

Prudent Management of Public Finances

(formerly under the then Finance Bureau)

Detailed Progress

I Ensure that government expenditure grows no faster than the economy over time and ensure that resources available are used cost-effectively in providing quality services that best meet the needs of the community

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below —

Initiative *	Target #	Present Position †
To control the growth in government expenditure <i>(the then Finance Bureau (FB))</i>	To control the growth in recurrent and capital expenditure in 2002-2003 to no more than 4% in real terms <i>(2001)</i>	<i>(Action in Progress : On Schedule)</i>
To sustain momentum in the implementation of the Enhanced Productivity Programme (EPP) <i>(FB)</i>	To publish at least three issues of the EPP Newsletter in 2002 <i>(2001)</i>	<i>(Action Completed)</i>
To continue to implement EPP across Government and the subvented sector <i>(FB)</i>	To achieve, on top of the cumulative 3% productivity gain being achieved in 2001-2002, an additional 2% productivity gain in the Government's baseline operating expenditure during the 2001 resource allocation exercise <i>(2000)</i>	<i>(Action Completed)</i>

* the bracketed information denotes the agency with lead responsibility for the initiative

the bracketed information denotes the year in which the target was set

† the bracketed information denotes the status of the target

Initiative	Target	Present Position
<p>To sustain momentum in the implementation of EPP through effective communication</p> <p>(FB)</p>	<p>To publish at least three issues of the EPP Newsletter in 2001</p> <p>(2000)</p>	<p>(Action Completed)</p>
<p>To undertake an EPP across Government and the subvented sector</p> <p>(FB)</p>	<p>To require departments to deliver productivity gains amounting to 5% of their operating expenditure between now and 2002-2003</p> <p>(1998)</p>	<p>(Action Completed)</p>
<p>To provide funding for the Capital Works Programme to meet the needs for land supply for housing and other infrastructural developments and subvented building projects</p> <p>(FB)</p>	<p>To apply \$135 billion to capital works projects in the programme during the five-year forecast period of 1997-2002</p> <p>(1997)</p>	<p>(Action Completed)</p>

2 Maintain an effective revenue system including revenue collection and protection to cover our spending commitments

To achieve results in this area, various initiatives have been undertaken in the past year. Details are set out below —

Initiative	Target	Present Position
To implement an open bond system for dutiable commodities <i>(Customs and Excise Department (C&ED))</i>	To formulate the necessary legislative proposals by early 2002 <i>(2001)</i>	<i>(Action Completed)</i>
To conduct a comprehensive review of the scope of exemptions from First Registration Tax for motor vehicles with a view to updating the system <i>(C&ED)</i>	<ul style="list-style-type: none"> ● To complete consultation with the motor trade on the results of the review by end-2001 ● To formulate the necessary legislative proposals by mid-2002 <i>(2001)</i>	<ul style="list-style-type: none"> ● <i>(Action Completed)</i> ● During the consultation exercise, we have received proposals which concern the fundamental aspects of the First Registration Tax system. We have now completed the review and are formulating the necessary legislative proposals. <i>(Action in Progress : Behind Schedule)</i>
To provide an electronic lodgement service whereby taxpayers can submit tax returns by telephone <i>(Inland Revenue Department (IRD))</i>	To formulate the necessary legislative proposals by end-2001 <i>(2001)</i>	<i>(Action Completed)</i>

Initiative	Target	Present Position
<p>To enhance taxpayer enquiry service by telephone, by providing secure access to information about the status of taxpayers' returns, tax assessment, payment and refund, account and balance, and the position of their Electronic Tax Reserve Certificates</p> <p><i>(IRD)</i></p>	<p>To provide a secure access to information service from April 2002</p> <p><i>(2001)</i></p>	<p><i>(Action Completed)</i></p>
<p>To shorten the processing time for notification of amendments to particulars on the Business Register by business operators in person from 10 days to 30 minutes</p> <p><i>(IRD)</i></p>	<p>To provide the service from January 2002</p> <p><i>(2001)</i></p>	<p><i>(Action Completed)</i></p>
<p>To provide access to the Valuation List and Government Rent Roll on the Internet by property address and district name</p> <p><i>(Rating and Valuation Department)</i></p>	<p>To make the access functions available by April 2002</p> <p><i>(2001)</i></p>	<p><i>(Action Completed)</i></p>

3 Provide sources of government finance

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below —

Initiative	Target	Present Position
To seek approval of any financing required for the implementation of various railway projects <i>(the then Finance Bureau (FB))</i>	To consider financing proposals from the two railway corporations for the implementation of Shatin to Central Link, Island Line Extensions, Kowloon Southern Link and Penny's Bay Rail Link and to obtain approval from the Finance Committee if any equity/loan funding support is required <i>(2001)</i>	<i>(Action in Progress : On Schedule)</i>
To seek approval of financing proposals for the proposed International Exhibition Centre on the Airport Island <i>(FB)</i>	To consider financing proposals from the Airport Authority in respect of the proposed International Exhibition Centre on the Airport Island and to obtain approval from the Finance Committee if any equity/loan funding support is required <i>(2001)</i>	<i>(Action in Progress : On Schedule)</i>
To offer a second tranche of Government's shares in MTR Corporation Limited for sale <i>(FB)</i>	Subject to market conditions, to launch the second offering <i>(2001)</i>	Subject to the outcome of the ongoing merger feasibility study and market conditions, the second offering will be launched in 2002-03. <i>(Action in Progress : Under Review)</i>

Initiative	Target	Present Position
<p>To seek approval of financing proposal for urban renewal projects under the proposed Urban Renewal Authority (URA)</p> <p>(FB)</p>	<p>To obtain approval from the Finance Committee of the Legislative Council in connection with the establishment of the URA</p> <p>(1999)</p>	<p>(Action Completed)</p>
<p>To vet and seek approval for loan proposals for schemes of development or to address special circumstances</p> <p>(FB)</p>	<p>As proposals arise</p> <p>(1999)</p>	<p>(Action in Progress : On Schedule)</p>

4 Maintain the level of fiscal reserves within established guidelines through prudent management of public finances

To achieve results in this area, the following initiative has been undertaken in the past year. Details are set out below —

Initiative	Target	Present Position
To maintain fiscal prudence in the management of government expenditure and revenue and monitor the established guidelines on the quantum of fiscal reserves	To keep the level of fiscal reserves at about \$430 billion as at 31 March 2002 (2001)	<i>(Action Completed)</i>
<i>(the then Finance Bureau)</i>		

5 Improve the efficiency, quality and cost-effectiveness of Government's central support services

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below —

Initiative	Target	Present Position
To further enhance the efficiency of Government Supplies Department's service and operation through increasing computerisation <i>(Government Supplies Department (GSD))</i>	To introduce the Electronic Marketplace System in 2003-2004 for low value government purchases <i>(2001)</i>	The initial trial use of e-Marketplace/e-Shops was completed in March 2002. The findings were not encouraging. A second trial is underway to re-assess the merits and cost-benefits of the proposal. <i>(Action in Progress : Under Review)</i>
To shorten the delivery lead time for supply of medical items to hospitals and clinics <i>(GSD)</i>	To improve the delivery lead time from seven to three working days in 2001 <i>(2001)</i>	<i>(Action Completed)</i>
To introduce more environmental initiatives in the operation of government fleet <i>(Government Land Transport Agency (GLTA))</i>	To examine the feasibility of progressively introducing vehicles with low emissions (e.g. hybrid vehicle, Liquefied Petroleum Gas vehicle) by end-2002 <i>(2001)</i>	<i>(Action in Progress : On Schedule)</i>

Initiative	Target	Present Position
<p>To introduce e-Ordering to facilitate clients to submit print orders including attachments and to proof-read drafts through government intranet and the internet</p> <p><i>(Printing Department (PD))</i></p>	<p>To introduce the facilities to five pilot clients and to extend to all clients in 2002</p> <p><i>(2001)</i></p>	<p><i>(Action Completed)</i></p>
<p>To implement a recognised environmental management system and to achieve the International Organisation for Standardisation (ISO) 14001 certification</p> <p><i>(PD)</i></p>	<p>To complete accreditation by March 2002</p> <p><i>(2001)</i></p>	<p><i>(Action Completed)</i></p>
<p>To implement the recommendations made by the Task Force on the Review of Government Financial Reporting Policy</p> <p><i>(the then Finance Bureau (FB)/Treasury)</i></p>	<p>To publish in October 2003 the first set of accrual-based government accounts for 2002-2003</p> <p><i>(2001)</i></p>	<p><i>(Action in Progress : On Schedule)</i></p>
<p>To upgrade our financial information systems</p> <p><i>(Treasury)</i></p>	<p>To implement a new Government Financial Management Information System (GFMIS) by phases during 2003 to 2007 to replace the existing GFMIS in all bureaux and departments</p> <p><i>(2001)</i></p>	<p><i>(Action in Progress : On Schedule)</i></p>

Initiative	Target	Present Position
<p>To review our financial reporting policy (<i>FB/Treasury</i>)</p>	<p>To recommend to the Financial Secretary by the end of 2000 the standard and style of financial reporting for the Government (2000)</p>	<p>(<i>Action Completed</i>)</p>
<p>To develop our financial information systems (<i>Treasury</i>)</p>	<p>To review the existing GFMS and to determine by the end of 2000 how best to meet the need for financial management information across the Government in the next decade (2000)</p>	<p>(<i>Action Completed</i>)</p>
<p>To improve the environmental performance of the government vehicle fleet (<i>GLTA</i>)</p>	<p>To install continuous regeneration traps in over 1 000 EURO standard diesel vehicles in the government fleet by 2001-2002 to reduce emission levels of particulates (2000)</p>	<p>The first trial on the use of the device was completed in January 2002. To enable more detailed assessment of the suitability and cost-benefit of installing the device, completion of the trial scheme has been extended to August 2002. (<i>Action in Progress : Behind Schedule</i>)</p>

6 Manage Government's estate cost-effectively and efficiently

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below —

Initiative	Target	Present Position
<p>To strengthen statutory control of alteration and addition works in government buildings</p> <p><i>(Architectural Services Department (Arch SD))</i></p>	<p>To take over from Buildings Department the vetting and approval of all alteration and addition plans submitted by private tenants in government buildings from end-2001</p> <p><i>(2001)</i></p>	<p><i>(Action Completed)</i></p>
<p>Enhance environmental awareness in the upkeep of the government estate</p> <p><i>(Arch SD)</i></p>	<p>To complete a review of the use of materials and construction techniques in facilities upkeep by 2001 and provide staff training on the use of environmentally-friendly materials and processes</p> <p><i>(2000)</i></p>	<p><i>(Action Completed)</i></p>
<p>To draw up and roll forward annually a prioritised programme for re-provisioning existing users of under-utilised Government Institution and Community sites and for redeveloping or releasing such sites</p> <p><i>(Government Property Agency (GPA))</i></p>	<ul style="list-style-type: none"> ● To arrange for the release of two government office sites at Canton Road and Tung Lo Wan Hill Road for sale in 2001 	<ul style="list-style-type: none"> ● <i>(Action Completed)</i>

Initiative	Target	Present Position
	<ul style="list-style-type: none"> To enhance support to government departments in their review of site requirements and co-ordinate action to bring about the maximum degree of joint-user development <p>(1997)</p>	<ul style="list-style-type: none"> (Action in Progress : On Schedule)
<p>To plan and monitor progress in the construction of new government office buildings</p> <p>(GPA)</p>	<ul style="list-style-type: none"> To plan for the construction of the Sha Tin Government Office Building for completion in 2001 <p>(1998 and 1997)</p> <ul style="list-style-type: none"> To plan for the construction of a works depot and government office building in Chai Wan for completion in 2003 <p>(1998)</p>	<ul style="list-style-type: none"> (Action Completed) <ul style="list-style-type: none"> The original proposal has been superseded. The alternate proposal is to convert a former air cargo building at Kai Tak for the purpose. Construction in progress and scheduled to be completed by late 2004. <p>(Action in Progress : Under Review)</p>
<p>To implement a furniture replacement programme to modernise office environment and achieve more efficient use of space</p> <p>(GPA)</p>	<p>To implement the programme involving about 350 000 m² of office space between 1999 and 2004</p> <p>(1998)</p>	<p>(Action in Progress : On Schedule)</p>

7 Maintain an effective revenue collection and protection system to cover our spending commitments

To achieve results in this area, various initiatives have been undertaken in the past years. Details are set out below —

Initiative	Target	Present Position
<p>To establish an Advisory Committee to advise on what types of broad-based taxes may be suitable for Hong Kong should there be a need to introduce such taxes, having regard to the overriding principle of maintaining a low and simple taxation regime and preserving Hong Kong's competitiveness</p> <p><i>(the then Finance Bureau (FB))</i></p>	<p>The Advisory Committee to complete its work and submit a report to the Financial Secretary by the end of 2001</p> <p><i>(2000)</i></p>	<p><i>(Action Completed)</i></p>
<p>To form a Task Force to review public finances in detail; to examine whether the Government's projected operating deficits up to 2002-2003 are cyclical or structural in nature; whether the existing tax base, types of tax, tax net and tax rates are appropriate, and, if not, what changes should be made</p> <p><i>(FB)</i></p>	<p>The Task Force to complete its work and submit a report to the Financial Secretary by the end of 2001</p> <p><i>(2000)</i></p>	<p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To form an inter-departmental group to consider detailed arrangements involved in introducing a land and sea departure tax, including the collection mechanism, exemption arrangements and safeguards against abuse</p> <p>(FB)</p>	<p>To complete the studies and submit a report to the Financial Secretary by the end of 2001</p> <p>(2000)</p>	<p>(Action Completed)</p>
<p>To implement a five-year Information Systems Strategy Plan which includes 12 projects</p> <p>(IRD)</p>	<p>To implement the projects between 2000 and 2004</p> <p>(1999)</p>	<p>(Action in Progress : On Schedule)</p>

Initiative	Target	Present Position
<p>To resume fee revision when the quarterly Gross Domestic Product growth rate turns positive, so as to reduce subsidy to users of government services</p> <p>(FB)</p>	<p>Subject to the pace of economic recovery, to revise fees in 2000, having regard to users' affordability and acceptability and following consultation with the Legislative Council</p> <p>(1999)</p>	<p>In view of the steady recovery of the economy in 2000-01, we have revised some of the fees and charges that do not affect people's livelihood or general business activities. Following the onset of a further economic slowdown in 2001, we have decided this year to freeze Government fees and charges up to the end of March 2003 and provide some one-off concessions by reducing water and sewage charges and trade effluent surcharge, and waiving the business registration fees for one year in 2002-03. We will implement modest revenue measures as announced in the 2002 Budget Speech to, among others, adjust fees and charges taking into account the affordability of the public.</p> <p><i>(Action in Progress : Under Review)</i></p>