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Panel on Economic Development
Meeting on 26 March 2012

Background brief on the Mega Events Fund

Purpose

This paper provides background information on the Mega Events Fund ("MEF") and summarizes concerns raised by Members on related issues.

Background

Establishment of the Mega Events Fund

2. In his 2009-2010 Budget, the Financial Secretary projected that 2009 would be a very difficult year and the employment situation was expected to deteriorate further. Targeted measures were introduced to provide jobs and internship opportunities. Among these measures, a non-recurrent funding of \$100 million was earmarked to assist organizers to host more attractive events in the areas of arts, culture and sports over three years commencing 2009-2010 to further promote Hong Kong as an events capital of Asia.

3. On 8 May 2009, the Finance Committee approved the proposal to set up MEF. The main objective of the Fund is to attract more international events to be staged in Hong Kong, enhance Hong Kong's competitiveness as a travel destination, attract more visitors and generate economic benefits for Hong Kong, and raise the profile of Hong Kong internationally.

Administration of the Mega Events Fund

4. MEF is administered by the Tourism Commission, with the Permanent Secretary for Commerce and Economic Development (Commerce, Industry and Tourism) ("PSCIT") serving as the Controlling Officer. An Assessment Committee ("AC") is set up to advise the Government on the administration of the Fund, including drawing up the guidelines and criteria for assessing the applications, considering applications, monitoring the progress of events supported by the Fund and evaluating their performance. On 12 June 2009, the Government announced the appointment of chairman and members of MEF AC for three years with effect from 15 June 2009. AC comprises members from the tourism, culture, arts, sports and event management sectors as well as representatives from the Home Affairs Bureau, the Information Services Department and the Tourism Commission.

5. The Fund is open to applications from bona fide non-profit-making organizations registered in Hong Kong (such as sports organizations, non-governmental organizations, arts associations etc.) that will host mega arts, cultural and sports events in Hong Kong for the period up to 31 March 2012. Existing events which are financially "self-sufficient" or financed by public funding will not be considered unless the additional funds sought will be used to organize additional activities to significantly enlarge the scale of the event or significantly raise its international profile. Successful applicants will be required to provide funding from their own resources to meet a fair share of the project costs.

6. The proposed arts, cultural or sports events must fulfill the following basic criteria –

- (a) raise the profile of Hong Kong internationally, create a branding impact, attract visitors coming to Hong Kong specifically for the event and generate media coverage (both local and overseas);
- (b) be of a considerable scale. The total number of people involved (including participants, spectators and reporters) should be 10 000 or more;
- (c) contain an international element and include participants from overseas, as well as the Mainland; and
- (d) allow participation by the local public.

7. In considering the applications¹, AC will take into account the following factors –

- (a) the economic benefits of the proposal, such as the number of visitors and participants to be brought to the event, their likely length of stay, jobs to be created etc.;
- (b) public relations and other benefits of the proposal, such as the event's ability to raise Hong Kong's international profile and the publicity value that will be generated in local and non-local media;
- (c) the scale of the event, particularly the number of participants;
- (d) the applicant's technical and project management capability, background and governance structure and track record; whether the proposed implementation plan of the proposed event is practicable and reasonable etc.; and
- (e) financial viability of the project, whether the proposed budget is prudent and realistic, whether the alternative sources of funding are sufficient, and the reasonableness of the proposed performance indicators.

AC will make recommendations on individual applications to PSCIT who will make the final decision.

8. As at 1 March 2012, six rounds of MEF application have been held and a total of 80 applications have been processed. A total sum of \$51.34 million was approved to support 16² mega events. The 16 approved events have been completed which attracted a total of over 900 000 participants, of whom more than 170 000 were visitors. Details of the approved events are set out in **Appendix I**.

9. In monitoring the progress and performance of the funded events,

¹ The Independent Commission Against Corruption (ICAC), Intellectual Property Department and the Department of Justice have been consulted on the modus operandi of MEF. In accordance with ICAC's advice, a set of probity guidelines for members of AC, which covers acceptance of advantage and entertainment, declaration of conflict of interest, handling of confidential and privileged information and misuse of one's official capacity is developed. Members of AC are also required to declare their interests, including employment in public and other services, and such information is open for public inspection upon request.

² Nineteen events were approved originally, but three subsequently withdrew their applications due to various reasons. The approved MEF funding for these three events amounted to over \$21 million.

control measures have been put in place to ensure proper monitoring of the use of the Fund and the progress of the events, to handle surplus funds and procured equipment items, if any, and to handle the case if the events cannot be completed. The details are provided in **Appendix II**.

Previous discussions by LegCo Members about mega events

Mega events organized by Hong Kong Tourism Board

10. On 2 June 2005, the former Panel on Economic Services³ was briefed on the Global Tourism Revival Campaign⁴ launched by the Hong Kong Tourism Board ("HKTB") and some members expressed concern on the indicators used to measure the effectiveness of mega events. The Panel noted that the effectiveness of mega events would be evaluated through surveys which kept track of visitor arrivals, length of stay, spending and satisfaction level during the event period, visitors' intention to revisit Hong Kong and their interest to participate in the same event again. On types of events to be organized, some members suggested that reference be made to popular events held in other places so as to organize more appealing and cost-effective events. They noted that mega events would be staged during different periods to balance the business opportunities of the travel and retail sectors.

11. When the Panel on Economic Development discussed HKTB's 2008-2009 workplan on 28 January 2008, some members took the view that the claimed benefit of mega events in boosting visitor arrivals was limited especially during festive seasons like Christmas and Chinese New Year, since many tourists would visit Hong Kong around that time anyway. There was a suggestion that the Government and HKTB should put in more resources to help promote local events or tourist attractions which had great appeal to visitors but were unpopular due to the lack of marketing sponsorship. When the Panel was briefed on HKTB's work plan for 2011-2012 on 24 January 2011, members urged HKTB to re-align the events calendar such that more events would occur during the non-peak season, and to collaborate with local partners to promote events sponsored

³ The Panel on Economic Services has been renamed as the Panel on Economic Development with effect from the 2007-2008 session.

⁴ In response to the dire economic and social crises facing the territory post-SARS, the Chief Executive announced on 23 April 2003 that an Economic Relief Package of \$11.8 billion would be made available to aid the community and revive the economy after SARS. Of this amount, \$1 billion was earmarked for large-scale publicity ad promotional campaigns as an Economic Relaunch Programme aimed at restoring Hong Kong's reputation and communicating Hong Kong's recovery to the world. A total of \$379 million was allocated to HKTB for implementing the Global Tourism Revival Campaign as part of the Economic Relaunch Programme. An additional funding of \$470 million was allocated for HKTB in 2005-2006 and 2006-2007 to sustain the Campaign.

by MEF.

12. Between December 2007 and February 2008, the Public Accounts Committee ("PAC") reviewed Report No. 49 of the Director of Audit on HKTB⁵ issued in November 2007. On the problems and irregularities of HKTB in the execution and evaluation of mega events, PAC expressed concern about the under-achieved performance targets for three mega events, the need to put in place an evaluation mechanism, and impartiality in selecting host organizations.

Mega events held by other organizations

13. In May 2004, PAC reviewed Report No. 42⁶ of the Director of Audit on Hong Kong Harbour Fest⁷ ("HKHF") issued on 31 March 2004. PAC took the view that the Government should appoint departments with hands-on experience to thoroughly assess the complexity and risks involved, as well as the benefits in sponsoring an event, before agreeing to support a proposal in principle. Proper risk management and contingency measures, as well as appropriate system of cost control should be put in place at the planning stage. During implementation, the Government should monitor the actual progress of project organization. When the Panel on Financial Affairs discussed HKHF at the meeting on 14 June 2004, members emphasized the need for the Government to play a more assertive role in monitoring mega events sponsored by public funds to ensure they would be value-for-money.

14. When the Panel on Commerce and Industry discussed with the Administration on the progress in relation to the development of the convention and exhibition industry on 18 March 2008, some members considered that the staging of events by non-profit-making organizations

⁵ Report No. 49 of the Director of Audit on the results of value for money audits completed between March and September 2007 was tabled in the Legislative Council on 28 November 2007. Chapters 5 and 6 of the Report concerned HKTB's corporate governance and administrative issues, and planning, execution and evaluation of marketing activities.

⁶ Report No. 42 of the Director of Audit on the results of value for money audits was tabled in the Legislative Council on 21 April 2004. Chapter 4 of the Report concerned the Hong Kong Harbour Fest.

⁷ The Harbour Fest was funded under the Economic Re-launch Programme in 2003 in response to the dire economic and social crises facing the territory post-SARS. The Harbour Fest proposal was the American Chamber of Commerce (AmCham)'s response to the Government's invitation to the business sectors and the community to participate in the economic re-launch campaign. The Harbour Fest first became a subject of negative publicity at the end of August 2003 when an article questioned the cost effectiveness of the Government's supporting the AmCham initiative at around \$100 million was published in the English press. As events unfolded, there was a host of other negative media reports raising further public concern over the organization, cost-effectiveness and financial arrangements of the events. On 12 December 2003, the former Chief Executive appointed an Independent Panel of Inquiry to investigate into the Harbour Fest event. The report of the Inquiry Panel was published on 17 May 2004.

would be conducive to strengthening Hong Kong's image as an international hub, and a fair mechanism should be devised to consider providing sponsorship to non-governmental organizations, in cash or in kind, to support their staging of mega events in Hong Kong.

Setting up of the Mega Events Fund

15. On 30 March 2009 when the Panel on Economic Development discussed with the Administration's proposal to set up the Fund, some members, having noted that the Administration would require successful applicants to submit progress reports, final audited financial statements and evaluation report on the event, considered that the Administration should play a more proactive role in monitoring the progress of events than just perusing written information after the events. They also raised concern about opening the Fund to overseas organizations and verification of their non-profit-making status. The Administration explained that it would raise the profile of Hong Kong internationally if mega events were hosted by overseas organizations and contained an international element. The status, track record and credibility of overseas organizations could be ascertained based on information collected by the Government's overseas offices and the consulates general concerned. Regarding the concern that efforts should be made to build Hong Kong brand with its own unique characteristics through local events, the Administration advised that the Fund was not meant to replace existing home-grown mega events but it would be deployed to provide support to large-scale signature events, in particular those which had indicated they would not hold the event in Hong Kong again due to the lack of incentives offered by the Government.

16. When the Finance Committee considered the funding proposal on MEF at the meeting on 8 May 2009, some members urged the Administration to be vigilant in enforcing the control measure of withholding or refusing payment of outstanding funds to event organizer if the event did not live up to committed standards or deliverables. They also considered it necessary to avoid repeating the mistakes of HKHF and draw up a clear line of accountability. The Administration advised that PSCIT would assume the role as the Controlling Officer of MEF whereas the Secretary for Commerce and Economic Development would be accountable for the outcome of MEF. It also affirmed that the Government's funding would not exceed 50% of the total cost of each event.

Operation of the Mega Events Fund

17. The Administration was invited to brief the Panel on Economic Development on the progress of MEF at the meeting on 22 November

2010. Some members urged the Administration to leverage the networks of local event operators and travel agents and to increase international awareness of MEF, so that more overseas organizers and visitors could take part in the events. In addition to attracting non-local visitors, some members also urged the Administration to incorporate local elements in the mega events and encourage local participation. Responding to members' concern about the high expenditure on the publicity of mega events but the organizers would be responsible for 50% of the events' total cost, the Administration advised that there would be close contact between the applicants and the AC Secretariat throughout the planning and implementation of the events to see whether further support would be required. A member suggested that in assessing applications, AC should consider aspects including creativity, sustainability and whether the event could showcase elements of local culture and heritage. As regards a member's view that applicants to MEF should not be restricted to local non-profit-making organizations, the Administration advised that overseas organizations could work with local non-profit-making bodies to apply for the Fund in hosting signature events.

Latest development

18. In his 2012-2013 Budget, the Financial Secretary proposes to allocate \$150 million to MEF and extend its operation for five years. According to the Administration, MEF AC is invited to study ways of giving the Fund more flexibility to facilitate its effective operation, and AC will soon examine the modus operandi of the new scheme. The Administration will brief the Panel on Economic Development the above funding proposal at the meeting on 26 March 2012.

References

19. A list of the relevant papers is in **Appendix III**.

Council Business Division 1
Legislative Council Secretariat
20 March 2012

16 Events approved under the Mega Events Fund

No.	Project Title	Project Date	Venue	Participants attracted	Project Description
First-round selected projects (a total of \$15.2 million)					
1	Swire "Symphony Under the Stars"	13 Nov 2009	Happy Valley Race Course	18 000	One of the biggest outdoor classical concerts in the region.
2	Hong Kong Tennis Classic 2010 "World Team Challenge"	6-9 Jan 2010	Victoria Park Tennis Stadium	14 320	A professional international tennis tournament involving world-class players from Europe, Russia, the Americas and Asia Pacific.
3	Mui Wo Water Lantern and Sky Lantern Festival	26-29 Mar 2010	Mui Wo	49 935	A large-scale celebration of the lantern festival with a series of Chinese custom activities taken place, such as launching of sky lanterns, veritable food carnival, giant basin feast, an international sky lantern design competition and an international sculling competition.
4	Hong Kong 2010 International <i>a cappella</i> Festival	27 Mar - 22 Apr 2010	Various performance venues such as City Hall, Hong Kong Cultural Centre and the Tsim Sha Tsui Promenade	13 481	A series of indoor and outdoor concerts performed by over 100 renowned <i>a cappella</i> singers from Australia, Japan, Sweden, the UK and the US.

5	Hong Kong Musical Festival	29 Mar - 21 Apr 2010	Jockey Club Auditorium, The Hong Kong Polytechnic University	31 211	45 shows of four large-scale musicals featuring a mix of local and Western culture.
Second-round selected project (a maximum of \$2 million)					
6	"Hope and Glory" multi-media arts exhibition	8 Apr - 30 May 2010	Artistree, Taikoo Place	63 250	A large-scale visual arts exhibition comprising film, music, sculpture, costume, performance, painting and photography.
Third-round selected projects (a maximum of \$10 million)					
7	Hong Kong Dragon Boat Carnival	23-25 Jul 2010	Victoria Harbour and East Tsim Sha Tsui Promenade	150 461	Over 100 local and 30 overseas dragon boat teams took part in the race.
8	Hong Kong Tennis Classic 2011 "World Team Challenge"	5-8 Jan 2011	Victoria Park Tennis Stadium	12 802	Four international teams with world-class tennis players from Europe, Russia, the Americas and the Asia-Pacific competed for the championship in 16 matches.
Fourth-round selected projects (a maximum of \$17.8 million)					

9	Record Breaking Dragon and Lion Dance Extravaganza	1 Jan 2011	Tsim Sha Tsui	60 000	A lion dance show involving 1 111 "lions" at Canton Road as well as a dragon and lion dance parade along Canton Road, Hong Kong Cultural Centre, Avenue of Stars and Centenary Garden.
10	Hong Kong Well-wishing Festival	11-17 Feb 2011	Lam Tsuen Wishing Square, Tai Po	54 639	A variety of activities featuring traditional Chinese culture and local rural village customs in the festive ambience of the Lunar New Year.
11	Hong Kong Dragon Boat Carnival 2011	17-19 Jun 2011	Victoria Harbour and East Tsim Sha Tsui Promenade	215 558	Over 160 local and overseas dragon boat teams competed in the race.
12	Hong Kong International Jazz Festival 2011	25 Sep - 2 Oct 2011	Various venues such as the Hong Kong Cultural Centre Piazza, City Hall and West Kowloon Waterfront Promenade Piazza	29 250	A series of indoor and outdoor concerts, workshops, seminars and band competitions featuring world-renowned musicians and local performers.
13	UBS Hong Kong Open Championship 2011	1-4 Dec 2011	Hong Kong Golf Club	33 344	Leading professional golfers from around the world participated in the tournament.
Fifth-round selected projects (a maximum of \$4.94 million)					

14	Hong Kong Cricket Sixes 2011	28-30 Oct 2011	Kowloon Cricket Club	12 779	An international cricket tournament with participation of world's top cricket teams.
15	Hong Kong Well-wishing Festival 2012	23 Jan - 6 Feb 2012	Lam Tsuen Wishing Square, Tai Po	111 300	A variety of activities featuring Chinese culture and traditional heritage covering the Lunar New Year period with new elements introduced.
Sixth-round selected project (a maximum of \$1.4 million)					
16	Dragon and Lion Dance Extravaganza	1 Jan 2012	Central and Wanchai (Chater Road to Southorn Playground)	55 000	A public parade performance involving 88 "dragons" with large-scale lion and dragon dance performances.

Council Business Division 1
Legislative Council Secretariat
20 March 2012

Appendix II

Frequently asked questions on Mega Events Fund¹

Monitoring of Progress and Performance

Q1 In what way will the progress and performance of the funded events be monitored?

A1 To ensure proper monitoring of the use of the Fund and the progress of the events, the following control measures have been put in place:

- (i) Members of AC or its representatives, or representatives of relevant Government bureaux/departments, may participate in progress review or organizing committee meetings of the events, conduct visits to the relevant venues of the events and record on-site observations of visits and meetings;
- (ii) applicants will be required to state the event's deliverables, key milestones, targets, and methods for measuring its performance when they submit proposals for consideration by AC;
- (iii) PSCIT may stipulate specific terms to control the use of the allocated funds and request compliance by the applicants who receive support from MEF;
- (iv) PSCIT has the right to decide that the approved funds be paid by installments after the organizers have achieved the pre-determined milestones;
- (v) successful applicants are required to submit final audited accounts, evaluation reports and publicity reports upon completion of the events to the satisfaction of AC and PSCIT;
- (vi) successful applicants are required to return any unspent funds and operating surplus generated from the events to the Government (including all interests and the sale proceeds from all or any equipment disposed of) up to the amount of the approved funds for the events plus the interests generated or which should have been accrued to the Project Account;
- (vii) PSCIT reserves the right not to disburse the outstanding funds to successful applicants or reduce the amount of outstanding funds to be paid, if their performance in organizing the events are not satisfactory or if the events fail to achieve the pre-determined deliverables/targets; or if they breach any funding terms and condition as stated in the agreement. Applicants may also be suspended from future applications; and

¹ Source: Mega Events Fund website (http://www.tourism.gov.hk/english/mef/mef_faq.html)

(viii) successful applicants are required to maintain all relevant records of the events (including procurement/tendering and staff payroll records), separate and complete books of accounts and register of equipment procured, for inspection and checking by members of AC or its representatives, or representatives of Government as and when required. Such records are required to be kept for a period of seven years following completion of the event.

Q2 How should the surplus funds, if any, of the funded event be handled?

A2 Successful applicants are required to return to the Government any unspent funds and operating surplus generated from the event (as the Government may determine in its sole discretion) (including all interests and the sale proceeds from all or any equipment disposed of), up to the amount of the approved funds for the events plus the interests generated or which should have been accrued to the Project Account.

Q3 How should the equipment items, if any, procured for carrying out the funded event, be handled?

A3 Applicants who receive support from MEF are required to properly maintain the equipment items and ensure that they are in good conditions at all times. They should keep a register of such equipment items with individual cost of HK\$5,000 or above. They must not transfer, sale or disposed of any of the equipment items without obtaining prior approval from the Government.

After completion of the funded event, the Government will require the successful applicants to dispose of the equipment items at the prevailing market price by way of sales by public auctions. Applicants who receive support from MEF will then be required to furnish the Government with detailed specifications and photographs of all the equipment items for the purposes of arranging public auctions. They must comply with the Government's procedure and instruction. Any sale proceeds of the equipment items disposed of then belong to Government revenue.

Q4 How will the case be handled if the events cannot be completed?

A4 PSCIT reserves the right not to disburse the outstanding funds to successful applicants and recover any loss incurred as a result of the applicants' failure/problems in organizing the events, the applicants' performance in implementing the events are not considered satisfactory, the events fail to achieve the pre-determined deliverables/targets, or that the applicants fail to complete the events before the due date specified in the agreement(s). The agreements may be terminated by the Government by giving written notice to the successful applicants with immediate effect.

Appendix III

List of relevant papers

Committee	Paper	LC Paper No.
Council Meeting on 21 April 2004	Part 4 of Report No. 42 of the Director of Audit on the results of value for money audits (on Hong Kong Harbour Fest)	http://www.legco.gov.hk/y_r03-04/english/panels/fa/papers/fa0614-rpt42-scan-e.pdf
Meeting of the Panel on Financial Affairs on 14 June 2004	Report of the Independent Panel of Inquiry on the Hong Kong Harbour Fest	CB(1)1853/03-04 http://www.legco.gov.hk/y_r03-04/english/panels/fa/papers/facb1-1853-e.pdf
Public Accounts Committee (PAC)	PAC Report No. 42 on Report No. 42 of the Director of Audit on the results of value for money audits and supplemental report of the PAC on Report No. 41 of the Director of Audit on the results of value for money audits issued in June 2004 (Chapter IV(4) on Hong Kong Harbour Fest)	http://www.legco.gov.hk/y_r03-04/english/pac/reports/pac_rpt_42.htm
Meeting of the Panel on Economic Services on 2 June 2005	Administration's paper on "Use of additional funding by the Hong Kong Tourism Board" Minutes of meeting (paragraphs 5 to 60)	CB(1) 1647/04-05(03) http://www.legco.gov.hk/y_r04-05/english/panels/es/papers/es0602cb1-1647-3e.pdf CB(1)1862/04-05 http://www.legco.gov.hk/y_r04-05/english/panels/es/minutes/es050602.pdf
Meeting of the Panel on Economic Development (EDEV Panel) on 28 January 2008	Administration's paper on "Hong Kong Tourism Board Work Plan for 2008-2009" Minutes of meeting (paragraphs 29 to 56)	CB(1)636/07-08(04) http://www.legco.gov.hk/y_r07-08/english/panels/es/papers/edev0128cb1-636-4-e.pdf CB(1)1023/07-08 http://www.legco.gov.hk/y_r07-08/english/panels/es/minutes/ev080128.pdf

Committee	Paper	LC Paper No.
Meeting of the Panel on Commerce and Industry on 18 March 2008	Minutes of meeting (paragraphs 18 & 26)	CB(1)1209/07-08 http://www.legco.gov.hk/y_r07-08/english/panels/ci/m_inutes/ci080318.pdf
PAC	PAC Report No. 49A on Report No. 49 of the Director of Audit on the results of value for money audits issued in April 2008 (Part 4 on "Hong Kong Tourism Board: Corporate governance and administrative issues, and Hong Kong Tourism Board: Planning, execution and evaluation of marketing activities")	http://www.legco.gov.hk/y_r07-08/english/pac/reports/49a/49a_rpt.pdf
Council Meeting on 25 February 2009	Speech by the Financial Secretary on 2009-2010 Budget	http://www.budget.gov.hk/2009/eng/speech.html
Meeting of EDEV Panel on 30 March 2009	Administration's paper on "Mega Events Fund" Minutes of meeting (paragraphs 12 to 44)	CB(1)1111/08/09(04) http://www.legco.gov.hk/y_r08-09/english/panels/ede/v/papers/edev0330cb1-1111-4-e.pdf CB(1)1345/08-09 http://www.legco.gov.hk/y_r08-09/english/panels/ede/v/minutes/edev20090330.pdf
Meeting of Finance Committee on 8 May 2009	Administration's paper on "Mega Events Fund" Minutes of meeting (paragraphs 42 to 54)	FCR(2009-10)10 http://www.legco.gov.hk/y_r08-09/english/fc/fc/papers/f09-10e.pdf LC Paper No. FC155/08-09 http://www.legco.gov.hk/y_r08-09/english/fc/fc/minutes/fc20090508.pdf
Meeting of EDEV Panel on 22 November 2010	Administration's paper on "Progress of the Mega Events Fund"	CB(1)450/10-11(05) http://www.legco.gov.hk/y_r10-11/english/panels/edev/papers/edev1122cb1-450-5-e.pdf

Committee	Paper	LC Paper No.
	Minutes of meeting (paragraphs 21 to 41)	CB(1)1091/10-11 http://www.legco.gov.hk/yr10-11/english/panels/edev/minutes/edev20101122.pdf
Tourism Commission	Frequently Asked Questions	http://www.tourism.gov.hk/english/mef/mef_faq.html

Council Business Division 1
Legislative Council Secretariat
20 March 2012