

## **ITEM FOR FINANCE COMMITTEE**

### **HEAD 190 – UNIVERSITY GRANTS COMMITTEE**

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

#### **New Item “Matching grant scheme for UGC-funded institutions”**

Members are invited to approve a new commitment of \$1,000 million for awarding grants to University Grants Committee - funded institutions to match private donations secured by them.

### **PROBLEM**

We need to diversify the funding source for higher education in Hong Kong.

### **PROPOSAL**

2. The Secretary for Education and Manpower proposes to strengthen the fundraising capabilities of the University Grants Committee (UGC) - funded institutions by awarding grants of up to \$1,000 million in total to match private donations secured by them.

### **JUSTIFICATION**

#### **The need for matching grants**

3. In November 2002, the Government accepted the UGC's recommendation in the Higher Education Review that the funding source for higher education should be diversified by strengthening the fundraising capabilities of institutions. The institutions will then be in a better position to fulfil their strategic roles and compete at the international level. The Government also agreed to consider the use of matching grants and other incentives to increase the momentum for developing a stronger philanthropic culture in the community towards investment in education.

4. To take the matching grant concept further, the Financial Secretary announced in his 2003-04 Budget Speech the proposal to set up a \$1,000 million fund to award matching grants to universities which succeeded in securing private donations for purposes other than the construction of campus buildings. At the same time, he proposed to raise the ceiling for tax-exempted donations from 10% of assessable income or profits to 25% to encourage private donations to educational and other charitable organisations.

### **Implementation of the matching grant scheme**

5. UGC will administer the proposed matching grant scheme in accordance with parameters agreed with the Administration. The proposed parameters are set out below –

- (a) UGC-funded institutions have to apply to the UGC Secretariat for grants under the scheme. Only donations pledged and paid to UGC-funded institutions after 5 March 2003 (the Effective Date), which is the date when the Financial Secretary announced the proposal, are eligible for matching grants.
- (b) The grants will initially be disbursed on a dollar-for-dollar matching basis (i.e. a 1:1 matching ratio) in respect of the private donations received.
- (c) The scheme should encourage healthy competition among institutions and allow the smaller institutions a fair chance of securing grants. To this end, we propose the following initial measures for the first phase of the scheme (see paragraph 6 below) –
  - (i) UGC will set aside an amount of \$20 million (i.e. a “floor”) for matching by each institution as a guaranteed minimum in the first six months after the scheme is open for application. Any request of the institutions over and above this amount will be considered on a first-come-first-served basis;
  - (ii) by the end of the first six-month period, funding under the guaranteed minimum which have yet to be matched by the concerned institutions will be opened up for application by all institutions on a first-come-first-served basis; and
  - (iii) apart from the floor in (i) above, there will be an upper limit (\$150 million) (i.e. a ceiling) applicable to the aggregate amount received by each institution during the first phase of the scheme.

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- (d) Both the matching grant and the corresponding private donation must be used for activities within the ambit of UGC recurrent grants and cannot be used for self-financing activities or for the construction of campus buildings.
- (e) Notwithstanding (d) above, as a special exception to respect the wish of the donors and in response to the needs of the institutions, private donation for scholarship which generally falls outside the ambit of UGC recurrent grants will be matched. The corresponding matching grant, however, must still be used in accordance with the criteria set out at (d) above.
- (f) To ensure fairness in the matching process, there will be no “double matching” or “double subsidies”. In other words, donations from various public/government funds (e.g. Quality Education Fund and Innovation and Technology Fund), and donations already matched with public funds under other matching schemes (e.g. the Mainland Scholarship Scheme), will not be eligible for any matching grants under the proposed scheme.
- (g) The fact that an institution has secured a matching grant for a project does not commit the Administration to providing recurrent grants or further matching grants to the institution for the project on a recurrent basis. Any recurrent consequences of projects undertaken by institutions with private and public funds secured under this scheme have to be met by the institutions from available resources.
- (h) The matching grants received by an institution and any investment income arising from the grants are additional to Government’s recurrent subsidy to institutions.
- (i) The matching grants and private donations will be excluded from the calculation of the student unit cost for the purpose of future assessment of recurrent funding and tuition fees. The institutions may also retain any unspent matching grants across triennium, in addition to the reserve accumulated from their recurrent grants.
- (j) To ensure the accountability and transparency of the operation of the matching grant scheme –

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- (i) UGC should coordinate the institutions' disclosure of donations and the intended use of both the private donations and the matching grants received. Institutions should also disclose publicly in their annual accounts the amount and purpose of any private donations received which are matched by the matching grants; and
- (ii) the use of matching grants and the donations matched will be subject to audit assurance; auditors will need to confirm to the UGC that the conditions of the grants have been met.

### **Implementation timetable**

6. The scheme will be open for application from 1 July 2003. We propose to implement the \$1,000 million matching grant scheme in phases. Half of the total sum for the scheme (i.e. \$500 million) will be set aside for the first phase, which will last for one year from the date the scheme is open for application or when the \$500 million has been fully allocated to the institutions, whichever is earlier. Any un-matched amount in the first phase will be carried forward to the subsequent phase(s).

7. A review of the scheme will be conducted towards the end of the first phase. The review will cover, among others, the amount to be set aside for the subsequent phase(s) of the matching grant scheme, the matching ratio, the approval criteria and other implementation details. After consultation with the Legislative Council (LegCo) and relevant parties, we may modify the implementation details in the light of experience.

### **FINANCIAL IMPLICATIONS**

8. The Government has earmarked sufficient funds in the 2003-04 Estimates for the launching of the matching grant scheme in 2003-04. The actual cashflow and duration of the scheme will depend on the speed at which the institutions can secure the donations, and the amount involved. Subject to Members' agreement, we will include sufficient provision in the annual estimates of the relevant financial years.

**/BACKGROUND .....**

**BACKGROUND INFORMATION**

9. The UGC-funded institutions support the matching fund proposal and the underlying notion to diversify the funding source for higher education in Hong Kong.

10. The LegCo Panel on Education was consulted on 19 May 2003. Members were supportive of the proposal.

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Education and Manpower Bureau  
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