

**For discussion
on 9 December 2003**

Legislative Council Panel on Education

**Matching Grant Scheme for
University Grants Committee-funded Institutions**

Introduction

This paper informs Members of the progress of the first phase of the Matching Grant Scheme for University Grants Committee (UGC) - funded Institutions, and the Administration's plans to introduce the second phase as a continuation of the first phase with immediate effect. It supercedes LC Paper No. CB(2)442/03-04(01) and reflects latest developments.

Background

2. In March 2003, the Financial Secretary announced in his 2003-04 Budget Speech a proposal to set up a \$1 billion fund to award matching grants to universities. With the support of this Panel in May 2003, the Finance Committee approved a \$1 billion financial commitment in June 2003 to award matching grants to the UGC-funded institutions which succeeded in securing private donations for activities within the ambit of UGC recurrent grants.

3. To encourage healthy competition amongst institutions and to allow the smaller institutions a fair chance, an amount of \$20 million (i.e. a 'floor') was set aside for matching by each institution as a guaranteed minimum for donations received before 31 December 2003. A 'ceiling' of \$150 million was also set to limit the aggregate amount of grant that each institution could receive during the first phase.

Progress of Scheme

4. Of the \$1,000 million commitment approved by the Finance Committee for the scheme, \$500 million was allocated to the first phase which

was opened for application in July 2003. The response from institutions and donors has been most encouraging. Up to the end of October 2003, the eight UGC-funded institutions have together secured around \$561 million of donations for matching. Discounting around \$66 million worth of donations which were received by institutions in excess of their 'ceiling', a total of \$495 million donations are eligible for matching in the first phase.

5. Nevertheless, as some institutions are yet to reach their 'floor' of \$20 million, resources have to be set aside for their guaranteed minimum. As a result, only \$446 million can be allocated to the institutions for matching their secured donations. The shortfall of about \$49 million has to be put under a waiting list pending the release of the unmatched funds currently set aside for the 'floors' and the availability of additional funds in the second phase.

Proposals for the second phase

6. The UGC has conducted a review of the scheme. Having consulted the institutions, the UGC considers that, in view of the very encouraging results brought about by the scheme so far, and that many fundraising initiatives of the institutions are on-going, it will be desirable for these efforts to continue without disruption. If there were to be a break in the scheme before the second phase commences, there would be uncertainty to prospective donors that the institutions have been approaching, as they would not know if or when their donations would be matched. Hence, the UGC proposes and the Administration agrees that the second phase should best be introduced immediately as an extension to the current first phase, with an allocation of the remaining \$500 million of the scheme. The rules for matching will be the same, except that the 'ceiling' and 'floor' levels, which will now be applicable to the aggregate total of the grants made to the institutions in both phases, should both be raised.

7. Taking into account the relative performance of the institutions so far, and responding to the suggestions at a previous Panel meeting that the needs of the smaller/ newer institutions might be reviewed for the second phase, we consider that the appropriate 'ceiling' applicable to each institution should be \$250 million. Furthermore, the 'floor' level should be raised to \$45 million to give further assurance to the smaller institutions regarding the amount of grants they will be able to seek to match from the scheme. In order to allow these institutions a reasonable amount of time to secure donations, it is proposed that the 'floors' should be valid until 30 June 2004, having regard to their latest performance.

8. In summary, we propose that the second phase should operate as follows -

- (a) all rules except for the 'ceiling' and 'floor' applicable to the first phase will continue to be applicable in the second phase;
- (b) all eligible donations not matched due to the current limit of the \$150 million 'ceiling' or lack of funds in the first phase will be matched by the additional funds of \$500 million in the second phase, provided that the total matching grants to be allocated to an individual institution in the whole scheme will not exceed the new ceiling of \$250 million; and
- (c) each institution will be assured of matching up to \$45 million of their eligible donations received in both phases before the expiry of the 'floors' (i.e. 30 June 2004).

Financial Implications

9. The Finance Committee has approved a financial commitment of \$1 billion for the scheme. Introduction of the second phase as proposed above will not result in additional financial implications for government. 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.

The Way Forward

10. We plan to inform the institutions shortly about the revised arrangements.

**Education and Manpower Bureau
December 2003**