

ITEM FOR FINANCE COMMITTEE

HEAD 190 – UNIVERSITY GRANTS COMMITTEE

Subhead 700 General non-recurrent

New Item “Sixth Matching Grant Scheme for the post-secondary education sector”

Members are invited to approve a new commitment of \$2.5 billion for awarding grants to statutory post-secondary education institutions and approved post-secondary colleges to match the private donations they secure under the Sixth Matching Grant Scheme.

PROBLEM

We need to further diversify the funding sources and strengthen our support for the development of the post-secondary education sector.

PROPOSAL

2. The Secretary for Education proposes to implement the Sixth Matching Grant Scheme (MGS) to award grants up to \$2.5 billion in total to 17 statutory post-secondary education institutions and approved post-secondary colleges to match the private donations they secure.

JUSTIFICATION

Previous rounds of MGS

3. Since 2003, the Government has launched five rounds of MGS, each of \$1 billion, to help the higher education sector diversify its funding sources.

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The first three rounds were open to the eight University Grants Committee (UGC)-funded institutions only while the fourth round also included two local self-financing degree-awarding institutions¹. The fifth round launched in 2010 was further extended to cover one more local self-financing degree-awarding institution² and the Hong Kong Academy for Performing Arts funded by the Home Affairs Bureau. Under the five rounds of MGS, participating institutions have altogether secured additional resources of about \$14.1 billion, comprising \$9.2 billion of private donations and \$4.9 billion of government matching grants. The results are tabulated as follows –

MGS round	Duration	Government matching grants allocated	Private donations secured
1st	1 July 2003 – 30 June 2004	\$1 billion	\$1.3 billion
2nd	1 August 2005 – 28 February 2006	\$1 billion	\$1.9 billion
3rd	1 June 2006 – 15 March 2007	\$0.9 billion	\$1.6 billion
4th	1 January 2008 – 28 February 2009	\$1 billion	\$2.2 billion
5th	1 June 2010 – 15 March 2011	\$1 billion	\$2.3 billion
Total³		<u>\$4.9 billion</u>	<u>\$9.2 billion</u>

Encl. 1 The breakdown of matching grants received and private donations secured by individual institutions in the past five rounds of MGS is at Enclosure 1.

4. Previous rounds of MGS have been highly successful in cultivating a philanthropic culture, fostering the development of a systemic fund-raising mechanism in the participating institutions and diversifying funding sources for higher education. They provide institutions with additional resources to offer quality higher education (including recruitment and retention of top-notch faculty; enhancement of teaching and learning; development of academic strength and niche areas; organisation of student-oriented activities including exchange programmes; support to capital works projects; etc.).

/Proposed

¹ Namely, the Open University of Hong Kong and the Hong Kong Shue Yan University.

² Namely, the Chu Hai College of Higher Education.

³ Figures may not add up due to rounding.

Proposed Sixth MGS

5. In view of the positive and encouraging results of previous rounds of MGS, the Financial Secretary has announced in the 2012-13 Budget Speech the proposal of allocating \$2.5 billion to launch the sixth round of MGS for the post-secondary education sector in order to help institutions tap more funding sources, improve the quality of education and foster a philanthropic culture. In addition, as we encourage local students to pursue further studies via multiple pathways, including taking self-financing degree and sub-degree programmes, we consider it appropriate to strengthen our support to all statutory post-secondary institutions and approved post-secondary colleges running such programmes.

Policy objectives

6. We propose to launch a new round of MGS with the following policy objectives –

- (a) to reinforce the solid foundation of philanthropic and alumni giving;
- (b) to demonstrate the Government's commitment to encouraging students to pursue further studies via multiple pathways and helping institutions improve the quality of post-secondary learning experience (including sub-degree programmes);
- (c) to incentivise private donors to establish scholarships and bursaries to complement government scholarships and student financial assistance;
- (d) to help institutions secure additional resources for internationalisation efforts in response to the Higher Education Review⁴;
- (e) to provide additional support for institutions in the initial implementation of the New Academic Structure;
- (f) to encourage institutions to build on their strengths in pursuit of excellence in teaching and research; and
- (g) to demonstrate government support to self-financing institutions' efforts in enhancing the teaching and learning environment for the benefit of their students.

/Coverage

⁴ In its report on Higher Education Review published in 2010, the UGC recommended, among other things, that institutions should implement internationalisation strategies; develop appropriate strategies for the recruitment of international students; make renewed efforts to ensure and enhance students' biliterate and trilingual abilities; actively maintain the international mix of their faculty; etc.

Coverage

7. With the above policy objectives in mind, we propose that the sixth round of MGS should cover all statutory post-secondary institutions and approved post-secondary colleges for the benefit of students of both publicly-funded and self-financing, locally-accredited programmes at sub-degree level or above in these institutions. In particular, we propose that the sixth round of MGS should be extended to cover self-financing sub-degree programmes so that the latter can have extra resources to improve their quality and better complement our policy of providing diversified and comprehensive multiple pathways for our students. In an effort to enhance the quality assurance of their sub-degree operations and ensure consistency and coherence in standards, UGC-funded institutions will need to undertake that their sub-degree operations benefitting from the MGS will be subject to periodic quality audits by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications in future, if they have not yet done so. This approach is in line with the Administration's response to the UGC's report on Higher Education Review. In summary, we propose that the MGS should cover –

- (a) the nine publicly-funded degree-awarding institutions (i.e. the eight UGC-funded institutions and the Hong Kong Academy for Performing Arts) and the Open University of Hong Kong, including their self-financing operations and extension arms such as schools of continuing education and community colleges;
- (b) the Vocational Training Council; and
- (c) all approved post-secondary colleges registered under the Post Secondary Colleges Ordinance (Cap. 320).

Encl. 2 Based on the above criteria, it is expected that the expanded scope of the sixth round of MGS will benefit 17 institutions with a total student population of around 212 000⁵. A list of eligible institutions is at Enclosure 2.

Duration and total amount of matching grants

8. Unlike past rounds of MGS which lasted for about one year, we propose that the duration for the Sixth MGS should be two years, commencing from the third quarter of 2012. The proposed duration, which is longer than past rounds, will allow more time for the institutions to identify and discuss with their donors in view of the uncertain prospects of the global economy in the coming months, as well as give new participating institutions more time to gear up their fund-raising capabilities and networks.

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⁵ This figure includes full-time and part-time students, students of publicly-funded and self-financing programmes, as well as those taking non-local courses which have been locally-accredited.

9. In each of the five previous rounds of MGS, a total of \$1 billion of grants was made available for matching. To provide more resources to improve institutions' quality of education and to cater for the increase in duration, number of participating institutions and student beneficiaries, we propose to earmark a higher amount of \$2.5 billion for matching in the coming sixth round. Any unmatched grant will lapse after the two-year period.

Matching formula

10. To encourage healthy competition among institutions and ensure a fair chance of securing grants among all institutions –

- (a) We will set aside an amount of \$60 million (i.e. a “floor”) for matching by each institution, including their self-financing operations and extension arms offering locally-accredited degree and sub-degree programmes (if any) (also see (e) below), as a guaranteed minimum over the two-year period. The proposed floor level represents a 33% increase (i.e. from \$45 million) compared with that of the fifth round to take into account the inclusion of sub-degree student beneficiaries and the longer duration of the Sixth MGS. Any request of the institutions over and above this amount will be considered on a first-come-first-served basis.
- (b) By the end of the two-year period, funding under the guaranteed minimum which has yet to be matched by the concerned institutions will be opened up for allocation to match donations of other institutions above the floor on a first-come-first-served basis.
- (c) There will be an upper limit of \$600 million (i.e. a “ceiling”) applicable to the aggregate amount of government matching grants received by each institution. The ceiling serves to prevent a few institutions with strong fund-raising ability from capturing a dominating share of the matching grants at the expense of the smaller/younger institutions.
- (d) The matching should be \$1 for \$1 up to \$60 million, beyond which a \$1 for \$2 matching ratio is proposed (i.e. \$1 Government grant for every \$2 of private donations secured). The matching ratio of \$1 for \$1 up to \$60 million is to facilitate those smaller/younger institutions with less fund-raising capabilities to secure a reasonable share of the matching grant. A \$1 for \$2 matching ratio is proposed for the level beyond \$60 million in order to maximize the amount of private donations to be solicited.

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- (e) In applying the floor and the ceiling, each of the institutions will be deemed to include its self-financing operations and extension arms offering locally-accredited degree/sub-degree programmes (if any) unless they opt out of the MGS. For the publicly-funded institutions, donations and government matching grants for the publicly-funded and self-financing operations should be segregated for accounting purpose to ensure accountability.

Operating terms and conditions and eligibility criteria

11. We propose to adopt broadly the same basic operating terms and conditions of the fifth MGS with suitable modifications to reflect the expansion of the scope of the scheme and complement the latest needs of the post-secondary education sector, and invite the UGC to assist the Education Bureau (EDB) in administering the scheme for all participating institutions as in previous rounds. Some broad principles of the operating terms and conditions are highlighted as follows –

- (a) Only new donations paid to the institutions on or after the effective date specified by the Administration are eligible for matching grants.
- (b) The fact that an institution has secured a government matching grant for a project under the proposed MGS does not commit the Administration to providing recurrent grants or further matching grants to the institution for the project. Recurrent consequences of all projects undertaken by institutions with funding secured under the proposed MGS will have to be met by the institutions from their own available resources.
- (c) The publicly-funded institutions may retain any unspent matching grants across funding periods, in addition to the reserve allowed to be accumulated from their recurrent grants. The self-financing institutions are free to spend the matching grants according to their own schedules.
- (d) 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. projects sponsored by the Quality Education Fund or the Innovation and Technology Fund), those from the Hong Kong Jockey Club and donations already matched with public funds under other matching schemes will not be eligible for any government matching grants under the proposed MGS.

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- (e) To ensure the accountability and transparency of the operation of the proposed MGS –
- (i) EDB/UGC will coordinate all participating institutions' disclosure of donations and the intended use of both the private donations and the government matching grants received. Institutions should also disclose publicly in their annual accounts, separately in respect of matched donations and of the matching grants, the aggregate amount of donations/grants received and income generated from the donations/grants; and the total amount of expenditure using the donations/grants broken down into broad category of purposes;
 - (ii) the use of government matching grants and the donations matched will be subject to audit assurance. Auditors will need to confirm to the EDB/UGC that the conditions of the grants have been met; and
 - (iii) the institutions will need to ensure the cost-effectiveness of the government matching grants to be spent.

Encl. 3

12. The proposed eligibility criteria of private donations that can be matched and the permissible usage of government matching grants are set out at Enclosure 3. Compared with the fifth MGS, the key changes are that donations for bursaries for local students will become eligible for matching. Use of the matching grants will be extended to support self-financing programmes at sub-degree level or above within participating institutions, and scholarships and outgoing exchange activities to be supported by government matching grants will be restricted to local students.

Implementation timetable

13. Subject to Members' approval, we will liaise with the eligible institutions with a view to implementing the Sixth MGS starting from the third quarter of this year for a duration of two years.

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FINANCIAL IMPLICATIONS

14. The Government has earmarked the necessary provision in the 2012-13 Estimates to meet the cash flow required in the current year for the implementation of the Sixth MGS and will include sufficient provision in the Estimates of subsequent years to meet the cash flow requirements of the proposal. The proposal has no recurrent financial implications for the Government. For indicative purpose, the estimated cash flow of the proposal is as follows –

	2012-13	2013-14	2014-15
<i>Estimated cash flow</i>	\$1,500 million	\$500 million	\$500 million

The exact cash flow requirement of each year will depend on the pace of the participating institutions in obtaining private donations.

15. For administrative convenience and simplicity, the UGC Secretariat will deal with donations matching from all of the 17 institutions. This arrangement carries no other policy or financial implications.

PUBLIC CONSULTATION

16. The statutory post-secondary institutions and approved post-secondary colleges support launching another round of MGS. The Legislative Council Panel on Education was consulted on 14 May 2012. Members generally supported the proposal and welcomed the extension of the coverage of the MGS to benefit self-financing sub-degree students. As regards a Member's suggestion to render more support to the fund-raising efforts of sub-degree operations, for instance, by providing matching grant for private donations for sub-degree programmes at a \$1 for \$1 matching ratio, it is noteworthy that the sixth round of MGS is the first time we extend the coverage to self-financing sub-degree operations and all approved post-secondary colleges with a good mix of sub-degree and degree programmes. We also propose that donations will be matched based on a ratio of \$1 for \$1 up to \$60 million, benefiting sub-degree and degree operations on an equal basis. Experiences indicate that donations invariably do not specify beneficiaries in terms of the level of study. To ensure that the sixth round of MGS is fair and easy to administer, we consider it prudent to maintain the matching formula and operating terms as set out in paragraphs 10 and 11. We will also require participating institutions to report on the funds used to benefit sub-degree operations in accordance with the requirements set out in paragraph 11(e)(i) above.

/BACKGROUND

BACKGROUND

17. The previous five rounds of MGS were launched with funding approval of the Finance Committee vide FCR(2003-04)22 dated 13 June 2003, FCR(2005-06)26 dated 8 July 2005, FCR(2006-07)12 dated 26 May 2006, FCR(2007-08)36 dated 30 November 2007 and FCR(2010-11)9 dated 30 April 2010 respectively, and have helped the participating institutions obtain additional resources totalling \$14.1 billion.

Education Bureau
May 2012

**Matching grants and donations received by participating institutions
in the past five rounds of Matching Grant Scheme**

Institution	Matching grants (\$ million)	Donations raised (\$ million)
City University of Hong Kong	266	465
Hong Kong Baptist University	356	596
Lingnan University	180	185
The Chinese University of Hong Kong	1,198	2,766
The Hong Kong Institute of Education	136	137
The Hong Kong Polytechnic University	530	746
The Hong Kong University of Science and Technology	754	1,244
The University of Hong Kong	1,220	2,756
The Open University of Hong Kong*	116	151
Hong Kong Shue Yan University*	21	31
Hong Kong Academy for Performing Arts^	32	32
Chu Hai College of Higher Education^	77	110
Total	4,888	9,219

Note Figures may not add up due to rounding.

* Participating since the fourth round.

^ Participating since the fifth round.

List of institutions covered by the Sixth Matching Grant Scheme

Statutory degree-awarding and post-secondary institutions

1. City University of Hong Kong (CityU)
[including the School of Continuing and Professional Education and Community College of CityU]
2. Hong Kong Baptist University (HKBU)
[including the College of International Education and School of Continuing Education of HKBU]
3. Lingnan University (LU)
[including the Community College and Institute of Further Education of LU]
4. The Chinese University of Hong Kong (CUHK)
[including the School of Continuing and Professional Studies of CUHK]
5. The Hong Kong Institute of Education (HKIEd)
[including the School of Continuing and Professional Education of HKIEd]
6. The Hong Kong Polytechnic University (PolyU)
[including the School of Professional Education and Executive Development and Hong Kong Community College of PolyU]
7. The Hong Kong University of Science and Technology (HKUST)
8. The University of Hong Kong (HKU)
[including HKU SPACE Community College]
9. The Hong Kong Academy for Performing Arts (HKAPA)
10. The Open University of Hong Kong (OUHK)
[including the Li Ka Shing Institute of Professional and Continuing Education of OUHK]
11. Vocational Training Council

Approved post-secondary colleges

12. Hong Kong Shue Yan University
13. Chu Hai College of Higher Education
14. Hang Seng Management College
15. Tung Wah College
16. Caritas Institute of Higher Education
17. Centennial College

Proposed eligibility criteria of private donations that can be matched and the permissible usage of government matching grants

1. Publicly-funded institutions

- (a) Private donations which are eligible for matching include those for –
 - (i) activities at degree level or above within the ambit of recurrent grants provided by the University Grants Committee (UGC), Education Bureau (EDB) or Home Affairs Bureau (HAB) to the institutions;
 - (ii) providing scholarships to students and bursaries to local students of publicly-funded programmes at degree level or above;
 - (iii) supporting outgoing student exchange programmes for students enrolled in publicly-funded programmes at degree level or above; and
 - (iv) capital works projects on campus in Hong Kong
- (b) Private donations for the following are also eligible for matching, provided that institutions undertake to subject their sub-degree operations to periodic quality audits by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ) in future –
 - (i) activities at sub-degree level within the ambit of recurrent grants provided by UGC, EDB or HAB to the institutions;
 - (ii) providing scholarships to students and bursaries to local students of publicly-funded programmes at sub-degree level; and
 - (iii) supporting outgoing student exchange programmes for students enrolled in publicly-funded programmes at sub-degree level.
- (c) Government grants which match private donations set out in (a) and (b) above can be used for –
 - (i) activities within the ambit of recurrent grants provided by UGC, EDB or HAB to the institutions; or
 - (ii) offering scholarships for local students enrolled in programmes funded by UGC, EDB or HAB; or

- (iii) supporting outgoing student exchange programmes for local students enrolled in programmes funded by UGC, EDB or HAB.
- (d) Private donations for self-financing operations can also be matched in accordance with the eligibility criteria as set out in paragraph 2(a) below, provided that institutions undertake to subject their sub-degree operations to periodic quality audits by HKCAAVQ in future, and that the corresponding government matching grants are used on activities set out in paragraph 2(b) below.

2 Local self-financing institutions

- (a) Private donations received for the following purposes can be matched –
 - (i) to support their locally-accredited self-financing programmes at sub-degree level or above in Hong Kong (including scholarships, bursaries and student exchange programmes); and
 - (ii) to support capital works projects on campus in Hong Kong.
- (b) The government matching grants can be used –
 - (i) to support their locally-accredited self-financing programmes at sub-degree level or above in Hong Kong;
 - (ii) to provide scholarships for local students enrolled in programmes mentioned in (i) above;
 - (iii) to support outgoing student exchange programmes for local students enrolled in programmes mentioned in (i) above; and
 - (iv) to support capital works projects on campus in Hong Kong.
