

# 立法會

## *Legislative Council*

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### **Panel on Education**

**Meeting on 4 January 2019**

### **Updated background brief on the Matching Grant Schemes**

#### **Purpose**

This paper summarizes the views and concerns raised by the Panel on Education ("the Panel") about the Matching Grant Schemes ("MGSs") for the post-secondary education sector.

#### **Background**

2. The Administration has launched seven rounds of MGS since 2003 to help the post-secondary education sector diversify its funding sources. The first three rounds were open to eight University Grants Committee ("UGC")-funded institutions only while the fourth round also included two self-financing degree-awarding institutions<sup>1</sup>. The fifth round was extended to cover one more self-financing degree-awarding institution<sup>2</sup> and the Hong Kong Academy for Performing Arts funded by the Home Affairs Bureau. The sixth round was for the first time extended to cover self-financing sub-degree operations and all approved post-secondary colleges with a good mix of sub-degree and degree programmes<sup>3</sup>. The seventh round was launched in August 2017 with a commitment of up to \$500 million over two years for application by qualified local self-financing degree-awarding institutions<sup>4</sup>. As at March 2018, a total of some \$300 million was granted to qualified institutions

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<sup>1</sup> The two self-financing degree-awarding institutions were the Open University of Hong Kong and Hong Kong Shue Yan University.

<sup>2</sup> The self-financing degree-awarding institution was Chu Hai College of Higher Education.

<sup>3</sup> The Vocational Training Council, Caritas Institute of Higher Education, Centennial College, The Hang Seng University of Hong Kong (formerly known as "Hang Seng Management College") and Tung Wah College had been included as a result.

<sup>4</sup> Namely, the Open University of Hong Kong, the Technological and Higher Education Institute under the Vocational Training Council, Caritas Institute of Higher Education, Centennial College, Chu Hai College of Higher Education, Gratia Christian College, The Hang Seng University of Hong Kong (formerly known as "Hang Seng Management College"), HKCT Institute of Higher Education, Hong Kong Nang Yan College of Higher Education, Hong Kong Shue Yan University, Tung Wah College and Yew Chung College of Early Childhood Education (participating in the seventh MGS since 9 July 2018).

under the seventh MSG. The implementation details of the seventh MGS is set out in **Appendix I**.

3. Over the past six completed rounds of MGS, participating institutions altogether have secured some \$14.8 billion of private donations and about \$7.4 billion of matching grants. The results of the six completed rounds are tabulated as follows:

<b>MGS round</b>	<b>Duration</b>	<b>Matching grants</b>	<b>Donations raised</b>
1 <sup>st</sup>	1 July 2003 – 30 June 2004	\$1 billion	\$1.3 billion
2 <sup>nd</sup>	1 August 2005 – 28 February 2006	\$1 billion	\$1.9 billion
3 <sup>rd</sup>	1 June 2006 – 15 March 2007	\$0.9 billion	\$1.6 billion
4 <sup>th</sup>	1 January 2008 – 28 February 2009	\$1 billion	\$2.2 billion
5 <sup>th</sup>	1 June 2010 – 15 March 2011	\$1 billion	\$2.3 billion
6 <sup>th</sup>	1 August 2012 – 31 July 2014	\$2.5 billion	\$5.5 billion
<b>Total<sup>5</sup></b>		<b>\$7.4 billion</b>	<b>\$14.8 billion</b>

4. In the 2018-2019 Budget, the Financial Secretary proposed to allocate \$2.5 billion for launching the eighth round of MGS covering all publicly-funded post-secondary institutions, namely the eight UGC-funded universities, the Vocational Training Council and the Hong Kong Academy for Performing Arts.

### **Major views and concerns**

5. The Panel discussed the first six rounds of MGSs before the Administration seeking funding approval from the Finance Committee. The Panel was briefed on the implementation details of the seventh round by the Administration at the policy briefing in January 2017. Members' major views and concerns about MGSs are summarized in the ensuing paragraphs.

#### Coverage of MGS

6. Members welcomed the expansion of the sixth MGS to cover self-financing sub-degree programmes so that institutions concerned would have extra resources for investment in sub-degree education, thereby alleviating the financial burden of sub-degree students. As it might be more difficult for institutions to secure donations for sub-degree programmes as compared to degree programmes, a member suggested the Administration to render more support to the fund-raising efforts for sub-degree operations, for instance, by

<sup>5</sup> Figures may not add up due to rounding.

providing matching grant for all private donations specified for sub-degree programmes at a \$1 for \$1 matching ratio, so as to provide more impetus to the institutions, particularly those running both degree and sub-degree programmes, to raise fund for their sub-degree programmes.

7. As advised by the Administration, it was proposed that under the sixth MGS, the donations would be matched based on a ratio of \$1 for \$1 up to \$60 million, benefiting sub-degree and degree operations on an equal basis. The proposed matching formula and operating terms would ensure that MGS was fair and easy to administer.

#### Distribution of matching grants

8. Members were concerned that although the Administration had set a "ceiling" and a "floor" for the provision of matching grants, reputable institutions with a long history were more capable of raising funds than those with a shorter history. Members urged the Administration to ensure a fair distribution of matching grants amongst institutions. There was a suggestion that the Administration should consider allocating a higher level of matching grants for smaller and younger institutions.

9. In the Administration's view, fund-raising capabilities were not related to the size and age of the institutions. The Administration pointed out that the smaller and younger Lingnan University was able to secure more donations (in proportion to its recurrent grant) than others. It would be unfair if institutions which were unable to secure donations were given favourable treatment. Nevertheless, the Administration had offered assistance to smaller and younger institutions with less fund-raising capabilities. For instance, UGC set aside an amount of \$45 million for matching by each institution as a guaranteed minimum in the first 12 months after the fourth MGS was open for application so as to facilitate the Open University of Hong Kong and Hong Kong Shue Yan University to secure a reasonable share of the matching grants.

#### Use of matching grants

10. Members sought information on measures adopted to enhance accountability and transparency in the use of the matching grants and private donations. They considered it necessary to require institutions to set out their policies and procedures for solicitation and use of private donations which should be made available for public access.

11. The Administration advised that while the UGC-funded institutions enjoyed a high degree of autonomy in the use of private donations within the ambit of their recurrent grants, they were accountable to the Administration and UGC for the use of public funds, and to the donors for the use of private

donations. UGC had set out the rules and principles for the matching of private donations. Institutions were required to use the grants on activities within the ambit of UGC recurrent grants or scholarships. UGC coordinated the institutions' disclosure of donations and the intended use of both the private donations and the matching grants received. Institutions would also disclose publicly in their annual accounts the amount and purpose of any private donations received which were matched by the matching grants. Moreover, the grants were subject to audit assurance, and auditors would need to confirm to UGC that the conditions of the grants had been met.

### Long-term policy for MGS

12. On the future development of MGSs, members requested the Administration to consider providing matching grants to the UGC-funded institutions on a recurrent basis. Members also suggested raising the ceiling for tax-exempted donations to encourage more private donations. The Administration explained that turning MGSs recurrent would be tantamount to an increase in the recurrent grant to the UGC sector, which should be considered in a comprehensive manner vis-à-vis the overall resource allocation to the education policy area, and more specifically to the UGC sector. Moreover, the Administration took note of the suggestion of raising the ceiling for tax-exempted donations and would review the situation from time to time.

### **Latest position**

13. The Administration will consult the Panel on the proposal to launch the eighth MGS at its meeting on 4 January 2019.

### **Relevant papers**

14. A list of the relevant papers on LegCo website is in **Appendix II**.

### Implementation details of the Seventh Matching Grant Scheme

The following matching formula is adopted for the seventh Matching Grant Scheme ("MGS") with reference to the previous round of MGS:

- (a) Over the two-year implementation period, the Administration will set aside \$12 million (i.e. a "floor") for each institution as a guaranteed minimum for the amount of private donations it secures. The floor level, which is lower than that in the previous round (i.e. \$60 million), is proportionally reduced according to the scale of the Scheme. Any request of the institution 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 above the floor of other institutions on a first-come-first-served basis.
- (c) There will be an upper limit of \$100 million (i.e. a "ceiling") applicable to the aggregate Government matching grants to be received by each institution. The ceiling is set with reference to the amounts of matching grants received by local degree-awarding self-financing institutions in the previous round of MGS.
- (d) The matching should be \$1 for \$1 up to \$12 million, beyond which a \$1 for \$2 matching ratio was proposed (i.e. \$1 Government grant for every \$2 of private donations secured by the institution concerned).

2. Reference is made to the previous round of MGS in determining the basic operating terms and conditions of the seventh MGS. The board principles are as follows:

- (a) Only new donations paid to the institutions on or after the effective date specified by the Government are eligible for matching grants.
- (b) The fact that an institution has secured a government matching grant for a project does not commit the Government to providing recurrent grants or future matching grants to the institution for the project. Recurrent expenditure of all projects undertaken by institutions with funding secured under MGS will have to be met by the institutions from their own available resources.

- (c) 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 MGS.
  - (d) To ensure accountability and transparency in the operation of MGS,
    - i. the Education Bureau ("EDB") 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 board category of purposes;
    - ii. the use of Government matching grants and the donations matched will be subject to audit. Auditors will need to confirm to EDB that the conditions of the grants have been met; and
    - iii. the institutions will need to ensure that all Government matching grants are spent on a cost-effectiveness manner.
3. Government matching grants can be used for enhancing the quality of teaching and learning and the quality of governance, and/or implementing capital works projects in campuses in Hong Kong. Grants will be provided to match private donations specified for the abovementioned purposes.

## List of relevant papers

<b>Meeting</b>	<b>Date of meeting</b>	<b>Paper</b>
Panel on Education	19.5.2003 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Education	9.12.2003 (Item II)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Education	20.6.2005 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">CB(2)2215/04-05(01)</a>
Panel on Education	8.5.2006 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">CB(2)2382/05-06(01)</a>
Panel on Education	12.11.2007 (Item VI)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Education	12.4.2010 (Item IV)	<a href="#">Agenda</a> <a href="#">Minutes</a>
Panel on Education	14.5.2012 (Item VII)	<a href="#">Agenda</a> <a href="#">Minutes</a> <a href="#">CB(2)2161/11-12(01)</a>
Panel on Education	24.1.2017 (Item I)	<a href="#">Agenda</a> <a href="#">Minutes</a>