

**For discussion
on 2 August 2011**

MEF Paper 5/2011

**Mega Events Fund
Assessment Committee**

An Overall Review of the Mega Events Fund

Issue

The Mega Events Fund (MEF) will expire on 31 March 2012. In the 2011-12 Budget, it is mentioned that the Administration will “consider giving incentives through the MEF or in other forms for organisers to host major events with Hong Kong characteristics”. In response to the Budget, there is a need to have a review of the MEF and consider its way forward.

Background

2. The \$100 million MEF was proposed in the 2009-10 Budget to “assist organisers to host more attractive events in the areas of arts, culture and sports over the next three years to further promote Hong Kong as an events capital of Asia”. The MEF was established in May 2009 following funding approval by the Finance Committee of the LegCo.

The Outcomes of MEF so far and the Need for Continuity

3. In considering the way forward of the MEF, we have to first evaluate whether the MEF has achieved its purposes, especially whether it has successfully promoted the development of events tourism in Hong Kong.

4. As at 1 July 2011, 69 applications had been received in the five rounds of applications. 18 proposals have been approved, involving a maximum funding of \$71 million^(Note 1).

5. To maximise the tourism benefits of these events, the Tourism Commission has requested the Hong Kong Tourism Board (HKTB) to carry out publicity work for these MEF-supported events. In addition, the MEF Secretariat convenes meetings between the successful applicants, HKTB and ISD to discuss how to leverage on the events for enhancing Hong Kong's tourism appeal and branding.

6. The approved events have brought about substantial economic and publicity benefits to Hong Kong. In respect of economic benefits, these events have stimulated local economic activities, increased visitor spending and created job opportunities, thereby benefiting the tourism, hotel, airline, catering, retail and other related sectors. In total, these events are expected to attract over 757 000 participants (including 144 000 tourists) and create some 9 100 jobs, which far exceeds the original target of generating 2 800 employment opportunities.

7. On the publicity side, events sponsored by the MEF have added colour and vibrancy to our city and enhanced Hong Kong's brand image as an events capital. Events such as Hong Kong Dragon Boat Carnival received wide exposure in Mainland and overseas media. "Hope and Glory" multimedia art exhibition also made headlines in regional and global arts media, an area not viewed as Hong Kong's traditional strength. Increased media coverage, by way of written articles and TV/radio/internet portals coverage made possible through the MEF-supported events, has helped impress upon our external audience the diversity and dynamism of Hong Kong.

^(Note 1) Two successful cases, namely LV Hong Kong Trophy 2011 (yacht race) and the Hong Kong Women's Open 2012 (golf tournament) subsequently withdrew their applications. Hence as at 1 July 2011, only 16 cases have been completed or being organised, with a total funding of \$53 million.

Views from the Legislative Council

8. The Legislative Council Panel on Economic Development (the Panel) examined the progress of the MEF in November 2010. In general, Panel members agreed that more genuine mega events of different nature should be held in Hong Kong. They further suggested that -

- (a) MEF should support events that can attract coverage by international media, so as to promote Hong Kong globally;
- (b) MEF should give more consideration to events with strong traditional Chinese and local cultural characteristics, innovative elements, potential to be held in Hong Kong year after year, as well as musical performances featuring famous performing groups and/or international pop-stars;
- (c) successful applicants should strengthen co-operation with the travel trade in order to better promote the funded events and utilize the events' tourism potential more fully;
- (d) MEF should provide further funding to support to small event organizers to facilitate the administration of their events; and
- (e) it would be useful to know whether there were, and if so how many, visitors had come to Hong Kong specifically for the supported events.

9. In response, the Commissioner for Tourism expressed to the Panel that the Administration would take into account the views of the Panel in future assessment work. He explained that the nature of the events and the choice of venues depended very much on the plan of the applicants. The Administration would consider how to further publicise MEF and attract organizers to host more events with local cultural elements. The Administration would also assist the successful MEF

applicants to work with HKTB and the travel trade to explore the possibility of further co-operation in overseas promotion work.

10. The Panel advised, and the Administration agreed, that there should be a review on the way forward of the MEF in 2011.

11. Considering that the MEF is conducive to the promotion of events tourism, and the \$100 million funding has not yet been exhausted, we suggest extending the MEF after its expiry in March 2012.

Fine Tuning of the Modus Operandi

Timeframe of the MEF

12. Experiences reveal that the organisation of a successful mega event needs considerable lead time. In order to encourage more organisations to consider the feasibility of certain events and allow for the need to allow sufficient time to plan for them, the extension period of the scheme should not be too short.

13. We suggest extending the MEF for five years, i.e. from April 2012 to March 2017. This can demonstrate the Government's continuous commitment to the staging of more mega events in Hong Kong, and allow more time for newborn events to leverage on the scheme to grow over time. Drawing from past experience, most events supported by the MEF were held once a year. Extending the scheme for five years will send out the message to relevant organisations our continuous commitment to encourage more mega events and facilitate applicants make better plans in organising such events.

Additional Funding

14. At the moment, 54% of the \$100 million funding has already been committed and we expect there would be further commitments in the remaining period. Hence we need to consider whether additional funds should be injected if the MEF is to be extended.

15. At the current rate of fund utilisation, about \$20-25 million is used every financial year. We project that some \$35-40 million will remain unspent when the tenure of MEF ends by 31 March 2012. If we intend to extend the scheme for five years, **we suggest injecting an additional \$100 million into the Fund.** If funding appears insufficient during the course of the five-year extension, we may consider injecting more funds, as appropriate. Another review could be carried out by 2016 on whether the MEF should be further extended.

Scope of the MEF and Assessment Criteria

16. The MEF currently supports local non-profit-making organisations to host arts, cultural and sports events held in Hong Kong. **The condition that only local non-profit-making organisations can submit applications is in order** because the public would react strongly if government money were to be used to sponsor profit-making business entities. Requiring eligible applicants to possess local registration is also necessary as it is very difficult, if not impossible, to monitor applicants registered outside Hong Kong.

17. As for the funding scope, **we are of the view that it is generally in order as it is already very broad and these are also areas that Hong Kong should be further highlighted for visitors' consideration.** What we can give further thought is **whether events with more "entertainment" elements could be considered** e.g. beer festival organised by a chamber of commerce, pop-concerts organised by a

statutory body or NGO, non-sport competitions such as magic shows or mardi gras events, parade with high entertainment elements etc. In considering whether MEF should cover these activities, we need to be mindful that many, if not most, of these activities are profit making by nature or with a very strong commercial element. Supporting such activities may lead to controversies on whether public funds should be used in such a way, and the AC will have to exercise more discretion when considering applications of this nature. On the positive side, such flexibility would allow the MEF to act as a “catalyst” to some attractive events which could bring tourism impact to Hong Kong and become financially self-sufficient in the long run.

18. Regarding existing assessment criteria, an event must have at least 10 000 participants; contain significant international elements; be able to generate significant economic and publicity benefits; and the event proposal must be workable and financially viable. Furthermore, the event organisers must have sufficient capability and a sound track record. Existing events must have additional activities which will significantly enlarge the scale or raise its international profile in order to be eligible for MEF funding. **These funding criteria are most relevant and should remain in place as they are crucial in determining whether a proposed mega event can draw tourists’ and media attention, and hence whether it is worthwhile for MEF support.**

Ways to Attract More Quality Applications

19. In order to attract more quality applications, we could consider the following on top of the possibility to relax the scope of MEF mentioned in para. 17 above -

- (a) **send information about the MEF to various international professional event management firms** and encourage them to partner with local non-profit-making organisations to apply

for the fund. It appears that many local arts, culture and sports organisations are inexperienced in planning and organising mega events, and the support from professional event management firms would be most relevant to “make things happen”. In return, these firms can earn a management fee in organising the events together with the applicants, hence not breaching existing rules; and

- (b) **allow the organisations to retain the surplus** generated by the event, on the condition that the money will be carried forward for hosting the same event next year and with the approval of the AC. This, to certain extent, could also help MEF to save some money in supporting “renewed applications”.

Other views on ways to attract more applications are welcome.

Assessment Mechanism

20. Currently, all MEF applications are assessed by the MEF Assessment Committee (AC) which comprises of nine members from relevant sectors and government departments. They are appointed by the Secretary for Commerce and Economic Development.

21. During assessment, all eligible applications are first screened by the Secretariat and passed to relevant government departments for expert comments before submission to the AC. An AC meeting is then convened during each round of applications. Eligible applicants are invited to do a short presentation on their event proposals at the meeting and answer questions raised by AC Members. AC Members then deliberate on each case and give marks in accordance with the proposed event’s economic benefits; public relations and other benefits; scale of the event; technical feasibility; and financial viability. Each application has

to score 60% of the respective maximum mark of each of these five criteria in order to obtain MEF's support. The AC then recommends an appropriate level of funding for each selected event proposal, and additional funding conditions if appropriate, for the Permanent Secretary (Commerce, Industry and Tourism)'s (PSCIT) final decision.

22. We are grateful to the dedicated work of the AC members and the valuable advice given. To ensure continuity, **we suggest the current assessment mechanism and the current composition of the AC shall remain while extending the MEF.**

Funding Conditions

23. As regards funding conditions, presently the MEF can only sponsor up to 50% of an event's total expenditure. In practice, the percentage of approved funds in total expenditure of approved events ranges from 13% to 44%. **The funding condition of subsidising up to half of the event's total expenditure is in order as it gives a clear signal to event organisers that it is their own responsibility to secure sufficient funding for the events.**

24. In some cases, the AC will impose certain funding conditions to individual events (e.g. MEF funds can only be used for promotional work, tourism-related purpose, and/or inviting renowned players or celebrities to attend the event). **This approach is also in order as the objective of the MEF is to attract more tourists through the events, so it is not unreasonable to impose certain conditions to maximise the impact of the events.**

25. Entering the second year of the MEF, several "renewed applications" (i.e. applications which had received funding in the previous year and would wish to receive MEF support again) emerged. After careful deliberation, the AC agreed that for renewed applications they will

only receive up to 80% of the funding amount which the AC has approved last time for the event, unless the AC is convinced that there are very exceptional circumstances. The prime purpose of this rule is to encourage renewed applicants to gradually reduce reliance on public funding, thereby making the events more sustainable in the long run.

26. This sliding scale funding arrangement is adopted on the understanding that the MEF will only operate for three years. However, if the MEF is to be extended for another five years, such an arrangement will possibly make some projects which need considerable public funding support no longer financially viable.

27. For instance, our experience shows that events with ticket income, sports events in particular, are more successful in soliciting commercial sponsorship. However, they still require certain amount of public subsidy. On the other hand, free-of-charge events, especially those featuring traditional Chinese culture, are much less successful on this front. These events have a greater reliance on public funding but are equally successful in highlighting Hong Kong's unique characteristics and attracting tourists and media coverage. If government funding dwindles year after year, these events would either shrink in scale or could not be held at all. This may run against MEF's objective of encouraging more mega events to be staged in Hong Kong. In fact, some LegCo Members have requested the Administration to support more traditional Chinese cultural events through the MEF.

28. In view of the above, we **suggest lifting the 80% rule for renewed applications if the MEF is to be extended and allowing the AC decide the appropriate funding level of renewed applications based on the content of the event proposal submitted each time.** This might also encourage event organisers to introduce innovative elements in future events in order to obtain more funding support from the Government, and allow sufficient time for mega events to grow and become more mature in its modus operandi and fund-raising ability.

29. In any event, the AC has been entrusted with the responsibility of assessing all applications and recommending an appropriate level of funding for the PSCIT's consideration. The AC can also always impose funding conditions onto the approved renewed applications, such as conducting more publicity or overseas promotion and raising the quality of the performers, as appropriate. If the applicants refuse to accept these conditions, it can to some extent reveal that they are unable to be developed further, which is not in line with our underlying principles.

Monitoring and Evaluation Mechanism

30. In respect of monitoring, successful applicants are required, under the existing arrangements, to sign a contract with the Government which sets out all the funding conditions and requirements. Normally speaking, the Government will allocate up to 50% of the total funding as the first instalment to the event organisers to ease their cash flow requirement. The rest of the funding will be issued only after the event organisers have submitted post-event evaluation reports and audited accounts, and the Government and the AC have expressed satisfaction to these reports. If an event has a surplus, the organiser has to return it to the Government up to the amount of funding granted by MEF. If the event organiser fails to fulfil certain funding conditions, the total funding amount will be reduced as a penalty.

31. In the assessment for final payment to the organiser, there is a very comprehensive evaluation process. The organiser, within 3 months after the completion of the event, is required to submit the post-event evaluation report, publicity report and audited accounts for scrutiny. Apart from that, staff of the MEF Secretariat also conducts periodical checks on the preparatory progress of the approved events. In addition, the AC Members and staff of the MEF Secretariat actively take part in and monitor the approved events so as to assess the implementation and

outcomes.

32. We have studied other similar funding schemes and found out that their evaluation mechanism is largely the same as the MEF, i.e. a combination of self-evaluation in the form of report submission plus external regularity checks. In all cases it is considered that hiring an independent “watchdog” to thoroughly monitor the implementation of approved events would be too costly and not effective.

33. In late 2010 and early 2011, the ICAC has conducted a study on the modus operandi of the MEF. The study concluded that the operation of the MEF was generally in order. The ICAC has also made some improvement recommendations, which are duly implemented. A summary of ICAC’s recommendations and the implementation status is at Annex.

Annex

34. The current monitoring and evaluation mechanism is working well and we suggest maintaining it after the MEF has been extended.

Sanctioning Mechanism

35. In the evaluation process of some cases, it appears that a sanctioning mechanism has to be introduced in order to differentiate those events which are successful and those which could not honour their pledges in their application.

36. In most cases, event organisers have fulfilled most funding conditions but also breached some of them. The MEF Secretariat, having monitored the implementation of the approved events, scrutinising the reports submitted by event organisers and considered all relevant factors, then exercises prudent judgement on the magnitude of breaching conditions and recommends an appropriate level of penalty for

consideration by the AC. With the latter's endorsement, the case will be submitted to PSCIT for final decision.

37. At present, a set of principles have been developed to handle cases of non-compliance. There are also several levels of sanctions, as follows –

- (a) written warning;
- (b) suspension from future applications;
- (c) financial sanction (i.e. reduction of MEF payment); and/or
- (d) termination of Agreement.

Having regard to the seriousness of the non-compliance in individual cases, and on the recommendation of the MEF Assessment Committee, the Government may impose one or more types of sanction to the organiser.

38. It seems not realistic to develop very detailed guidelines, instead of broad principles, for the sanctioning mechanism, as such guidelines would have to be very elaborate and set out different levels of penalty for breaching each individual funding condition. Since both funding conditions and the nature/scale of each event varies, each event would need a detailed and tailored-made penalty system if we wish to reduce subjective discretion power of the AC to a minimum. Apart from the conceivable immense administrative workload, it is also questionable whether such quantified penalty level could be objectively determined for qualitative funding conditions included in the contracts.

39. **Based on the above, we consider that the current sanctioning mechanism, which allows the MEF Secretariat and the AC with the necessary freedom to exercise their professional judgment in determining the appropriate level of penalty having regard to the specific circumstances of each individual case, should continue.** In any event, PSCIT, being the Controlling Officer of MEF,

will perform a “gate-keeping” role. That said, to enhance transparency, **we suggest giving more details on the sanctioning mechanism in the application guidelines and provide some examples whereby breaching funding conditions would face sanctioning.**

Way Forward

40. Members are invited to give views to the above, particularly on the proposed extension of the MEF. Views of the AC on the above will be an important reference for the Government to consider the policy direction of the Fund.

**MEF Secretariat
July 2011**

**Implementation of the CPD/ICAC's Recommendations
on the Mega Events Fund (MEF)**

ICAC's Recommendations/Views	Implementation Status
<ul style="list-style-type: none">The assessment should take into account the applicants' background and governance structure, track record, and their human, financial and technical resources to ensure that successful applicants are capable of hosting the events satisfactorily.	<ul style="list-style-type: none">Accepted and implemented.The MEF Application Form, Guide to Application and the Assessment Criteria cum Marking Scheme have been suitably amended to reflect on the requirement, and the need to provide more detailed information of the background, governance structure, track record/past experience and capabilities/resources of the applicant, joint applicants and the Project Co-ordinator and Deputy Project Co-ordinator for consideration by the MEF Assessment Committee.The marking scheme has also highlighted that the assessment will take these aspects into account.
<ul style="list-style-type: none">Sponsorships in kind as claimed in the applications should be verified against their market prices, as appropriate.	<ul style="list-style-type: none">Accepted and implemented.The MEF Application Form and Guide to Application have been suitably amended to require that for in kind sponsorship, MEF applicants should provide proof to demonstrate that the claimed values of the sponsored items or services are comparable with the market prices, so as to facilitate checking by Secretariat staff as well as for consideration by the MEF Assessment Committee, as appropriate.

ICAC's Recommendations/Views	Implementation Status
<ul style="list-style-type: none">• Successful applicants should be provided with a copy of the ICAC's Best Practice Checklists on procurement and staff recruitment. They should be encouraged to seek ICAC's assistance in adopting the best practices.	<ul style="list-style-type: none">• Accepted and implemented.• The MEF Agreement and Guide to Application have already been amended to require that successful MEF applicants shall obtain a copy of the ICAC's Best Practice Checklists on procurement and staff recruitment, and that they shall seek ICAC Corruption Prevention Department's assistance in adopting the best practices, draw up a Code of Conduct for compliance by its Directors and employees, and to ensure proper corruption prevention safeguards are incorporated into its procurement and staff recruitment procedures.• MEF successful applicants are reminded of the above before signing of the Agreement.
<ul style="list-style-type: none">• Successful applicants should be required to establish a two-tier approval system for hiring key personnel or awarding major procurement contracts in implementing the funded events.	<ul style="list-style-type: none">• Accepted and implemented.• The MEF Agreement and Guide to Application have already been amended to provide that successful MEF applicants shall establish a two-tier approval system for the recruitment of key personnel/staff and the award of major goods, services and equipment contracts in procurement/tendering exercises conducted for the MEF project.• MEF successful applicants are reminded of the above before signing of the Agreement.

ICAC's Recommendations/Views	Implementation Status
<ul style="list-style-type: none">• Successful applicants should be given detailed guidelines on the disposal of equipment acquired with MEF.	<ul style="list-style-type: none">• Accepted and implemented.• The MEF Agreement and Guide to Application have been amended to clearly spell out the requirement that Government may require the successful MEF applicants to dispose of the equipment at any time at the prevailing market price by way of sales by public auction in accordance with such procedures as the Government may specify. The Grantee must comply with the Government's requirement and specification. The sale proceeds of the equipment disposed of shall belong to Government and be paid to the Government in such manner and by such time as the Government may specify.• MEF successful applicants are reminded of the above both before the project and afterwards.• Equipment items were disposed of through public auction as arranged by the GLD after completion of the MEF supported events. The revenue was returned to Government.
<ul style="list-style-type: none">• A standard monitoring report form (for recording personal observations) should be devised for completion by staff of the Secretariat or AC members who conducted site visits of funded events.	<ul style="list-style-type: none">• Accepted and implemented.• A standard form has been developed and endorsed by the MEF Assessment Committee.• The MEF Guide to Application has been amended to clearly spell out that observations as obtained during the monitoring visits or meetings of the funded event may be recorded, and that such observations will be taken into account by the MEF Assessment Committee in considering and/or evaluating the performance of the successful applicants under the

ICAC's Recommendations/Views	Implementation Status
	<p>MEF Agreement.</p> <ul style="list-style-type: none"> Both the Secretariat staff and AC members who attended the MEF supported events were required to complete the standard form. Their comments were taken into account when the Secretariat processed the relevant post-event evaluation reports.
<ul style="list-style-type: none"> The number of staff employed by the successful applicants and the number and price of the equipment purchased should be randomly verified during site visits of the events. 	<ul style="list-style-type: none"> Accepted and implemented. The MEF Agreement and Guide to Application have been amended to require that successful applicants shall permit and assist the MEF Assessment Committee, Secretariat and Government or their authorised representatives to verify the number of staff employed for the project and the number and market prices of the Equipment deployed for the project or for the events and activities of the project being visited. Secretariat staff made special site visits to MEF supported events. They inspected the equipment and counted the staff deployed on site. They were also required to submit a report on the findings afterwards.
<ul style="list-style-type: none"> A set of internal guidelines should be developed on different levels of sanction to be imposed on successful applicants who are unable to comply with funding conditions in the MEF Agreement. Some CPAC Members also opined that more stringent guidelines should be set for evaluating the MEF events; and that any 	<ul style="list-style-type: none"> Accepted and implemented. A set of internal "Guidelines on the Level of Sanction" has been devised and endorsed by the MEF Assessment Committee. The MEF Agreement has been amended to clearly provide that Government reserves the right not to pay all or any outstanding MEF to the successful MEF applicant or the right to adjust or reduce the amount of outstanding MEF to be paid or the right not to consider any

ICAC's Recommendations/Views	Implementation Status
<p>unused MEF should be returned to Government upon the lapse of the funding scheme.</p>	<p>applications by the successful applicant for MEF, if the project result is unsatisfactory or the successful applicant fails to comply with the terms and condition under the MEF Agreement.</p> <ul style="list-style-type: none"> • Appropriate sanction (mainly in the form of reduction of MEF grant) had been imposed on several MEF grantees in accordance with the sanctioning guidelines. • The Administration is currently reviewing the MEF and examining its way forward.

Secretariat,
Mega Events Fund Assessment Committee
1 July 2011