

A Special Case of Arts Democracy in Hong Kong –  
Mechanical Diversity and Managerial Risk Avoidance

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## **A Special Case of Arts Democracy in Hong Kong: Mechanical Diversity and Managerial Risk Avoidance**

Arts democracy generally refers to an arts funding policy that emphasizes diversity with the aim of ensuring that all forms and streams of art enjoy an equal opportunity for development, thereby securing artists' right to artistic expression. In the world's major arts councils and arts funding agencies, arts democracy is ensured by public policy and exercised by the judgment of appointed council members. Hong Kong, a former British colony which is now a Special Administrative Region of China (the HKSAR) that enjoys high degrees of self rule and autonomy, seems to constitute a special or even exceptional case. For example, the Home Affairs Bureau (HAB) and Leisure and Cultural Services Department (LCSD) operate under the auspices of the HKSAR government, and the Hong Kong Arts Development Council (HKADC) operates as a statutory body on the arm's-length principle. What happens to arts democracy when almost half the council members<sup>1</sup> of an arts funding agency are democratically elected, as is the case in Hong Kong? Do arts funding decisions become more democratic, decided on the basis of robust panel discussions and debate and a majority vote? The Hong Kong case suggests that the opposite is true: arts funding decisions are more bureaucratic, and arts companies are forced to behave in a bureaucratic manner. Democratically elected arts council members only allocate the annual fund and make policy guidelines. Applications for grants are screened by council staff, and passed on to blinded examiners recruited from the arts sector. Scores are collected from five examiners for each project, with the average score determining whether an applicant is granted funding. Successful applicants, who receive the funding in three phases, are then required to write intermediary and final reports, the latter of which are audited by an accounting firm at grant recipients' expense. And the money involved is not in the millions; it is usually no more than HK\$10,000 or HK\$20,000 (the HK\$ is pegged to the US\$ at a rate of roughly US\$1 = HK\$7.8). These stringent administrative requirements represent a considerable hurdle for small arts companies, requiring them to expend a large amount of time and effort. Failure to meet the reporting and auditing requirements reduce a company's chances of securing future funding, thereby jeopardizing creativity and arts excellence. Modern sociological theory's predictions about social control are exactly what one sees in the arts funding arena in Hong Kong: bureaucratic control, risk management, and an audit orientation.

Owing to the colonial heritage of its administrative structure, Hong Kong follows the dual arts administration structure common in English-speaking countries, namely, a culture and arts department run by officials under the command of the government and an arts council operating on the arm's-length principle. However, the case of the HKADC is exceptional: about one half of its members are elected from among Hong Kong's registered artists. Throughout its history, the HKADC has behaved more like a bureaucratically governed body. In English-speaking countries, culture and arts departments generally oversee museums, opera houses, cultural centers, and arts flagship companies, and thus receive a larger financial allocation and are held more politically accountable than arts councils, which primarily finance novice/experimental arts companies and community arts projects, receive less funding, and are held less accountable. Arts administration on the government side is measured by more objective standards and indicators relative to that on the stand-alone council side, leaving the council freer to rely on its own professional judgment or that of peer artists. In other words, arts councils are generally afforded a higher degree of artistic risk-taking. The rule of thumb is: the closer to the government an organization is and the more public money it receives, the heavier the public accountability burden it bears and the stricter the

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<sup>1</sup> The HKADC comprises 12 appointed committee members and 10 elected committee members.

monitoring and auditing requirements it faces.

On the operational level, the artistic judgment of a funding body is exercised through meetings and discussions with plenty of expertise input generalized as consensus, which enables decisions to be made. Those decisions can be authoritative, exploratory, or even daring depending on the issues involved. Series of meetings and face-to-face communication and/or debate lead to the emergence of consensus, or at least grounded prejudice, permitting substantive rationality to take place. The content and consequence of the body's decisions reflect inherent personal tastes, cultural preferences, and moral values, the criteria that we attribute to substantive rationality.<sup>2</sup> However, as those decisions are made by a public body dealing with public money and numerous arts applications, they must fulfill a number of basic objective requirements. Thus, they are generally aided by procedures that guarantee formal rationality such as due process, clean management, and legal checks. It seems irrefutable that public arts funding bodies in a time of financial accountability make artistic judgments via a combination of formal and substantive rationality. Formal rationality, which takes the form of due process procedures achieved through such technical means as information checking,<sup>3</sup> serves to free experts from daily chores, allowing them to focus on artistic judgment. In other words, when arts councils make artistic judgments, substantive rationality plays the dominant role, whereas formal rationality plays a peripheral, assistive role. As part of their daily work, arts council staff check application files, summarize them, and then hand them over to the relevant arts council panel, which deliberates in closed-door meetings characterized by the exchange of ideas or even lively debate. Once made, those decisions are then subjected to legal and financial checking by arts council staff.<sup>4</sup>

### **Prevalence of Formal Rationality at Hong Kong Arts Development Council**

However, the administration of the HKADC is weighted too heavily in the direction of formal rationality, producing a kind of "ultra bureaucracy." Funding decisions are made not by arts councilors themselves, but rather by unknown, blinded examiners recruited from the field. HKADC councilors make decisions only on general funding policy and financial allocation. To avoid displaying a preference for any particular art forms or streams in the local arts arena, council members allocate the HKADC's annual fund in accordance with production costs. Orchestral performances generally receive the largest share, followed by drama, dance, and film-making, with arts criticism and literary publications receiving the smallest share. In addition, a policy of mechanical diversity is also implemented. Traditional, classical, avant-garde, kitsch, and collage art forms are all given due respect. Hence, no matter how well an arts company performs after receiving funding, it will receive roughly the same amount in the next round of funding applications, provided that no other competitors imitate it and demand their fair share. As the vetting process is outsourced to outside examiners, arts councilors' tastes, preferences, and appreciative mind are seldom exercised in individual arts application cases. Such a practice is rare among arts funding agencies internationally. In Hong Kong, the isolated and step-by-step nature of the funding process prevents HKADC staff and members from making a one-off artistic judgment. Further, judgment is outsourced to a group of external examiners who work on rotation and in different combinations to ensure that they do not have a chance to collaborate or conspire. Examiners never meet to discuss individual cases, and rarely do council committees summon them to discuss or argue for or against particular cases. Duties are divided and risk avoided, and no one is held accountable for fund allocation and artistic judgment. Debate, inspiration, consensus, informed judgment, and a change of mind, all vital elements in reaching a fair judgment, are

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<sup>2</sup> Formal and substantive rationality are concepts proposed by classical sociologist Max Weber. See Stephen Kalberg, "Max Weber's Types of Rationality: Cornerstones for the Analysis of Rationalization Processes," *The American Journal of Sociology*, Vol. 85, No. 5 (March 1980), pp. 1145-1179.

<sup>3</sup> In the case of Hong Kong, staff check whether applicants are registered as a charity or NGO and ruled by a board of directors set apart from the arts director, as well as the size of their production team, headcount of the administration department, the program plan and budget, and former record of delivering public arts projects.

<sup>4</sup> Legal and financial checking refer to funding contracts, payment installment schedules, and final audit reports.

removed from the process. Even multimillion-dollar bids for construction projects involve a decision-making panel that meets and engages in discussion, so why is the main arts funding agency in Hong Kong prevented from doing? The simple answer is democracy. The HKADC designed its funding mechanism to prevent the inherent risk of potential conflicts of interest arising from the half of council members who are democratically elected. The council members elected by the arts constituency (registered artists) need to respond to voters' requests, which caused considerable embarrassment in the early stages of the HKADC. Hence, the Independent Commission Against Corruption (ICAC) proposed a strict administration system in 1998 to avoid conflicts of interest, and the system was later designed to shield council members from grant decisions.<sup>5</sup> The result is that the outside assessors tasked with reviewing applications behave like exam candidates answering questions in a lonely cell without engaging in discussion with their peers. As council members seldom meet those assessors, council staff inevitably become indispensable mediators of any communication, managing full set of information sources, between assessors and committees. Outsourcing assessment duties to external examiners avoids risks for council members and secures the role of HKADC officers, who are now out of touch of artistic judgment and contemporary rebellious issues. The resulting imposition of bureaucratic authority over artistic judgment is based largely on legal rationalities aimed at avoiding lawsuits or legal scandals for both parties: the HKADC and the grant recipient. The traditional authority afforded to artistic taste and personal cultural insights in arts evaluation, as well as "cultural exceptions,"<sup>6</sup> are forced to give way to sets of rules and a series of quantitative calculations and legal considerations.

### **Balance of Formal and Substantive Rationality in the U.K.: Arts Council England**

For the sake of comparison, we now turn to the case of the U.K. as an exemplary case, as the U.K. model was the forerunner of the dual cultural department and arts council system currently operated in Hong Kong. In the U.K., the Department for Culture, Media & Sport (DCMS) is a government department monitored by Parliament. The DCMS allocates funds to and monitors Arts Council England (ACE), a non-departmental public body. ACE operates on the arm's-length principle, and is rarely summoned by Parliament to give an account of itself. In terms of arts administration, ACE<sup>7</sup> is governed and advised by the National Council. The 14 National Council members, chair, and chief executive are appointed by the Secretary of State for Culture, Media and Sport for four years, in line with the usual period between general elections in the U.K. An arm's-length government-funded body is meant to achieve "governance at a distance." Hence, each standing committee of ACE responds to requests from and the advice of the National Council rather than Parliament itself. The National Council meets 10 times per year to discuss the development of nine art forms,<sup>8</sup> each of which has, in principle, one specialist advisor. The entire ACE is supported by expertise, with the domination of "charismatic authority" at the top level of governance.<sup>9</sup> Further, the presence of individual art form specialists as consultants enhances the credibility of ACE's artistic judgments.

In Hong Kong, the HAB is a government department monitored by the Legislative Council, and reports to the Home Affairs Committee of the Legislative Council. It allocates funds to the HKADC, which serves as an arm's-length statutory government body. Similar to U.K. practice, it is not necessary for the HKADC to monitor itself stringently in terms of the artistic judgment process and resource/funding allocation procedure. The HKADC chair is appointed by the

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5 ICAC is a high-ranking agency engaged in the fight against corruption in Hong Kong. The clean procedures introduced by the HKADC, based on the advice of the ICAC, were adopted shortly after a funding review in 1997.

6 A practice formulated by the Ministry of Culture in France that means arts and cultural decisions made by public bodies can go beyond common administrative practice and are entitled to exemptions.

7 <http://www.artscouncil.org.uk/who-we-are/how-we-are-run>.

8 The nine art forms are Combined Art (Festivals), Dance, Education, Literature, Music, Research, Theatre, Touring, and Visual Arts.

9 The current chairman, Sir Peter Lytton Bazalgette, is prominent in the television broadcasting industry. Former chairs Dame Elizabeth Forgan (2009-2013) and Sir Christopher John Frayling (2004-2009) were a journalist and radio and television executive and rector of the Royal College of Art, respectively.

government, and its staff, under the chair's supervision, is expected to shoulder responsibility for and have the ability to formulate professional and representative artistic judgments, as long as the HAB finds them satisfactory. Different from the DCMS task force in the U.K., culture and arts in Hong Kong do not fall within the core interests of the HAB, which is tasked with a complex set of duties comprising district office oversight, youth affairs, and temples and cemeteries, just to name a few. However, this is where the difficulty arises: the HAB is a government-level agency that accounts for a larger portion of the culture and arts budget than the HKADC, an arm's-length professional body, but is subject to less-stringent monitoring. The HKADC, for its part, receives far less public money but behaves almost like a legislative body.

### **Disparity in Accountability in Pre- and Post-war Hong Kong**

It is worth bearing in mind that pre-World War II arts councils in Hong Kong had a much freer hand than their modern counterparts. Here, a brief review of the crucial change in arts funding from pre-modern times to the modern era of democratic nation-states with respect to public accountability is in order. In 1842, Britain forcibly took Hong Kong from China's Manchu dynasty, and quickly subjected its tiny population to modern rule, including a heavy dose of bureaucracy and the concept of public accountability.

Internationally, with the rise of nation-states, arts funding gradually shifted from royal and aristocratic patronage to a public funding regime, thereby introducing the need for accountability to the public. In modern societies, public accountability is achieved by due process, and requires two elements: an effective official bureaucracy and democratic recognition by a legislative body. In other words, the government has to demonstrate to the public that arts funding is distributed via a transparent process characterized by professional administrative practices without any conflicts of interest or corruption. The issue of democratic recognition refers to authorized artistic judgment that is regulated and supervised by Parliament, in the U.K. case, in favor of the general public interest. Of the two elements cited above, the former refers primarily to formal rationality and the latter to substantive rationality aided by formal rationality, which ensures that arts expertise is consulted to identify the right applicant for an arts grant.

In the past era of royal and other private funding, funding was essentially a private matter. A small, intimate circle of aristocrats supported such heritage art forms as opera, ballet, and symphony orchestras. Their decisions were made on the basis of the accumulated tastes and cultural and aesthetic preferences handed down to them. However, following World War II, with the advent of new art trends, popular taste, and democratic demand, modern and contemporary art forms found their way onto the public arts funding agenda side by side with heritage art forms. These new forms and trends embraced a variety of world views, and thus required diversity, pluralism, and alternatives in artistic judgment. As a result, experts, whether in the private arts sector or serving on arts councils, needed to tap their peers to serve as consultants in making grant decisions. What has driven modern governments to support contemporary art? The question pertains to the issue of cultural democracy, which views participation in arts creation, education, and enjoyment as a fundamental human right. The exercise of artistic judgment when it comes to public funding can be risky if official decision-makers fail to consider the full social and cultural spectrum of society and allow every form and stream of art the right to free expression. In an article entitled "Inbreeding and Mediocrity," American visual arts writer and educator Kurt von Behrmann states that "[t]ragedy reaches no worse depths than when the genuinely gifted receive[] the same greeting as the profoundly maladroit." He further argues that the effect of the prevailing mediocrity in the contemporary arts means that "[t]he low[est] acceptable bar infects everything it encounters," and "[i]ntellect is reduced [to] a cacophony of lesser minds."<sup>10</sup>

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<sup>10</sup> <http://www.examiner.com/article/inbreeding-and-mediocrity>.

The shift in artistic ideology from heritage art to modern and contemporary art has meant that government funding agencies are no longer able to apply substantive rationality with ease in making artistic judgments. Accordingly, they have resorted to the peer assessment mechanism and delegated artistic evaluation responsibility to those working in the field to minimize the risks of being bombarded with negative criticism from artistic circles and art lovers in the general public. Over time, as formal rationality has emerged in grant procedures, the chance to return to substantive rationality has disappeared. The former seems more reliable and accountable than the latter, which relies on the expertise of the staff or council members of arts agencies. Governments have become lost in a puzzle of formal rationality indicators, failing to incorporate substantive factors with formal rationality in decision-making. Hong Kong is a case in point. The HKADC prevents any meetings among the five examiners involved in the complex, systematic vetting process, and nor does it allow them to review the vetting or review procedures for grant proposals. The rigid voting mechanism bars informed communication between experts, and the HKADC has to summarize artistic judgments via a quantitative calculation to achieve its objectives of professional management and administrative effectiveness. No complaints will arise if all of these procedures are duly fulfilled.

The HKADC has an obligation to present master development plans for the arts, but has much leaner resources in doing so than the HAB or LCSD, the government authorities that manage Hong Kong's theatres and museums and run the in-house programs in official cultural venues. The HKADC is able to execute master plans within its limited realm. According to a 1997 article in *Ming Pao Daily*,<sup>11</sup> the total sum of arts funding from the HKADC accounted for just 6% of annual governmental expenditure in the arts and cultural sector. The 2015 Hong Kong Financial Report reported that HK\$129 million had been allocated for the HKADC's diverse duties. Working without the ownership of arts venues, and even without permanent office space, and with a tiny budget from the government, the council carries out a stringent process to select the "right" artists to subsidize, partly for the sake of rationality and efficiency and partly for self-discipline. Following close internal examination of grant proposals by five examiners, who assess the artistic excellence, innovation, managerial execution skills, and financial efficacy of those proposals, the HKADC must meet public accountability expectations. Hence, it demands that the companies issued grants also be held accountable by introducing the procedures, rules, and standards necessary to ensure self-discipline.

In 1999, the HKADC introduced the peer assessment system used by the Australian Arts Council to delegate artistic judgment to blinded external parties in the hope of eliminating potential conflicts of interest among council members. The level of distrust between the council's appointed members and democratically elected members strengthened the need for such outsourcing. In the same year, the HKADC put forward a corporate governance system as its external examination strategy, requiring granted companies to form boards of directors that take responsibility for corporate planning and self-evaluation. Board membership features a combination of retired civil servants, artists, and entrepreneurs to ensure a balance between artistic pursuit and sustainable management. Under pressure to fulfill contract terms and the auditing requirement with a meager budget, the arts directors of small companies must work very hard, and much of the time and effort that would originally have been dedicated to arts judgment and project management are now diverted toward auditing reports, tender documents, and assessment procedures. It is at this point that formal rationality overrides artistic measurement and judgment, which rely on the tastes, values, and experiences of preceding generations. Given the bureaucratic funding policies in place, formal rationality has become prioritized in the name of professional corporate governance.

### **Hierarchical Programs of Hong Kong Arts Development Council**

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<sup>11</sup> This article was later included in the current author's book, *Hong Kong Has Got Culture: Cultural Policy in Hong Kong* (a translation of the Chinese title, 香港有文化：香港的文化政策). Hong Kong, Arcadia Press, 2008, p. 325.

The formulation of stringent rules and regulations by the HKADC was a reaction to the potential risks of artistic judgments, which are supposedly the duty of the HKADC. According to the statute governing the council's roles, namely, the Hong Kong Arts Development Council Ordinance (1995),<sup>12</sup> the functions of this relatively small body were to plan, promote, and support a number of arts disciplines, including the literary, performing, visual, and film arts, and to formulate and implement a strategy for the planning, research, development, and promotion of the arts, as well as the attainment of relevant funding support.<sup>13</sup> Serving also as a think-tank, the HKADC advised the government on policies, the provision and standards of facilities, educational programs, and funding levels. In the first financial year of its existence, i.e., 1996/7, the HKADC provided HK\$50 million in funding to six full-time professional arts companies<sup>14</sup> through its General Support Grant (GSG) and Seeding Grant (SG) programs.

In 1997, the HKADC commissioned Coopers & Lybrand to undertake a review of its funding policy (see Appendix I). In response to the resulting report, it reformed its funding categories and regulations in 1999. GSG/SG companies became "three-year-grant companies," creating a funding hierarchy in which those companies were followed by one-year-grant companies, multi-project grant companies, and project grant companies. Arts companies with a more formal organization and established records were now more likely to receive long-running, stable public grants. Corporate governance and record archiving were encouraged. A systematic hierarchy began to take shape, in turn affecting the entire cultural ecology. Companies with the ability to balance formal and substantive rationality were promoted to the top of the hierarchy, being dubbed "three-year-grant companies." Those that failed in such a balancing act were assigned to a lower tier, and independent artists and newer companies were left to apply for multi-project grants and project-based grants.

### **Re-shuffle of Arts Funding Domain after 1997**

During the 1999-2002 period, three-year grantees originally under the domain of the HKADC were promoted to flagship arts company status and became the mature pets of the HAB, which in turn offered them larger amounts of funding support and stable venues managed by the LCSO. The working relationship and record of achievement between three-year-grant companies and the HKADC had come to an end after 15 years of nurturing and supervision. The good old days of the HKADC were gone. It could no longer behave like an arts council but more like an incubation lab run by an NGO. However, the HKADC is not an NGO, but rather a public funding body with democratically elected members. What was left to the HKADC were younger companies working full throttle on contemporary and experimental art projects, the very companies likely to fail in attempting to balancing formal and substantive rationality in their artistic growth and daily operations. The HKADC was forced to take up the role of arts babysitter, nurturing artistic and organizational skills in green, troublesome companies from their initial stage of development.

In other words, the HAB now reaped what the HKADC had sown. It was able to harvest the HKADC's endeavors to nurture and manage well-established companies, leaving the HKADC to start all over again with half-fledged contemporary arts companies. Artists and arts companies certainly embraced these reforms as an opportunity, with mature companies shifting to the funding umbrella of the HAB rather than seek the stable funding that was soon to be available from the HKADC for mid-sized companies lower down the hierarchy. However, the HKADC took a double blow to risk management, with its process of artistic evaluation becoming much riskier. It was now forced to make artistic judgments about contemporary art created by young artists calling for

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12 [http://www.hkadc.org.hk/UserFiles/File/HKADC%20Ordinance\\_eng.pdf](http://www.hkadc.org.hk/UserFiles/File/HKADC%20Ordinance_eng.pdf).

13 [http://www.legislation.gov.hk/blis\\_pdf.nsf/6799165D2FEE3FA94825755E0033E532/60F1DC0DFBA4F373482575EF000B067F/\\$FILE/CAP\\_472\\_e\\_b5.pdf](http://www.legislation.gov.hk/blis_pdf.nsf/6799165D2FEE3FA94825755E0033E532/60F1DC0DFBA4F373482575EF000B067F/$FILE/CAP_472_e_b5.pdf).

14 Chung Ying Theatre, Ming Ri Theatre, Zuni Icosahedron, Hong Kong Sinfonietta, Hong Kong Ballet, and City Contemporary Dance Company.

fewer performance indicators and a lower professional standard of indicators. The former is a matter of substantive rationality, and the latter largely a matter of formal rationality. Without professional arts companies under its roof to serve as concrete role models for young arts companies, the HKADC had to draft a new set of formal performance indicators for young companies.

### **Only Arts Council with Democratically Elected Members**

What prompted the HKADC to equip itself with more stringent rules and regulations and increase its administrative costs while struggling with budget constraints? What does it fear? In addition to the risk of experimental artists dominating grant applicants after 2002, the fundamental risk the HKADC faces is its built-in conflict of interest. Where does that conflict come from? Given that the HKADC chair and staff members are cut off from artistic judgments, the council resorts to elected committee members to exercise substantive rationality in expressing artistic preferences in the process of grant application, selection, auditing, and examination. The complications of this power relation do not end there. Owing to the democratically elected members within the HKADC, the organization has built-in conflicts of interest. In an attempt to reduce the risk of scandals involving its staff and committees, it has brought in examiners and assessors to make artistic judgments about grant applications and evaluations, producing another perplexing technology for intervention. Hong Kong's deviation from the dual-structure norm in English-speaking countries stems largely from the decision made in 1995, when the HKDAC was established, to impose democratic elections for half its members, making it the only arts council in the world to contain democratically elected members from the arts constituency and placing it under heavy public scrutiny. At the same time, the HKSAR government is not yet democratically elected, meaning that the HAB and LCSD operate more like professional bodies, with cultural officers and co-opted consultants.

Over time, the HAB and LCSD have proved to have a freer hand in artistic judgments while the HKADC has become ever more self-restricting and cautious in such judgments. It seems to have tried every means possible to dissect funding into ever-smaller segments and displace artistic judgments to council panel members, peer assessors, and arts company board members, avoiding artistic risk-taking to the degree that the HKADC now resembles a government body.

### **Built-in Conflicts of Interest: Rationalization of Self-restriction and Self-regulation**

On the face of it, having a democratically elected HKADC when the HKSAR government is not democratically elected would seem to give the council a positive image. To clarify, the elected committees in the HKADC are not voted in by the general public, unlike Members of Parliament in the U.K. or House Representatives in the U.S. Congress. Rather, they are elected by interested parties from the arts sector. In other words, elected council committees have been chosen by active working artists and members of arts associations, who are potential recipients of HKADC funding themselves and who evaluate grant applications for their peers. According to the HKADC electoral system, voters must be active artists who have received publicly granted prizes or publicly granted funds or are members of an arts association. Elected members have their own arts teams and students and peers, and Hong Kong's arts sector is small enough that the personal networks among grant applicants are obvious. We can only imagine the reaction if the board of Hong Kong's Airport Management Council were elected by pilots, flight attendants, airport workers, and airline company and air cargo company directors. It would rightly be accused of regulatory capture by private interests.

As we have seen, the HKADC electoral system has had an inbuilt conflict of interest since its inception in 1995. Scandals concerning personal favors and allegations of corruption immediately began circulating in the arts arena, with some appearing in the cultural pages of newspapers in the 1996-1998 period. Protests by arts companies whose grant applications had failed were not rare



either. These events led to the institutional reforms described herein and to the funding of policy research (see Appendix II).

### **Power Mechanism for the Arts in Hong Kong (1970s to 2010s)**

To repeat, the core issue facing the HKADC is the inbuilt conflict of interest created by the democratic election of its members from among the constituency of registered artists. As noted, no other arts agency in the world operates with a democratically elected council. Why was this particular model, with its inherent conflict of interest, chosen for the HKADC? The council's predecessor, the Council for the Performing Arts (CFPA), which was established in 1982, was primarily an advisory organization on arts policy for the government. Along with its name change in 1995, it became a statutory agency with 10 members elected from registered voters in the arts sector in similar fashion to other statutory agencies with democratically elected members, namely, the Municipal Councils (the Urban Council and Regional Council). However, the HKADC had a smaller scale of operations and a far smaller budget. The Urban Council and Regional Council were established in accordance with Schedule 1 of the Urban Council Ordinance (Cap. 101, Laws of Hong Kong) in 1973 and the Regional Council Ordinance (Cap. 385, Laws of Hong Kong) in 1986, respectively. Their municipal services were exercised by the Urban Services Department and Regional Services Department, both under the direct command of the Chief Secretary.

These Municipal Councils were responsible for myriad duties, ranging from dealing with sanitation to arts and culture. They had four arts and cultural committees (see Appendix III), and their socio-cultural influence was omnipresent. They ran high arts programs, provided free learning centers and community entertainment, and supported rural customs and traditional festivals. In addition to their socio-cultural influence, the councils had significant resources, prestige, and power. They enjoyed financial autonomy, with their major sources of financing coming from government rates (a form of property tax in Hong Kong). In 1998, 80% of the Urban Council's financing and 85% of the Regional Council's came from rates.<sup>15</sup> Their stable income, directly channeled from the Treasury, allowed them to avoid Legislative Council approval of their annual budgets. The Treasury was governed by distinguished local members of the professional classes, primarily doctors, lawyers, schoolteachers, accountants, and architects, elected to the Municipal Councils by local citizens aged 18 or above who were registered to vote. This small privileged class with a high social status and refined artistic tastes was in charge of the local arts and culture sectors. In pursuit of greater democracy, in 1995, the two Municipal Councils increased the number of elected councilors to 32, nearly 80% of their total membership. As noted above, the 10-member HKADC was established in the same year as a statutory agency specific to the arts in 1995. However, unlike the Municipal Councils, the HKADC was—and remains—financially dependent on the government. It also has a much smaller budget than those bodies.

The HKSAR government abruptly disbanded the two Municipal Councils in 1999. It is widely believed that there was political pressure from the Mainland Chinese government to eradicate the effects of expanding democracy on public services in the socio-cultural domain. The HAB took over arts and cultural services from the Municipal Councils in 2000, assisted by the LCSD, which is exclusively tasked with arts program planning and presentations, venue-building and maintenance, and arts education and promotion. Shortly after 1997, the year in which Hong Kong's sovereignty passed from the U.K. to the People's Republic of China, the art-related arguments and ideological debates that had taken place in the democratic Municipal Councils disappeared, and arts funding was centralized (see Appendix IV).

The socio-cultural role of the HKADC (and its predecessor, the CFPA) underwent a major change between 1982 and 1995, transitioning from an advisory unit with all appointed committee members

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<sup>15</sup> <http://www.legco.gov.hk/yr98-99/chinese/fc/fc/papers/mcbri-c.htm>.

into a semi-democratic arts agency. It is widely believed that the HKSAR government initially put forward the HKADC as a substitute for or rival mechanism to the power of the now-disbanded Municipal Councils, which behaved as local government bodies. However, it appears that at the HKADC's inception, the potential conflict of interest inherent to its electoral system was not anticipated. The power of the Municipal Councils was simply too embarrassing for the HKSAR government, which started closely governed by representatives of the Mainland government, for example Mr. Tung Kin Wah, the first Chief Executive of HKSAR government. Hong Kong was lack of democratic development in post-1997 Hong Kong. Municipal Council meetings were open for the most part, and council members were free to discuss and determine when to implement laws and regulations and when to tolerate minor deficiencies in regional administration. It was a sophisticated move on the government's part to reshuffle arts oversight and place it under the dominion of a small council with limited funding. Thus, when the HKADC went democratic in 1995, the debates and protests that had formerly been restricted to the chambers of the two Municipal Chambers now often took place on the new council's doorstep. However, the urban affairs managed by the Municipal Councils were so diverse—public sculptures today, library collections tomorrow, and food market hygiene the day after—that the quarrels were not serious and the scandals never seemed to stick. The remit of the HKADC, in contrast, is narrowly focused on arts funding, and hence any scandal arising from the appearance of collusion between council members and fund recipients is very damaging indeed. With the shift in its socio-political role from 1982 to 1995, the HKADC seems to have been doomed to inbuilt conflict of interest in its composition, thereby opening the door to rational management and the application of anti-corruption measures. Arts administration has thus become a matter of outsourcing to “arts engineers” assessing the arts via mathematical scores, duty lists, and implementation flowcharts. Formal rationality prevails in the current HKADC, which behaves more like a public works construction agency than an arts development council.

### **Conclusion: HKADC's Mission Unaccomplished and Arts Companies Tamed**

According to government statutes and the expectations of the arts sector, the HKADC's role is to inspire innovation, promote excellence, and nurture new arts companies and provide them with sufficient support to grow into leaders in their field. This arm's-length arts agency should boast experienced and passionate councilors appointed by the government and hire shrewd and capable staff members to implement its plans. The government does adopt a hands-off approach to the HKADC while allowing the HKADC to have a hands-on attitude toward its work. Unfortunately, however, the democratic nature of council membership has opened the path to formal rationality, and actual hands-on judgment is rare.

In its heyday, the HKADC nurtured medium-sized arts companies into large companies through renewable three-year grants. However, after the dissolution of the two Municipal Councils the last day of 1999, large arts companies were removed from the HKADC's remit and transferred to the HAB, which also accommodated the flagship companies formerly overseen by the Municipal Councils. The HKADC was left to deal with small- and medium-sized companies, as well as novice companies and budding artists. Its budget was not increased despite Hong Kong's arts academy and art schools continuing to churn out new graduates who formed new companies or temporary teams to compete for a limited funding pool. After 1997, the HKSAR government had no plans to move to a democratic system, and the half-democratic nature of the HKADC thus created unease and a search for measures to confine its democratic effects to ensure that no arts funding-related scandals or protests would spread to the government. As stated above, the end result was a funding policy aimed at mechanical diversity and a vetting process aimed at mathematical fairness, with duties divided and risks avoided to prevent any potential for applicants to file a complaint or raise a protest.

Hong Kong has no major alternative, arm-length funding source for the arts other than the HKADC. The supply of arts venues is also insufficient to allow local companies to re-run programs to obtain more box office proceeds. To survive, arts groups are forced to comply with guidelines stipulating that they form a registered limited company or non-profit company with a board of directors, hire an arts director to formulate annual plans, and organize their production and fulfill the administrative duties prescribed by the funding agency. Hong Kong's arts groups have thus become bureaucratized, and are held accountable for tendering, contract signing, and production and auditing reports. They are scrutinized by examiners during the application process and assessed by assessors after arts production. However, the accountability of the funding agency, that is, the HKADC in the context of this paper, is divided and blurred. The resulting imbalance in power puts arts companies at a disadvantage and hampers the most creative component of civil society in Hong Kong. The former colonial government that introduced an innovative democratic system for the territory's arts council would never have imagined that its efforts would end up like this.

Major findings of the Coopers & Lybrand Research Report on the HKADC's funding policy

1. There is a need for closer coordination between the HKADC and the two Municipal Councils to meet the demands of arts development for the 21st Century (clause 306).
2. Managing and funding all major performing arts companies under one roof is common internationally. The Hong Kong government should consider transferring responsibility for all Urban Council (UrbCo)-funded performing arts organizations to the HKADC or transferring responsibility for all six GSG/SG companies to the UC (clause 308).
3. Business sponsorship levels are low among GSG/SG companies (clause 312b).
4. GSG/SG companies have failed to maintain and expand their audience base, and suffer a lack of marketing and promotional skills and low productivity (clause 606).

Rationalization of HKADC through institutional reform and funding policy research from 1982 to 2000

1982 Establishment of CFPA, with all committee members appointed by the government.

1995 Reform: CFPA restructured into HKADC, a statutory body governed by specific laws and regulations to promote not only performing arts, but also such arts disciplines as the literary, visual, and media arts.

Reform: HKADC introduces 10 elected committee members in addition to its 12 appointed members as part of a democratic policy to enhance accountability.

1997 Research: HKADC invites Coopers & Lybrand to carry out a funding policy review.

Reform: HKADC introduces clean procedures on the advice of ICAC shortly after the 1997 funding review.

1998 Research: HKADC invites former ACE Secretary-General Anthony Everitt to research sustainable arts funding and election policy in Hong Kong. Based on his research, Everitt suggests taking advantage of the electoral college system to enhance democratic recognition of the council.

1999 Reform: HKADC establishes an assessment system that favors the delegation of artistic judgment.

Reform: HKADC puts forward a corporate governance system for arts companies to ensure the effective management of the arts.

Reform: HKADC carries out reforms on its funding categories and regulations. In the resulting funding hierarchy, GSG/SG companies become three-year-grant companies, followed by one-year-grant companies, multi-project grant companies, and project grant companies.

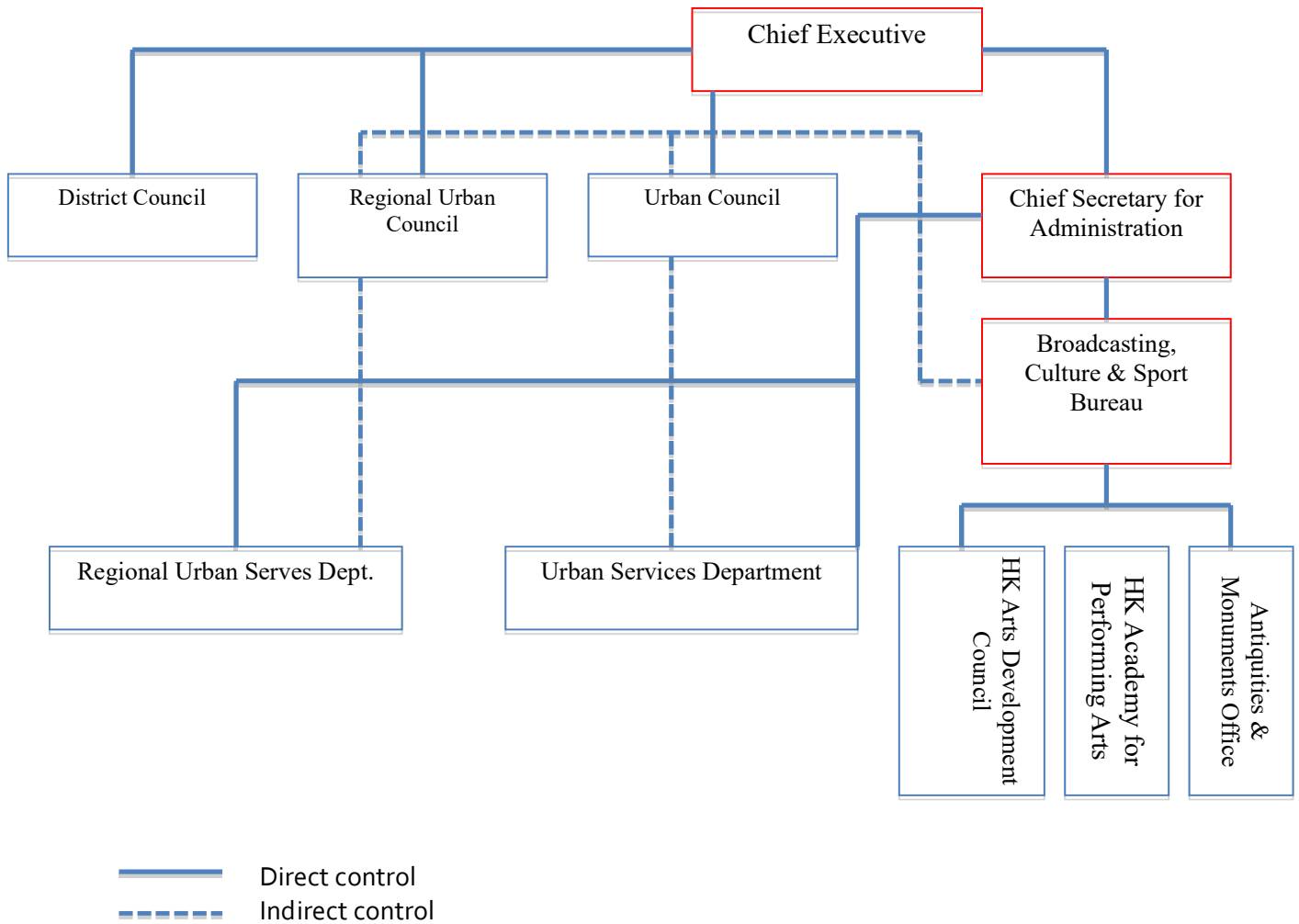
2000 Reform: Structural change of HKADC committee. The number of appointed committee members increases from 12 to 17, while the number of elected committee members remains at 10.

Reform: The HAB harvests the achievements of the HKADC, taking over all well-managed three-year-grant companies and leaving the HKADC to nurture second-tier companies.

The now-disbanded Municipal Councils (i.e., the Urban Council and Regional Council) had four committees related to arts and cultural services:

1. The Culture Committee, which oversaw all cultural programs, civic centers and their cultural venues, and the Hong Kong Film Archive. The committee also monitored the government-owned Hong Kong Repertory Theatre, Hong Kong Dance Company, and Hong Kong Chinese Orchestra.
2. Public Libraries Committee
3. Museums Committee
4. Entertainment Committee, which oversaw all entertainment programs, including festive activities, as well as the program and venue management of the Hong Kong Coliseum and Queen Elizabeth Stadium.

Diagram One: Hong Kong Cultural Policy and Executive Structure (July 1, 1997)



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