

## **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”**

Members are invited to approve a new non-recurrent commitment of \$150 million for injection into the Arts and Sport Development Fund.

### **PROBLEM**

The remaining balance of the Arts and Sport Development Fund (ASDF) will soon be exhausted. We need to make a fresh injection into the ASDF in order to continue our support for the development of the arts and sport in Hong Kong.

### **PROPOSAL**

2. The Secretary for Home Affairs (SHA) proposes to inject a sum of \$150 million into the ASDF to continue to support worthwhile arts and sports initiatives.

### **JUSTIFICATION**

#### **Objective of the Fund**

3. With the approval of the Finance Committee (FC) in January 1997 via FCR(1996-97)101, the ASDF was set up as a sub-fund under the Sir David

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Trench Fund for Recreation<sup>1</sup> to provide funding for 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. A sum of \$300 million was approved as a one-off injection to support the proposed activities. Of this injection, we have earmarked \$160 million and \$140 million for the arts and sports portions of the ASDF respectively. On 26 January 2007, FC approved via FCR(2006-07)35 a further injection of \$80 million into the ASDF, and we have earmarked \$40 million each for the arts and sports portions. Both government injections and investment income generated by the injections have been used to support the arts and sports activities. Any refunds from the underspending of approved projects have also been ploughed back into the ASDF.

### Arts Portion of the ASDF

4. SHA considers and approves applications to the arts portion of the ASDF submitted by the HKADC, including those initiated by the HKADC itself and those proposed by the arts sector and recommended by the HKADC. Established in June 1995, the HKADC is a statutory body set up under the Hong Kong Arts Development Council Ordinance (Cap. 472) to promote and develop culture and the arts in Hong Kong. It has been supporting the development of local artists and arts groups mainly through its various grant schemes, focusing on the development of small and medium-sized arts groups and the nurturing of budding artists since 1 April 2007. Apart from the annual recurrent subvention (around \$84 million in 2008-09) from the Government, the arts portion of the ASDF is the only other source of funding available to the HKADC to support other significant projects that contribute to the further development of the arts in the community.

5. As of December 2008, SHA has approved 1 169 projects with a total grant of around \$264.5 million under the arts portion of the ASDF and the uncommitted balance for this portion was \$4.4 million. A breakdown of the schemes/projects approved during the period is at Enclosure 1.

Encl. 1

6. In view of the low fund balance remaining in the arts portion, we intend to earmark \$60 million out of the fresh injection of \$150 million to continue our support for worthy initiatives. As the robust development of the arts sector is crucial to the success of the West Kowloon Cultural District, there is a great need to continue supporting the nurturing of budding artists and the development of small and medium-sized performing arts groups. We intend to continue with the current practice of focusing our support for new schemes/projects on the four existing broad categories as set out below –

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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 the Director of Accounting Services and administered by SHA.

(a) Budding Grant Scheme

This includes schemes/projects that target supporting the debut of budding artists so as to give them performance and exhibition opportunities.

(b) Enhanced Support Scheme for Budding Artists

This includes schemes/projects that target supporting budding artists with recognised potential including funding their internship with established arts institutions locally or overseas.

(c) Support for Small and Medium-sized Performing Arts Groups

This includes schemes/projects that target enhanced support to small and medium-sized arts groups, such as the new grant scheme introduced by the HKADC in 2007-08 that offers support to more than one project proposed by an applicant arts group.

(d) Arts Education, Arts Promotion and Community Participation

This includes schemes/projects that target enhancing student and community appreciation of and participation in culture and the arts including projects organised in partnership with the District Councils, non-governmental organisations and business entities to bring culture and the arts closer to the community.

7. Taking into account the average volume of grants approved annually over the past two years, we expect to commit an average of about \$20 million annually for the coming three years.

8. We shall continue to monitor the proper disbursement of funds from the arts portion of the ASDF under the well-established mechanism already in place. Under the mechanism, when submitting funding applications, the HKADC is required to set out clearly the targets/deliverables of the proposed projects. Whenever there are substantial changes to the scope of an approved project, the HKADC is required to consult SHA in advance. Besides, the HKADC will need to submit a report, together with complete statements of accounts, to the Home Affairs Bureau within eight months upon completion of the approved projects. Any unspent balance must be returned to the ASDF.

## Sports Portion of the ASDF

9. Like the arts portion, SHA considers and approves applications for the sports portion of the ASDF. The sports portion of the ASDF has been supporting projects in the following categories –

(a) Preparation of Athletes for Major Games

This includes the provision of support for elite athletes to prepare for major international and national games, such as the Olympic Games, the Paralympic Games, the Asian Games and the National Games. Funding can be used to cover expenses relating to the additional local and overseas training, purchase of additional equipment, provision of on-field support and hire of additional coaches required to prepare athletes properly for major games.

(b) Participation in Major Games

This includes provisions for supporting the participation of Hong Kong delegations in major games. Funds may be used to cover expenses for accommodation and meals, local transportation, uniforms and related expenses such as medical tests.

(c) Hosting of Major International Events

In line with our objective to make Hong Kong a leading location for international sports events, grants are approved to support National Sports Associations (NSAs) and other sports organisations in the hosting of major international events in Hong Kong. In particular, funding from the ASDF has been earmarked to support the “M” Mark System<sup>2</sup>, which was launched in November 2004. Funds are used to cover expenses for venue set-up, accommodation and meals of participants, allowances for officials and miscellaneous items such as prizes and trophies. For the “M” Mark System, funding can take the form of an interest-free loan, matching funds or a direct grant.

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<sup>2</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 loans, matching funds or direct grants for “M” Mark events for a maximum period of six years. During the first and second year of an event, matching funds of up to \$3 million and \$2 million would be provided respectively. For the third, fourth, fifth and sixth year, matching funds of up to \$1 million would be provided in each year. As at 31 December 2008, we have earmarked a total of \$36 million and disbursed \$18.6 million from the sports portion of the ASDF to support “M” Mark events.

## (d) Other “One-off” Initiatives

This includes provisions supporting other “one-off” initiatives that are of importance to the development and promotion of sport in Hong Kong.

Encl. 2

10. As of December 2008, SHA has approved 150 sports projects with a total grant of \$257.5 million and the uncommitted balance for the sports portion of the ASDF was \$23.6 million. A breakdown of the projects approved is at Enclosure 2.

11. Over the past two years, an average of about \$30 million has been granted each year to support sports development. We anticipate that the uncommitted balance of \$23.6 million in the sports portion of the ASDF will be exhausted by late 2009.

12. The sports portion of the ASDF is an important source of funding for the development and promotion of sport in Hong Kong. Part of our overall policy for sports development is to reinforce support for our elite athletes, in particular to enhance their medal-winning chances in major games. In this context, it is important that our top athletes have regular international training exposure and competition experience in the lead-up to major games. Since the establishment of the ASDF, the sports portion of the ASDF has been the major source of such support. We consider that continued funding for intensive preparation for and properly supported participation in events is essential if our athletes are to be able to compete at a high level in the increasingly competitive international sports field. We have requested the Sports Federation and Olympic Committee of Hong Kong, China, the Hong Kong Sports Institute and relevant NSAs to begin the necessary preparation for the upcoming major games, particularly the Guangzhou 2010 Asian Games and the London 2012 Olympic and Paralympic Games, as soon as possible. Without additional funding for the sports portion of the ASDF, there will not be sufficient funding available to ensure the effective preparation of our athletes in the next few years. This will in turn have an impact on their performance at the highest level. We intend to earmark \$90 million out of the proposed injection of \$150 million into the ASDF for the sports portion. We expect that an average of about \$30 million will continue to be committed annually for this portion.

13. As with the arts portion of the ASDF, there is a suitable mechanism in place to monitor allocations from the sports portion. Grant recipients are required to comply with conditions including the submission of evaluation reports and statements of account upon completion of the projects. Any unspent balance must be returned within three months of project completion.

**FINANCIAL IMPLICATIONS**

14. Subject to the approval of funding by this Committee, we will inject \$150 million into the ASDF and have earmarked sufficient provisions in the 2008-09 Estimates for the purpose. The proposal has no recurrent financial implications.

**PUBLIC CONSULTATION**

15. We consulted the Legislative Council Panel on Home Affairs on 9 January 2009. Members were in support of the proposed funding injection to continue the support for the development of the arts and sport in Hong Kong. The Panel will convene a special meeting on 6 February 2009 to hear the views of deputations from the local arts and sports sectors on the proposal. Meanwhile, we have provided the Panel with supplementary information to address some of the points raised by Members at the Panel meeting on 9 January 2009. The information as circulated to the Panel is attached at Enclosure 3.

Encl. 3

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Home Affairs Bureau  
February 2009

**Arts portion of the Arts and Sport Development Fund**

**Breakdown of schemes/projects approved**

Between January 1997 and December 2006

<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	62	36,315,672
<b>Total</b>	<b>1 147</b>	<b>227,168,510</b>

Between January 2007 and December 2008 (with programme areas re-organised to focus on the nurturing of small and medium-sized groups and budding artists)

<b>Nature of Schemes/ Projects</b>	<b>Number of Schemes/Projects</b>	<b>Amount Approved (\$)</b>
Budding Grant Scheme	6	8,550,000
Enhanced Support Scheme for Budding Artists	2	5,000,000
Support for Small and Medium-sized Performing Arts Groups	2 Schemes covering 67 projects <sup>Note</sup>	8,427,500
Arts Education, Arts Promotion and Community Participation	12	15,335,000
<b>Total</b>	<b>22</b>	<b>37,312,500</b>

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<sup>Note</sup> The two Schemes are the 2008-10 Multi-project Grant Scheme and the 2009-11 Multi-project Grant Scheme.

**Sports portion of the Arts and Sport Development Fund**

**Breakdown of projects approved  
between January 1997 and December 2008**

<b>Nature of Projects</b>	<b>Number of Projects</b>	<b>Amount Approved (\$)</b>
Preparation for Major Games	32	101,947,349
Participation in Major Games	36	56,423,928
Hosting of Major International Events	54	47,052,017
Other "One-off" Initiatives	28	52,070,655
<b>Total</b>	<b>150</b>	<b>257,493,949</b>

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For information on 6 February 2009

**Legislative Council Panel on Home Affairs**  
**– Response to Questions on the**  
**Arts and Sport Development Fund (ASDF)**

**Purpose**

This paper sets out for Members' information the Administration's response to the questions Members have on the ASDF and other related questions on funding for the arts and sports.

**Private Sector Support for Arts and Sports Activities**

*Support for Arts Activities*

2. We subscribe to the view that a sustainable development of the arts not only relies on government support but also corporate and community support as well as audience support. In the Recommendation Report (I) of the Committee on Performing Arts (CPA) published in June 2006, the CPA has recommended that '.... community involvement in the arts is crucial to the sustainable development of the arts scene, the Government, individual arts groups and the sector as a whole should work harder to solicit resources from the community, in particular, the business sector.'. We have since worked with the Hong Kong Arts Development Council (HKADC) to develop possible strategies to garner corporate and community support for the arts.

3. Under the HKADC Arts Development Awards, we have a category called the Awards for Arts Sponsorship to recognize the contribution of sponsors to arts development in Hong Kong. In the 2008 Policy Agenda, mention is made that support will be given to the HKADC to establish the first Hong Kong Arts Community Fund (the Fund) to garner public and corporate support for culture and the arts. The HKADC has now finalized the trust deed of the Fund and is developing a work plan to solicit private sector donation and sponsorship for the arts before the Fund is formally launched later in 2009/10. The Fund has been granted charitable status for tax exemption purpose under Section 88 of the Inland Revenue Ordinance (Cap. 112) to further attract corporate and community support. The Home Affairs Bureau will continue to work closely with the HKADC in devising fundraising strategies and also to explore complementary policy measures to encourage private sector support for culture and the arts.

### *Support for Sports Activities*

4. It remains our policy to encourage the business community to support sports development in Hong Kong.

5. For example, since 2004, we have, through the “M” Mark system matching funds and other forms of support, encouraged the sports sector to raise sponsorship from the private sector to support the hosting of major international sports events. As a result, 30 major sports events had been awarded the “M” Mark status, of which 14 were supported by matching funds from the Government. This suggests that there is a high degree of support from the private sector for major sports events in Hong Kong.

6. We have also encouraged the commercial sector to sponsor people from underprivileged groups to attend major sports events as spectators or as participants in related programmes. Most recently, 500 tickets for the YONEX SUNRISE Hong Kong Open Badminton Super Series 2008 and 300 tickets for the JB-Group Classic 2009 (a tennis competition) were distributed to people from less privileged groups.

### **The Scope of Projects under the Arts Portion of ASDF Should Include Those Relating to Arts Policy Research and Interactive Community Activities**

7. The arts portion of ASDF is open to applications for projects relating to arts research and community arts activities.

8. Since 1997, the arts portion of ASDF has supported 95 arts research projects and 30 community activity projects.

### **Approving Authority of the Arts Portion of ASDF**

9. ASDF is a sub-fund under the Sir David Trench Fund for Recreation. The approval and disbursement of the fund is regulated by section 5 of the Sir David Trench Fund for Recreation Ordinance (Cap. 1128) which provides that the fund shall be applied by the trustee (Director of Accounting Services) in a manner as the Chief Executive may direct for the specified objects in support of recreational, sporting, cultural and social activities or such objects ancillary or incidental to these objects as the Chief Executive may consider appropriate. The Chief Executive has delegated the power under section 5 to the Secretary for Home Affairs.

10. Insofar as determination of the artistic merit and impact of projects applying to the arts portion of ASDF is concerned, the Secretary for Home Affairs has always relied on the advice of the Hong Kong Arts Development Council. Since the funding injection into ASDF in January 2007, there has not been one case recommended by the HKADC applying for the ASDF having been rejected.

### **Establishing a Mechanism to enable Small and Medium-sized Arts Groups to become Major Performing Arts Groups**

11. In 2008, the Home Affairs Bureau invited proposals from interested consultants to bid for a research study to develop a new funding mechanism for the major performing arts groups and related matters. The consultant selection and appointment exercise is expected to complete soon.

12. The research study will develop a common assessment criteria as well as a new funding mechanism for the major performing arts groups. An “entry and exit” mechanism and an “upward and downward” funding adjustment mechanism will also be explored so as to put in place a progression ladder for the well-performing small and medium-sized performing arts groups to rise to the league of majors and to ensure a continued pursuit of excellence in the league of majors.

13. The research study will also consider the need to set up flagship companies of different art forms in Hong Kong to tie in with the development of the West Kowloon Cultural District and to match our vision to develop Hong Kong into an international cultural metropolis. To ensure a sustainable development of the performing arts scene in Hong Kong, the appointed consultant will also study and advise on the relationship between funding for the major groups vis-à-vis that for the non-majors. The study will also recommend the need for any complementary measures to ensure the vibrancy of the non-subsidized performing arts groups in Hong Kong.

### **The Scope of Projects under the Sports Portion of ASDF Should Include Those for the Promotion of Local/District Football Teams**

14. The promotion and development of football in Hong Kong is primarily handled by the Hong Kong Football Association (HKFA), and the HKFA may apply for funding from the ASDF to support major international football events locally.

15. To support the development of football at the community level, the Leisure and Cultural Services Department provides an annual subvention to the HKFA through the Sports Subvention Scheme and the amount of subvention for this year (2008-09) is around \$7.3 million. Separately, the respective District Councils provide funding specific to the development of district football teams.

*Home Affairs Bureau*

*January 2009*

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