

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 53 – GOVERNMENT SECRETARIAT : HOME AFFAIRS BUREAU**

#### **Subhead 700 General non-recurrent**

#### **New item “Injection into the Arts and Sport Development Fund and the Arts Development Fund”**

Members are invited to approve a new non-recurrent commitment of \$100 million for injection into the Arts and Sport Development Fund and the Arts Development Fund.

### **PROBLEM**

The remaining balance of the Arts and Sport Development Fund (ASDF) and the Arts Development Fund (ADF) will soon be exhausted. We need to replenish the two Funds to continue our support for the development of the arts and sports in Hong Kong.

### **PROPOSAL**

2. The Secretary for Home Affairs (SHA) proposes to inject a sum of \$80 million into ASDF to continue to support worthwhile initiatives on the arts and sports, and to inject a sum of \$20 million into ADF to continue to support outbound cultural exchange activities.

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## JUSTIFICATION

### (A) The Arts and Sport Development Fund

#### Objective of the Fund

3. In January 1997, the Finance Committee approved the setting up of ASDF as a sub-fund under the Sir David Trench Fund for Recreation<sup>1</sup> to provide funding for the key initiatives of the Hong Kong Arts Development Council (HKADC) and the then Hong Kong Sports Development Board in their respective five-year strategic plans, and other projects that in SHA's opinion, will make significant contribution to the further development of the arts and sports in the community. A sum of \$300 million was approved as a one-off injection into ASDF. The allocations between the arts and sports portions of ASDF were \$160 million and \$140 million respectively and the investment income generated therefrom is ploughed back to the Fund.

#### Need for Injection

##### *Arts Portion of ASDF*

4. SHA considers and approves applications for the arts portion of ASDF submitted by HKADC including those initiated by HKADC itself and those proposed by the arts sector and which HKADC considers worthy of support. The funding criteria are at the Enclosure. Since 1997, SHA has approved a total of 1 147 applications with a total grant of over \$227 million. A breakdown by project type is as follows –

Encl.

<b>Nature of Projects</b>	<b>Number of Projects</b>	<b>Amount Approved</b>
Research	95	\$32,393,896
Arts Education	164	\$25,412,354
Arts Promotion	826	\$133,046,588
Cultural Exchange <sup>2</sup>	62	\$36,315,672
<b>Total</b>	<b>1 147</b>	<b>\$227,168,510</b>

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<sup>1</sup> Sir David Trench Fund for Recreation is a statutory fund established under the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) for the purpose of providing facilities for recreational, sporting, cultural and social activities and other objects ancillary or incidental to this purpose. It is held in trust by the Incorporation of Director of Accounting Services and administered by SHA.

<sup>2</sup> These were mainly exchange activities prior to 2001 when ADF was re-activated and used to support outbound cultural exchanges as explained in paragraph 13 below.

As at 31 December 2006, the uncommitted balance of the arts portion of ASDF was \$4.7 million.

5. HKADC, established as a statutory body to promote and develop culture and the arts in Hong Kong, receives an annual recurrent subvention of around \$100 million from the Government for meeting its staff, administrative and programme expenses including recurrent grants to the relatively established arts groups. HKADC has been relying on additional funding from ASDF to carry out one-off projects with significant contribution to culture and the arts, including those for supporting small and medium sized arts organisations, as well as new and budding artists.

6. In June 2006, the Committee on Performing Arts, set up to advise the Government on the provision of performing arts services, suggested in its Recommendation Report (I) that, inter alia, there should be a single funding body to advise on the funding for the ten major performing companies currently funded by the Leisure and Cultural Services Department (LCSD) (four) and HKADC (six) respectively. The Government accepted the Committee's recommendations and a Funding Committee for Performing Arts was set up in November 2006 to advise on the disbursement and monitoring of funds made by the Home Affairs Bureau (HAB) under the single funding mechanism. Following this transfer of funding responsibility for the six major performing companies from HKADC to HAB, HKADC should consolidate and focus more of its work on new and budding artists and arts groups, as well as the small to medium sized arts organisations. This re-focus is a welcoming response to the arts and cultural sector which has requested that more performance opportunities should be provided for young and budding artists through financial support.

7. HKADC has been tapping ASDF for additional resources to implement new initiatives targeting at the new and budding artists and arts groups. Without timely injection, the remaining balance of the arts portion of ASDF is unable to continue to support these worthwhile initiatives. Taking account of HKADC's plan, we propose to earmark the proposed injection of \$40 million for supporting projects under the following new schemes or initiatives targeting at relatively new artists –

(a) Budding Grant Scheme

A new budding grant scheme will be set up to support new artists or arts groups (including recent graduates of the relevant disciplines).

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The objective is to provide them with performance opportunities, exhibition opportunities to exhibit their works, or to participate in open competitions through subsidy on production costs, venue charges or related expenses. HKADC will develop new application and funding criteria for this new grant scheme to facilitate new artists or arts groups.

(b) Enhanced Support Scheme for Budding Artists

This is a new, enhanced support scheme for those budding artists with recognised potential. The idea is to provide budding artists with recognised potential opportunities for internship with established arts institutions or performing companies, or residence programmes with renowned local or overseas institutions, through matching them with the appropriate and interested mentors/mentoring organisations and funding them on the relevant internships.

(c) Support for Small and Medium Sized Performing Arts Groups

As recommended in the Committee on Performing Arts' Recommendation Report (I), HKADC should help meritorious small and medium sized performing arts groups funded by it to progress and join the league of major groups. This aims to ensure a healthy progression ladder for maturing small and medium sized groups.

To follow up on this recommendation, HKADC proposes to make use of the additional resources to strengthen its existing support for small and medium sized performing arts groups to help them attain a higher level of excellence through subsidy on artistic training, research, production costs of performance programmes and venue charges.

(d) Arts Education, Arts Promotion and Community Participation

Arts education, arts promotion and community participation are essential to the sustainable development of the arts and cultural scene in Hong Kong. HKADC will deploy the additional resources to step up efforts in partnering with the District Councils (DCs), non-governmental organisations and business corporations to bring culture and the arts closer to the community and into all walks of life. Examples of such projects include partnering with district youth organisations to work on drama projects for district youths, presenting arts exhibitions in district community centres with meet-the-artist sessions in collaboration with the DCs, and setting up "Street Billboards" with the support of DCs in promoting arts programmes.

8. With the proposed injection, the new schemes will be launched within 2007-2008. It is expected that up to \$20 million will be committed in the first year (i.e. 2007-08) and the remaining \$20 million in the second year (i.e. 2008-09). HAB and HKADC will review the effectiveness of the approved projects implemented under the new schemes and the funding arrangement including the use of ASDF in general, on the basis of the required project deliverables including project reports and accounting statements.

### *Sports Portion of ASDF*

9. Like the arts portion, SHA considers and approves applications for the sports portion of ASDF. At present, the sports portion of ASDF is used to support projects of the following categories –

(a) Preparation for Major Games

The sports portion of ASDF provides funding support to elite athletes as well as athletes of development sports and sports for the disabled to prepare for the major sports games/competitions including Olympic Games, Asian Games, All China Games, Paralympic Games, Far East and South Pacific Games for the Disabled (FESPIC Games) etc. Funds granted may be used to cover expenses relating to the additional local training and overseas training/competitions, purchase of additional equipment, provision of on-field support and hire of additional coaches.

(b) Participation in Major Games

The sports portion of ASDF is also used to support Hong Kong Delegation to participate in major games, such as the Olympic Games, Paralympics Games, Asian Games and All China Games and FESPIC Games. Funds granted may be used to cover expenses for the delegation's accommodation and meal, local transportation, uniform and other related expenses such as medical tests and purchase of souvenirs etc.

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## (c) Hosting of Major International Events

In line with our objective to make Hong Kong a major location for international sports events, the sports portion of ASDF also supports National Sports Associations (NSAs) and other sports organisations to host major international events of different nature and size in Hong Kong. In particular, funding from ASDF has been earmarked to support the “M” Mark System<sup>3</sup> which was launched in November 2004. Funds granted are generally used to cover venue charges, costs for accommodation and meal of the participants, allowance for officials and some miscellaneous items such as prize and trophy etc. For the “M” Mark System, funding, if approved, is provided in form of interest-free loan, matching fund and/or direct grant.

## (d) Other “one-off” Activities

The sports portion of ASDF may also be used to support other “one-off” activities which are of significant importance to the development and promotion of sports in Hong Kong.

10. Up to end 2006, SHA has approved a total of 108 sports projects with a grant of over \$193 million from the sports portion of ASDF. A breakdown by project type is as follows –

<b>Nature of Projects</b>	<b>Number of Projects</b>	<b>Amount Approved</b>
Preparation for Major Games	26	\$76,910,809
Participation in Major Games	26	\$41,762,431
Hosting of Major International Events	30	\$24,236,312
Other “one-off” Activities	26	\$50,300,655
<b>Total</b>	<b>108</b>	<b>\$193,210,207</b>

As at 31 December 2006, the uncommitted balance of the sports portion of ASDF was \$51.3 million.

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<sup>3</sup> The “M” Mark System was launched to help NSAs to nurture more sustainable major sports events in Hong Kong. It includes a package of tailor-made support measures, including professional advice on the organisation, sponsorship, marketing and promotion strategies for the events, coordinated logistics support from relevant government departments, as well as funding support comprising interest-free loan and matching fund or direct grant for “M” Mark events for a maximum period of three years. We have earmarked \$30 million from the sports portion of ASDF as the seed fund to support “M” Mark events. During the first, second and third year of the event upon successful application, matching funds for up to \$3 million, \$2 million and \$1 million would be provided in the respective year.

11. The sports portion of ASDF is an important funding source for the development and promotion of sports in Hong Kong. In anticipation of the major games and major international sports events that Hong Kong will organise/stage in the coming years, we expect that an average of over \$30 million per annum will be required from the sports portion of ASDF over the next three to four years. Although the sports portion of ASDF has a healthier balance than the arts portion, we see the need to seek an injection to the sports portion at the same time given an overall strategy to develop sports development on all fronts as announced after the Chief Executive's 2006-07 Policy Address. This would also provide a more re-assuring and steady source of funding support as our athletes, who have achieved remarkable results in the 2006 Doha Asian Games, are intensifying their training for the 2008 Beijing Olympics and the 2009 East Asian Games to be hosted by Hong Kong. We will therefore earmark the remaining \$40 million of the proposed \$80 million injection for the sports portion of ASDF.

## **(B) The Arts Development Fund**

### **Objective of the Fund**

12. ADF was set up with a capital of \$30 million as a sub-fund under the Sir David Trench Fund for Recreation in May 1993 to enhance the development of the arts, in particular new performing arts groups in Hong Kong and visual and literary arts. Upon the setting up of ASDF in 1997, all applications from arts groups on specific projects were channeled to ASDF. Funding applications to ADF were closed between 1997 and 2001.

13. In November 2001, in view of the rising interest of local arts groups/artists in developing cultural networks with overseas and Mainland cultural groups/organisations and presenting their works overseas and in the Mainland, the remaining balance of ADF at \$14.1 million was used to fund outbound cultural exchange activities of local artists and art groups, in particular, the participation in outbound cultural exchange by small and budding artists and art groups. It is widely reckoned that an effective way to support young and budding artists is to support them on exchange with overseas and Mainland artists and arts groups in order to broaden their horizons and experience. This will not only facilitate the promotion of Hong Kong's arts but also Hong Kong as a whole internationally. Grants approved may be used to defray accommodation, transportation, insurance and other related expenses.

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### Need for Injection

14. Like ASDF, ADF is administered by SHA. Applications for funding are considered and recommended for SHA's approval by the ADF Advisory Group comprising HKADC members and representatives from HAB and LCSD. During the period from 1993-94 to 1996-97, SHA approved a total of 130 applications with a grant of \$22.4 million from ADF. Since November 2001 when the Fund was re-activated, SHA has approved a total of 97 applications with a grant of about \$12 million. A breakdown of the grants as from 2001-2002 is as follows –

<b>Year</b>	<b>Number of Projects</b>	<b>Amount Approved</b>
2001-02	4	\$534,490
2002-03	1	\$17,000
2003-04	24	\$2,692,000
2004-05	19	\$3,658,100
2005-06	24	\$2,436,550
2006-07 (as at December 2006)	25	\$2,617,000
<b>Total</b>	<b>97</b>	<b>\$11,955,140</b>

As at 31 December 2006, the uncommitted balance of ADF was \$4.5 million.

15. As there is no recurrent funding from other sources earmarked for outbound cultural exchange activities and we intend to enhance such activities in the coming years, we propose an injection of \$20 million to ADF to continue the support for outbound cultural exchanges. These activities would be conducive to realising our policy commitment to attract worldwide creative talent to Hong Kong. Based on the past spending pattern and taking into account the rising trend for exchange activities, we expect that the proposed funding injection should be able to support these outbound exchanges from 2007 to 2012 at a rate of \$4 million per year.

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**FINANCIAL IMPLICATIONS**

16. The proposed injection of \$80 million into ASDF and \$20 million into ADF is one-off in nature. There are no recurrent implications arising from the proposal.

17. Subject to Members' approval, we will inject \$80 million into ASDF and \$20 million into ADF in 2006-07. We will offset the supplementary provision required by deleting an equivalent amount under Head 106 Miscellaneous Services Subhead 789 Additional commitments.

**PUBLIC CONSULTATION**

18. We consulted the Legislative Council Panel on Home Affairs on 8 December 2006. Members were in support of the proposed capital injection. One Member cautioned that the bulk of the new injection must directly benefit the artists and athletes. We have so confirmed and shall review the effectiveness of the various schemes in light of experience.

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Home Affairs Bureau  
January 2007

**Funding Criteria for the Arts Portion of the Arts  
and Sport Development Fund**

During the period from 1997 to 2000, SHA has approved a total of 1 033 funding applications proposed either directly by HKADC as pro-active projects under its 1995 five-year plan, or by the arts sector and considered worthy of support by HKADC, with a total grant of \$103 million. As the majority of the projects undertaken during this period was small in scale and considered inadequate in achieving the desired outcome, HKADC implemented a modified scheme which tightened the funding criteria in April 2000.

2. The following criteria adopted since April 2000 form the basis of assessing funding applications under the arts portion of ASDF –

- (a) grants to be disbursed should cover projects which enhance Hong Kong's position as an international cultural centre and/or contribute to the strategic development of the local arts scene;
- (b) individual projects should have a budget of \$400,000 or more (with the exception of projects initiated by HKADC itself) ; and
- (c) subsidy level must not exceed 75% of project estimate, up to a ceiling of \$2 million (with the exception of projects initiated by HKADC itself).

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