

**For discussion on
8 June 2020**

Legislative Council Panel on Home Affairs

Art Development Matching Grants Scheme

Purpose

This paper updates Members on the implementation of the Art Development Matching Grants Scheme (ADMGS) and briefs Member on the proposal to allocate an additional \$900 million to ADMGS to further promote sponsorship of culture and arts as announced in the 2020-21 Budget.

Background

2. With reference to arts development in other places, we are aware that providing assistance to arts groups for securing donations and sponsorships from other sectors of the community to expand their sources of funding is conducive to the sustainable growth and healthy development of arts groups. Private donations and sponsorships can help promote the co-operation between the arts sector and other sectors, involving the whole community in the development of arts and culture. Although the business sector and the community in Hong Kong have made generous donations for a number of causes, the culture of sponsoring arts and culture is still at an infant stage when compared to many other places. Most arts groups in Hong Kong still have to rely on public funding as the main source of income.

3. The Home Affairs Bureau (HAB) launched the Arts Capacity Development Funding Scheme (ACDFS) with the annual investment return from the Arts and Sport Development Fund (Arts Portion) in 2011. Under ACDFS, there is the Springboard Grants which comprises a matching element. This allows arts groups to receive matching grants for their income, including private donations and sponsorships, box office revenue and other sources of income. The experience gained from the Springboard Grants illustrates that the provision of Government subsidy to arts groups on a matching basis could enhance their ability to raise private donations and sponsorships, and increase the amount and diversity of their financial resources.

4. On the above basis, the Financial Secretary announced in the 2015-16 Budget that a non-recurrent financial provision of \$300 million would be

provided to launch ADMGS. ADMGS was subsequently launched in 2016. The objective of the Government is to enhance the ability of arts groups / organisations in raising donations / sponsorships by providing financial resources to match the donations / sponsorships raised by them through ADMGS. ADMGS aims to widen the sources of funding of arts groups / organisations and promote a donation culture for arts and culture development.

5. At present, arts groups / organisations that are eligible for ADMGS include –

- (a) the nine major performing arts groups (MPAGs);
- (b) the Hong Kong Arts Festival Society (HKAFS);
- (c) the Hong Kong Arts Development Council (HKADC) and the small-/medium-sized arts groups which apply for the Matching Fund Scheme (MFS) under HKADC¹; and
- (d) the Graduated Springboard Grantees (GSGs)² under ACDFS.

Implementation of ADMGS

6. Since the launch of ADMGS in 2016-17, the Government has conducted four rounds of matching exercise. In the 2018-19 Budget, it was announced that \$500 million would be injected to the original \$300 million ADMGS to continue its implementation. In April 2018, the Advisory Committee on Arts Development (ACAD) agreed to relax the matching parameters (both the matching grant ceiling and matching ratio) for the eligible arts groups / organisation to further encourage private donations and sponsorships.

7. After the first four rounds of matching exercises (i.e. 2016-17, 2017-18, 2018-19 and 2019-20), we have already committed around \$428 million out of the \$800 million ADMGS. The details are at **Annex**.

¹ Under ADMGS, HKADC itself is an eligible applicant. HKADC is able to receive matching grants by raising private donations and sponsorship. Simultaneously, HKADC runs the MFS to provide matching grants for small and medium-sized arts groups. HKADC will make a consolidated application to HAB on their behalf. In 2019-20, 31 arts groups applied for matching grants through HKADC's MFS.

² Under the ACDFS Springboard Grants as described in paragraph 3, an arts group can apply for a maximum of two rounds of the Springboard grants (i.e. a total of 5 years). A GSG refers to an arts group which has successfully completed two rounds of the Springboard Grants. They are arts groups which have achieved remarkable results in terms of capacity development, programme / contents development, audience building and arts education. They have also achieved valuable experience in raising private donations and sponsorships. As at May 2020, there are nine GSGs, namely Opera Hong Kong Limited, Premiere Performances of Hong Kong Limited, Para/Site Art Space Limited, Hong Kong Photographic Culture Association Limited, Hong Kong Arts Centre, Wuji Ensemble Limited, Musicus Society Limited, Yat Po Singers Limited, and Tang Shu-wing Theatre Studio Limited.

8. The type of private donations and sponsorships eligible for the matching grants are required to fulfil the following criteria -

- (a) cash donations / sponsorships not provided by any government departments directly or indirectly;
- (b) funds raised from auctioning of objects donated by private individuals / corporations are accepted for matching;
- (c) only private donations / sponsorships received by the applicant within the period in which the ADMGS is in force are accepted for matching;
- (d) only donations made by bona fide donors will be accepted. If the applicant has to pay cash or provide other rewards to the donor, directly or indirectly, in return for the donation, the relevant donation will not be eligible for matching; and
- (e) where there is a pecuniary interest between the donor and the designated purpose of the donation, such donation will not be eligible.

9. The matching grants will be used gainfully by the arts groups / organisations for the benefit of the development of the arts and culture sector in the long run -

- (a) enhance the applicant's organisational capacity;
- (b) support the development of all arts forms;
- (c) support the development of the arts sector;
- (d) support the grooming of artistic talent and arts administrators;
- (e) promote audience building for the arts and culture;
- (f) promote arts education; or
- (g) support and promote cultural exchanges.

Matching Parameters

10. Under ADMGS, arts groups of different sizes and at various stages of development are subject to different matching parameters so that smaller arts groups will not be too disadvantaged in their attempts to seek sponsorship. For instance, the eligibility thresholds for matching grant are tiered, with that for small and medium-sized arts groups applying for MFS run by HKADC being the lowest, followed by GSGs, with the highest threshold set for major arts groups, respectively at \$30,000, \$200,000 and \$400,000. By the same logic, the matching ratio for GSGs and small and medium-sized arts groups (1:1.5) is more generous than that for major arts groups (1:1). However, in setting the matching grant ceilings, we must take into account the very different operating

scales of different arts groups. Hence, after due consultations at relevant forums, the ceilings for GSGs is set at \$4 million and that for MPAGs and HKAFS is set at \$10 million and \$30 million respectively, or 20% of their total annual income, whichever is the lower. The above arrangements seek to reduce somewhat the impact arising from the different fund-raising capabilities and stages of development of different arts groups/organisations.

11. In the light of the developments since June 2019, it was expected that donations, sponsorships and box office income for 2019-20 would reduce substantially. In October 2019, ACAD agreed that the matching parameters for the fourth round of ADMGS in 2019-20 should be relaxed on a one-off basis. In particular, matching ratio for major arts groups is increased from 1:1 to 1:1.2 while that for other small and medium-sized arts groups is increased from 1:1.5 to 1:1.8. This is to allow arts groups to receive more in return for the donations / sponsorships secured. The situation will be kept under review to facilitate the sustainable development of the arts and culture sector against the backdrop of the economic downturn triggered by the COVID-19 pandemic.

Effectiveness of ADMGS

12. The result of the four rounds matching exercise conducted shows that ADMGS is able to encourage arts groups / organisations to solicit donations and sponsorships. ADMGS is able to promote, entrench and institutionalise the culture of private donation for arts and culture development. The amount of matching grants provided to arts groups / organisations under ADMGS have increased from \$52.32 million in the first round in 2016-17 to \$128.45 million in the third round in 2018-19 and then \$164.58 million in the fourth round in 2019-20 (tentative). Before the implementation of ADMGS, arts groups / organisations mostly rely on public subvention for their funding. ADMGS helps to diversify their source of funding and provided additional financial resources for arts groups / organisations to sustain internal operation and produce more high quality performances. For instance, ADMGS has enabled HKADC to launch the “Eminent Arts Group Scheme” since 2018-19. The Scheme subsidises three arts groups with an initial subsidy of \$2.2 million in the first year for a period of five years³ to enhance the outreaching and administrative capacity of the selected arts groups with a view to bolstering its fundraising ability.

³ The eminent arts groups are Edward Lam Dance Theatre Limited, Opera Hong Kong Limited, and Tang Shu-wing Theatre Studio Limited. Each of the arts groups will receive \$2.2 million for the first year. The amount provided will be reduced by 2% in each of the subsequent four years.

Additional allocation to ADMGS

13. As at April 2020, the remaining funding of ADMGS available for matching was about \$372 million. This sum can only sustain two more rounds of matching exercise in 2020-21 and 2021-22. Given its success and to provide financial certainty for ADMGS, the Financial Secretary announced in the 2020-21 Budget that an additional \$900 million will be allocated to the ADMGS to further promote sponsorship of arts and culture. With the injection, we expect that five more rounds of matching exercise (i.e. from 2022-23 to 2026-27) under the ADMGS can be conducted assuming a commitment of around \$180 million per matching exercise, having taken into account that there will be more GSGs in the coming years.

Advice Sought

14. Members are invited to note and comment on the contents of this paper.

15. Subject to Members' view, we will seek the Legislative Council's approval of the funding commitment in accordance with the established mechanism.

Home Affairs Bureau
June 2020

**Matching Grants Approved in the First Four Rounds of
Art Development Matching Grants Scheme (ADMGS)**

Applicants	Matching grants approved under 1st round ADMGS (\$ million)	Matching grants approved under 2nd round ADMGS (\$ million)	Matching grants approved under 3rd round ADMGS (\$ million)	Matching grants approved under 4th round ADMGS (\$ million) (Tentative)
MPAGs	19.06	23.93	52.50	69.03
HKAFS	23.37	21.85	27.04	30.00
HKADC	3.96	28.11	33.78	38.68
GSGs	5.93	9.00	15.13	26.87
Total:	52.32	82.89	128.45	164.58

Note:

MPAGs – Major Performing Arts Groups

HKAFS – Hong Kong Arts Festival Society

HKADC – Hong Kong Arts Development Council

GSGs – Graduated Springboard Grantees under the Arts Capacity Development Funding Scheme