

**Extract from the minutes of special meeting of the
Panel on Education held on 9 December 2003**

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Action

II. Matching Grant Scheme for University Grants Committee-funded Institutions

[LC Paper No. CB(2)607/03-04(01)]

Purpose of the Scheme and performance of institutions

19. Mr Tommy CHEUNG asked why the Administration had decided to reduce the funding support for the UGC sector by about \$1.1 billion on the one hand, and provide a \$1 billion dollar-for-dollar matching grant on the other.

20. SEM responded that local students were now subsidized at some 82% of the overall student unit cost of UGC-funded programmes, a percentage which was among the highest on an international scale. Given the budgetary constraints, it would be in the interest of the institutions to diversify their funding sources as overseas institutions often did, and for the higher education sector as a whole to change their conventional mindset and culture regarding the allocation of resources. To develop a philanthropic culture in support of higher education, the Scheme was established to encourage institutions to raise funds through the collective efforts of their management and staff. SEM considered that as long as institutions could demonstrate the high quality of their academic and research programmes, it should not be too difficult for them to attract private endowment.

21. SEM further said that of the \$1 billion commitment approved by the Finance Committee for the Scheme, \$500 million was allocated to the first phase which was opened for application in July 2003. The response from institutions and donors had been most encouraging. Up to the end of October 2003, the eight UGC-funded institutions had together secured around \$561 million of donations for matching. Discounting around \$66 million worth of donations which were received by some institutions in excess of the stipulated "ceiling" of 150 million for each institution, a total of \$495 million donations were eligible for matching in the first phase.

22. Mr Tommy CHEUNG and Ms Cyd HO asked whether the performance of individual institutions in securing private donations could be provided for members' information.

23. SG(UGC) responded that private donations received by UGC-funded institutions would eventually be disclosed as institutions would have to specifically record the donations, and publish the details in their audited accounts for public scrutiny. However, in order not to pre-empt fund-raising

Action

efforts, and to encourage healthy competition among institutions, the eight UGC-funded institutions considered it more appropriate to maintain the confidentiality of these donations for the time being. He pointed out that disclosure of the amount of private donations received by institutions at this stage might affect the choice and decision of prospective donors who had been approached by individual institutions. Ms Cyd HO expressed a different view. She considered that disclosure of the donations received by institutions at this stage could help smaller/newer institutions in soliciting donations from prospective donors.

24. Mr Tommy CHEUNG expressed support for encouraging institutions to be more active in fund-raising, but expressed reservations about withholding information on the donations received by institutions as such information would have to be disclosed sooner or later. He asked how the Administration would monitor the provision of matching grants to institutions and audit the private donations received by institutions.

25. SEM explained that disclosure of the amount of private donations received by institutions at this stage might create negative impact on institutions' fund-raising initiatives in progress. He also confirmed that the eight UGC-funded institutions had reached consensus on the issue and requested the Administration not to disclose such information at this stage. He clarified that private donations received by institutions would be matched after the donations had been credited to institutions' accounts.

Distribution of matching grants and possible consequence

26. Mr Tommy CHEUNG asked how the matching grants would be allocated to institutions to match the private donations they received.

27. SEM explained that to encourage healthy competition amongst institutions and to allow the smaller institutions a fair chance, an amount of \$20 million (i.e. a "floor") was set aside for matching by each institution as a guaranteed minimum for donations received before 31 December 2003. A "ceiling" of \$150 million was also set to limit the aggregate amount of grant that each institution could receive during the first phase. Having considered the relative performance of the institutions so far, and responding to the suggestions at a previous Panel meeting, the Administration proposed to adjust the aggregate "ceiling" and "floor" levels of the first and second phases of the Scheme to \$250 million and \$45 million respectively. In order to allow smaller/newer institutions a reasonable amount of time to secure donations, the Administration also proposed that the resources set aside as guaranteed minimum (i.e. the "floor" amounts) would be reserved for matching donations received before 30 June 2004.

28. Mr MA Fung-kwok asked whether the Administration would increase the

Action

matching grant fund if the total donations secured by the eight UGC-funded institutions exceeded \$1 billion.

29. SG(UGC) responded that there would be a limit of \$1 billion for matching of donations received by institutions. The actual cashflow and duration of the scheme would depend on the speed at which the institutions could secure the donations and the amounts involved.

30. Dr YEUNG Sum expressed concern that although the Administration had set a "ceiling" and a "floor" for the provision of matching grant, the large institutions with a long and reputable history were more capable of raising funds than the smaller ones with a short history. He considered it very likely that the University of Hong Kong (HKU), the Chinese University of Hong Kong (CUHK) and the Polytechnic University of Hong Kong (PolyU) would be more capable than the Lingnan University and the City University of Hong Kong (CityU) in fund-raising. He urged the Administration to ensure a fair distribution of the matching grants to smaller/newer institutions.

31. SEM responded that the Administration had considered the relative performance of the institutions in the first phase and the needs of the smaller/newer institutions, and would raise the "ceiling" and the "floor" levels to \$250 million and \$45 million respectively. The purpose of the adjustments was to encourage institutions to make more efforts to raise fund as well as to give further assurance to the smaller institutions regarding the amount of grants they would be able to obtain from the Scheme. Dr YEUNG Sum remarked that the Democratic Party anticipated that the Administration would adopt appropriate measures to ensure a fairer distribution of the matching grant fund to smaller institutions.

32. Ms Cyd HO expressed concern that if further funding cuts should be made for the 2005-08 triennium, the smaller/newer institutions which failed to secure sufficient donations might be short of resources to run their existing programmes. She asked whether the Administration would assist these institutions in case they could not secure sufficient donations to continue operation in the future.

33. SEM responded that the recurrent funding for the UGC sector for the next triennium had not been determined. He pointed out that the matching grant was introduced to encourage institutions to secure private donations for activities within the ambit of UGC recurrent grants, and was provided in addition to the recurrent funding which should be sufficient for institutions to operate without the matching grant.

34. Mr CHEUNG Man-kwong said that the total recurrent funding for the UGC sector for the 2004-05 roll over year, after deduction of the cumulative deflation over the 2001-04 triennium and the proposed civil service pay

Action

adjustment in 2004-05, was about \$1 billion less than the provision for the 2003-04 academic year. The eight UGC-funded institutions would have to share the funding cuts of \$1 billion for the 2004-05 roll over year in accordance with their shares of the total recurrent funding for the sector. The establishment of the Scheme would mean the return of the \$1 billion saving to institutions, and institutions would receive a double amount up to the "ceiling" if they were able to secure sufficient donations from the private sector. He agreed that the Scheme would encourage institutions to develop and diversify their sources of income, but pointed out that while HKU, CUHK and PolyU would be able to secure the maximum grant, some institutions might have difficulty in securing the minimum before July 2004. He suggested that the Administration should allow a longer period of time for these institutions to secure private donations up to the "floor" level, without affecting the provision of matching grants to those institutions which would secure aggregate donations in excess of the "ceiling".

35. SEM responded that the Administration could consider Mr CHEUNG Man-kwong's suggestion, but pointed out that it would not be easy for the Administration to convince the heads of the eight UGC-funded institutions, who held different views on the distribution of the matching grants, to accept the suggested arrangement.

36. Mr SZETO Wah expressed concern that the Hong Kong Institute of Education (HKIEd) would have difficulty in securing sufficient private donations to meet the budget shortfall arising from the funding cuts to the UGC sector. He pointed out that based on the total recurrent funding for the 2004-05 roll over year, HKIEd would share a larger reduction of recurrent funding than the Lingnan University and the Hong Kong Baptist University. As graduates of HKIEd were mainly engaged in the teaching profession and were relatively less capable of securing private donations, he requested the Administration to give special consideration to HKIEd in allocation of resources for the 2005-08 triennium. Mr SZETO also expressed concern that HKIEd would be forced to merge with CUHK in case it could not sustain operation due to a lack of funds.

37. SEM responded that the Administration did not have a policy to encourage UGC-funded institutions to merge. However, if such merging was initiated by the institutions concerned, the Administration would seriously consider the proposal and provide support as appropriate.

38. Mr SZETO Wah remarked that reduction of funding support to an institution could ultimately force the institution to consider merging with another institution for financial reason.

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