experiences, qualifications and past performance in businesses as well as the Business's extent of benefit to people with disabilities will also be relevant. The latter should be expressed in terms of the likely number of people who may benefit, the expected earnings they may achieve or the prospects of them moving on to open employment thus making room for others to benefit from the Business.

3.3.3 *Project implementation schedule*

The schedule should cover information such as the commencement and completion dates and the milestones to be achieved.

3.3.4 *Projections*

The application should include the projections of the Business, which should be prepared by using the forms provided in Appendices 1 to 4 together with supporting notes on the assumptions and bases of calculations used, etc.

Please also read carefully the requirements for the keeping of a separate books of accounts and records for the Business at para. 5.5, the procurement procedures at para. 5.8, the provision on unallowable costs at para. 5.13 and the handling of residual funds at para. 5.14 of this Guide.

For each expenditure item, the applicant NGO should provide justifications on why that item is required.

If the applicant NGO is prepared to meet part of the cost of the Business through its own funds or donations secured, please provide the amount of the funding to be contributed, the source of funding and the form of contribution.

3.3.5 *Details of the project team*

The section should include the name, the position held and the responsibilities of each of the project team members especially those who are actively involved in project preparatory stage.

Each Business will require a project coordinator and a deputy project coordinator who will be responsible for overseeing the Business generally, monitoring the use of funds, liaising with the Project Secretariat and the Marketing Consultancy Office (Rehabilitation), and attending progress meetings on the Business. For changes of the project coordinator or the deputy project coordinator, please read para. 5.3 of this Guide.

3.3.6 *Other collaboration parties*

The section should include information on the collaborating parties, if any, their origin, and their contribution to and form of participation in the Business.

3.3.7 *Other information in support of the application*

The applicant NGO may include any other information it would like to add in support of its application under this section.

3.4 Information on Organization and Subsidiary Company (Part III)

As mentioned in paragraph 2.3, the applicant NGO must have its own distinct legal entity and is authorized to carry out business activities in the Hong Kong Special Administrative Region. It should have good experience in providing welfare and charitable services for the people in Hong Kong. It should have a significant proportion of its development, production, management or general business activities located in Hong Kong.

The applicant NGO should provide its details as requested in Part III. It should operate the Business under a separate business unit and it must not be in a joint venture or partnership with another organization. Under no circumstances should the money granted be accessible by any other activities or businesses of the applicant NGO which are beyond the scope of this Project except with the expressed approval of the SWD. Certified true copies of the following documents of the applicant NGO and the subsidiary (where applicable) should be attached to the application:-

- ◆ Certificate of Incorporation.
- ◆ Memorandum and Articles of Association.
- ◆ Business Registration Certificate.
- ◆ Certified true copy of the latest Annual Return and all documents subsequently filed with the Companies Registry.
- ◆ Full set of audited financial statements (i.e. income and expenditure account, balance sheet and cashflow statements) for the last three consecutive years.
- ◆ Documentary proof for its tax-empted status under Section 88 of the Inland Revenue Ordinance (Cap. 112).

Where the applicant NGO's subsidiary is a new incorporation to be formed, the above details and documents (except the Annual Return and the audited financial statements) should be submitted as soon as possible after the Business is approved.

The subsidiary must be incorporated in Hong Kong under the Companies Ordinance (Cap. 32).

The applicant NGO must be the beneficial owner of all the issued shares of the subsidiary. Where any of these shares are registered under the name of a nominee, legal documents should be produced to show that the applicant NGO is the sole beneficial owner.

4.1 Authority

Assessment Panels will be formed to assess the merits of the applications. Members of these Panels will comprise government officials, businessmen, financial/ accounting personnel, and people with disabilities, so as to provide the necessary commercial, financial, professional and policy input in the assessment. The Assessment Panels' recommendations will be provided to the Director of Social Welfare for approval of the applications. The Director of Social Welfare has the absolute discretion to approve or reject any proposal without providing any reasons.

4.2 Assessment procedures

The Project Secretariat including staff of the Marketing Consultancy Office (Rehabilitation) will conduct preliminary screening of all applications received and may seek clarification or supplementary information from the applicant NGOs.

Applications will be considered by the Project Assessment Panels. Where necessary, comments and advice will be sought from outside experts. Applicant NGOs may be required to attend Panel meetings to present their projects to and answer queries from Panel members.

The Panels will formulate their recommendations on the applications.

On the basis of the advice of the Panels, the Project Secretariat including staff of the Marketing Consultancy Office (Rehabilitation) will negotiate with the successful applicant NGOs on the terms and conditions for the grant. Funds will be released with the Director of Social Welfare's approval and after the applicant NGO has signed an agreement with the Director of Social Welfare incorporating the Business Proposal, Funding Schedule and basically the terms and conditions as elaborated in this Guide.

4.3 Vetting criteria

Applications should contain a viable business plan that can commence **no later than six months** after approval of the grant. In general, Businesses to be funded should be **self-sustaining after one year's operation**. The considerations in vetting the applications will include but not limited to:

- (a) viability of the business plan;
- (b) management capability of the agency including experience, qualification, past

-
- performance in business; and
- (c) the extent of benefit to people with disabilities, including the number of people with disabilities to be employed.

4.4 Notification of results

The Project Secretariat will, under normal circumstances, notify the applicant NGO in writing of the assessment result within two months after the receipt of all relevant information of an application.

4.5 Withdrawal

The applicant NGO can write to the Project Secretariat to withdraw an application at any time before an agreement is signed between the Director of Social Welfare and the applicant NGO.

4.6 Re-submission

Declined applications may only be re-submitted if they have been revised substantially in accordance with the advice from the Assessment Panel to improve the viability of the Business, etc. However, the revised application will not be accredited with any favouritism or priority and will be subject to the same assessment procedures.

4.7 Return of applications

Applications will be returned and will not be considered if they are submitted by ineligible applicants or if they have been declined previously but have not been revised in accordance with para. 4.6 above.

Chapter 5 Administrative Highlights

5.1 Contractual requirements

For each Business for which grants have been approved, the applicant NGO has to sign an **agreement** with the Director of Social Welfare incorporating the Business Proposal, Funding Schedule and basically the terms and conditions as elaborated in this Guide.

5.2 Prior approval requirements

A Business is required to be carried out in accordance with its proposal appended to the agreement. Modification including change in implementation schedule, scope of the Business, scope affecting the benefit of people with disabilities will require prior written approval from the Director of Social Welfare.

5.3 Change of key personnel

Pursuant to para. 5.2 above, except for the circumstances which are beyond control of the applicant NGO, replacement of the project coordinator or deputy project coordinator of a Business will also require prior written approval by the Director of Social Welfare.

5.4 Payment arrangements

Under normal circumstances, the grant for the running costs will be paid quarterly to the applicant NGO or it may be paid at other intervals as considered appropriate by the Director of Social Welfare. Payment of the grant for the capital expenditure on the procurement of equipment, fitting-out works, etc. will be made on reimbursement basis and the claim should be supported by invoices or bills certified by the authorized signatory of the applicant NGO.

Payment will be effected only if the Business is able to meet the prescribed plan and the Director of Social Welfare is satisfied with the progress. The Director of Social Welfare reserves the right to withhold any further payment if the Business is observed to be no longer viable or is seen to have substantial deviation from the original business plan or if a large amount of fund remains unspent in the account of the Business.

5.5 Books of accounts and records

In any event, the applicant NGO is required to use a separate bank account for processing all receipts and payments of the Business. The applicant NGO must also keep separate proper books of accounts and records of the Business. The books of accounts and records will need to be kept for at least for **seven years** starting from commencement of the Business. The books of

accounts to be kept by the applicant NGO should include the cash and bank books, the sales and purchases day books, the ledger of accounts for recording all the transactions of sales and purchases, the incomes and expenses, and the assets and liabilities of the Business.

The applicant NGO shall submit separate annual audited financial statements of the Business made up to **31 March** each year, which should include the income and expenditure accounts, the balance sheet and fund flow statement. The first audited financial statements may cover more than 12 months but not more than 18 months. Besides, these annual audited financial statements have to cover at least **three years** from the commencement of the funding period and should be submitted to the Director of Social Welfare within four months after the end of the period covered by the annual audited financial statements. The Director of Social Welfare reserves the right to conduct financial audit and inspection of such books of accounts and records for such three years at any time.

If the Business comes to unsuccessful termination during the funding support period, the books of accounts and records should be retained by the applicant NGO. The applicant NGO should submit the separate audited financial statements to the Director of Social Welfare within four months after the termination. Besides, the applicant NGO will still be responsible to answer enquiries and queries should such be raised by the Director of Social Welfare.

5.6 Progress report

The applicant NGO has to submit quarterly progress reports of the Business to the Director of Social Welfare from signing of agreement to end of the funding period which is normally one year after the commencement of the Business. Thereafter, half-yearly reports to the Director of Social Welfare for the subsequent two years. These reports should be submitted within **two months** after the end of each quarterly or half-yearly period. The reports should contain evidence to confirm the employment of the number of people with disabilities. Besides, during funding support period, the quarterly reports should show the accumulated amounts of the grant received and used and the unspent balance. The applicant NGO may also be required to show evidence to support the amounts of the grant used to the Director of Social Welfare.

All Businesses are monitored by the Marketing Consultancy Office (Rehabilitation) of the Social Welfare Department against their stated milestones. They will also provide advice and support to the applicant NGOs on business matters. They may organize visits or progress review meetings to examine the progress of the Businesses.

The Advisory Committee on Enhancing Employment of People with Disabilities will steer the implementation of the Project, review its overall progress and will recommend to the Director of Social Welfare for termination of funding support if the Businesses were observed to be

no longer viable or seen to have substantial deviations from the original business plans.

5.7 Final report

Final report and evaluation should be completed at the end of the three years from commencement of the Business. In the final report, the applicant NGO should also set out a synopsis of the results and future development of the Business.

The Director of Social Welfare will assess the reports on the Business against its original performance pledge to rate its achievement.

5.8 Procurement procedures

The applicant NGO should exercise the utmost prudence in procuring equipment, goods or services for the Business and must adhere to the following procedures unless the Director of Social Welfare agrees otherwise.

For every procurement the aggregate value of which is more than HK\$5,000 but less than HK\$10,000, quotations from at least two suppliers should be obtained. The applicant NGO should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.

For every procurement the aggregate value of which is HK\$10,000 or more, but less than HK\$500,000, quotations from at least three suppliers should be obtained. The applicant NGO should select the supplier that has submitted the lowest bid. If the lowest bid is not selected, full justifications must be given.

For every procurement the aggregate value of which is HK\$500,000 or more, open tendering should be used.

5.9 Title to equipment

The title to equipment for a Business, including those procured with the Project Fund, will be held by the applicant NGO. The applicant NGO should ensure that the equipment is put to good use by the Business or its other services if and when the Business is terminated.

5.10 Acknowledgement of support

Acknowledgement of the Project's support must appear on all equipment, facilities, publicity/ media events related to the Business, as well as in publications arising from the Project.

The applicant NGO also has the obligation to assist and participate in the publicity related to the Project. Information of the Businesses may also be put on the Internet for public access. If the applicant NGO does not wish certain information to be released, please state the justifications for the consideration of the Assessment Panels. Also, the applicant NGO is required to exhibit the logo of Support the Employment of People with Disabilities (SEPD) on all publicity materials, name cards, letterheads and company's advertising boards, etc. related to the Project.

5.11 Suspension or termination of funding support

The funding support may be suspended or terminated in accordance with the provisions contained in the agreement to be signed between the applicant NGO and the Director of Social Welfare.

5.12 Termination of business

If Business is terminated by the applicant NGO within five years after its commencement, the applicant NGO should immediately render a detailed report to inform the Director of Social Welfare of the event and confirm how the assets of the business will be put to good use for the benefit of the applicant NGO's welfare services.

5.13 Unallowable costs

The applicant NGO should exercise the utmost prudence in the use of the grant to the Business. It shall not be used for setting up office or forming associations. Besides, it shall not be used to cover any costs which are not related to the Business.

5.14 Return of residual funds

At the end of the funding period or when the Business is terminated within that period, the applicant NGO is required to return the unspent amount of the grant as shown in the quarterly progress report including interest, if any, to the Director of Social Welfare within one month. However, if the applicant NGO considers that the unspent amount should be retained for financing the on-going Business, it should send a proposal together with justifications to the Director of Social Welfare for consideration. If the proposal is rejected, the applicant NGO should return the unspent amount immediately.

*** End ***

