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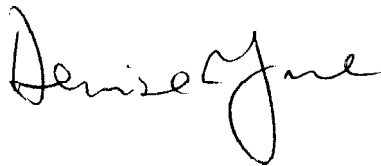
Since the downturn of the economy instigated by the Asian financial turmoil, the task of managing Hong Kong's public finances has become increasingly challenging. The very healthy annual surpluses before 1998-1999 appear to be things of the past and we are faced with the prospect of continual annual deficits, at least for this and the next two years.



Although we have been able to cope with the deficits from our healthy fiscal reserves, we cannot afford to be complacent. Since 1998-1999 our operating expenditure has exceeded our recurrent revenue. This is something unheard of in the past 50 years. We need to examine critically whether this phenomenon is cyclical or structural in nature and if it is the latter what remedial measures have to be taken. The Task Force on Review of Public Finances is in full swing identifying the problems and will submit a report to the Financial Secretary by the end of this year. At the same time, the Advisory Committee on New Broad-based Taxes is considering the suitability of new types of broad-based taxes for introduction in Hong Kong. It has issued a document on the subject for public consultation and will also compile a report to the Financial Secretary by the end of 2001.

There is no need to worry that the Government will introduce any new taxes in the near term. To do so is not only impractical, but not in the interest of our economy as our economic growth has slowed down in recent months. What we are doing now is to take time to work out a portfolio of well thought-out and feasible strategies which may need to be implemented in the longer term.

I wish to conclude by stressing that the Administration remains fully committed to maintaining a low and simple tax regime, to managing our public finances on a prudent basis, and to fostering a fiscal environment conducive to continued economic growth and success.

A handwritten signature in black ink, appearing to read "Denise Yue". The signature is fluid and cursive, with the first name "Denise" written in a larger, more prominent script than the last name "Yue".

(Miss Denise Yue)
Secretary for the Treasury

Prudent Management of Public Finances

Policy Objective and Key Result Areas

PRUDENT MANAGEMENT OF PUBLIC FINANCES

Our Policy Objective is to maintain sound and stable public finances and to foster a fiscal environment conducive to continued economic growth and success.

Overall Target

Our target is to ensure that the right balance is struck between meeting public demand for better government services on the one hand, and adhering to our principles of small government and low taxes on the other.

Progress

We recorded a deficit of \$7.8 billion for 2000-2001, compared with the \$6.2 billion deficit forecast in March 2000. The increase in deficit was attributable to \$19.1 billion less revenue, partly offset by \$17.5 billion less expenditure than anticipated.

To continue to keep our government small and to respond to comments that we must exercise greater prudence in our spending before dipping into taxpayers' pockets, we have been taking several measures to invigorate the civil service for enhanced efficiency and cost-effectiveness. We are progressing with our Enhanced Productivity Programme through which we aim to deliver productivity gains amounting to 5% of our operating expenses by 2002-2003. Various plans under the Civil Service Reform are now being implemented for greater cost-effectiveness. We have also taken steps to reduce the number of civil service posts further through natural wastage, staff redeployment and the Voluntary Retirement Scheme.

Even with such measures to enhance cost-effectiveness, we have budgeted for an expenditure of \$254.7 billion in 2001-2002 against estimated revenues of \$251.7 billion. Despite the budgeted deficit of \$3.0 billion, we have increased only taxes and fees that do not impact on economic growth and have a negligible effect on people's livelihood. It is our considered view

that the interests of the community are best served at this time by a gentle hand on the tiller.

We also achieved the following progress in our six Key Result Areas (KRAs).

1 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

Our indicator of performance in this area of work is the cumulative growth in government expenditure compared to the cumulative growth in Gross Domestic Product (GDP).

With the productivity savings achieved from the Enhanced Productivity Programme (EPP) launched across the Government and the subvented sector and stabilised expenditure under the Comprehensive Social Security Assistance Scheme, we have been able to contain the real growth of government spending to 2.8% in our 2001-2002 Estimates. This is close to our target of 2.5% growth. At the same time, the stronger than expected growth in GDP in 1999 and 2000 has allowed us to close the gap between the cumulative growth in government expenditure and the cumulative growth in GDP earlier than forecast. We will maintain our momentum in implementing EPP and continue to push ahead with other initiatives to ensure that resources are used cost-effectively for the delivery of Policy Objectives.

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

In 2000-2001, our revenue amounted to \$225 billion, compared with our original Estimate of \$244 billion. The variance is largely attributable to the lower than expected investment earnings on our fiscal reserves and lower than expected revenue from land sales premia. Investment earnings, by nature, are subject to fluctuations due to market volatility. We have explored with the Hong Kong Monetary Authority (HKMA) various measures to minimise fluctuations in the investment return on the fiscal reserves. After

careful consideration, we have concluded that despite such fluctuations, we should continue with the existing arrangements for the time being whereby the rate of return received on the fiscal reserves placed with the Exchange Fund is directly linked to the return achieved by the entire Fund. We will monitor the investment return over the next few years before deciding on the way forward.

To ensure a stable revenue base for the Government, we are conducting a detailed review of public finances. An Advisory Committee is also examining new types of broad-based taxes that may be suitable for Hong Kong should there be a need to introduce such taxes. The Advisory Committee has issued a document “A Broader-Based Tax System for Hong Kong?” in August 2001 for public consultation. The Advisory Committee will report their findings later this year. In addition, we implemented various initiatives to improve the efficiency of our revenue system further.

3 Provide sources of government finance

We injected \$8 billion into the Kowloon-Canton Railway Corporation in March 2001 to allow major works on the Ma On Shan to Tai Wai Rail Link and the Kowloon-Canton Railway Extension from Hung Hom to Tsim Sha Tsui to proceed.

For the development of Hong Kong Disneyland, we advanced \$20 million to Hongkong International Theme Parks Limited (HKITP) in March 2001 from the Capital Investment Fund as the first drawdown of the \$5,619 million loan to HKITP.

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

Our indicator of performance in this area is the level of fiscal reserves. The level of fiscal reserves as at 31 March 2001 was \$430 billion, which was about \$14 billion less than the level as at 31 March 2000 and about \$10 billion short of our target. The decrease is due to the deficit of about \$8 billion for 2000-2001 and a provision of \$6 billion in accordance with prudent accounting principles to cover the fall in the market value of the fiscal reserves during the period from January to March 2001. In the 2001-2002 Budget, we forecast that the level of reserves would be about \$430 billion by end-March 2002, within the guidelines laid down in the 1998 Budget.

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

In 2000, we implemented various initiatives to improve the cost-effectiveness and quality of Government's central support services. Through reduction of paper stock holding, withdrawal of outside storage and downsizing, the Printing Department achieved considerable cost savings. This has enabled it to reduce charges to other government departments by 10% since May 2001. It also launched the electronic Gazette on the Internet in December 2000 for easy access by the public. The Government Supplies Department compared the procurement prices of some 280 common stock items with their market prices and removed from the stock some 81 items which either have no price advantage or are no longer required. The Government Land Transport Agency reduced its transport pool from 153 in April 2000 to 122 in April 2001. The Treasury initiated plans to introduce an Enterprise Resource Planning System across the Government to meet our needs for financial management information in the next decade.

6 Manage Government's estate cost-effectively and efficiently

The Government Property Agency achieved considerable savings in 2000. Expenditure on leased offices was reduced by \$19.3 million, exceeding the target by 22%. Expenditure on leased quarters was reduced by \$4.7 million, exceeding the target by 47%. The Agency also identified 31 additional under-utilised sites against a target of 16. Fifty-nine of such sites with a total area of about 104 hectares are scheduled to be released for redevelopment or disposal within five years. The average take-up rate of government accommodation was maintained at 99.8% in 2000.

Progress on each previously announced initiative under the above KRAs is set out in the "Detailed Progress" section of this report.

Looking Forward

To achieve our overall targets this year, we will undertake the following initiatives and targets under each of the KRAs for the coming year.

1

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

We believe that the public sector should not grow at a rate that would deprive the private sector of the resources needed for economic growth. Therefore, we have to ensure that the growth of government expenditure over time will not exceed the growth of the economy. Within this expenditure control, we consider competing demands for resources and determine priorities in a disciplined manner with a view to allocating resources to those areas which are most beneficial to the community. We strive to ensure that resources allocated are used cost-effectively in order to maximise the benefits to the community.

We will assess our performance in respect of this KRA against the following indicator –

- Cumulative growth in government expenditure compared to cumulative growth in Gross Domestic Product (GDP). Our target is to keep the cumulative growth in government expenditure in line with that of GDP over the Medium Range Forecast period.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative *	Target
To control the growth in government expenditure <i>(Finance Bureau (FB))</i>	To control the growth in recurrent and capital expenditure in 2002-2003 to no more than 4% in real terms
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

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

2

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

We maintain a simple, low and predictable tax regime. This helps to promote investment and enterprise by ensuring that resources are left, as far as possible, in the private sector where they can be most productively employed. In doing so, we have to strike the right balance in raising sufficient revenue to cover our spending commitments in the face of rising expectations in the community for more and better public services. We are committed to improving the efficiency and user-friendliness of our revenue collection system and promoting voluntary tax compliance. We are committed to combating tax evasion, minimising opportunities for tax avoidance, and ensuring that all taxes due are fully paid.

We will assess our performance in respect of this KRA against the following indicator –

- The extent to which revenue collected is sufficient to meet government expenditure. In 2001-2002, our estimated total revenue is \$251.7 billion against estimated total government expenditure of \$254.7 billion.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
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

Initiative	Target
<p>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></p>	<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
<p>To provide an electronic lodgement service whereby taxpayers can submit tax returns by telephone <i>(Inland Revenue Department (IRD))</i></p>	<p>To formulate the necessary legislative proposals by end-2001</p>
<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 <i>(IRD)</i></p>	<p>To provide a secure access to information service from April 2002</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 <i>(IRD)</i></p>	<p>To provide the service from January 2002</p>

Initiative	Target
To provide access to the Valuation List and Government Rent Roll on the Internet by property address and district name <i>(Rating and Valuation Department)</i>	To make the access functions available by April 2002

3

Provide sources of government finance

We make major investments and provide loans in support of economic and social development to improve Hong Kong's competitiveness and living environment. In particular, we make strategic investments in statutory bodies by equity, loans or other means, to finance their major infrastructure and development projects. In so doing, the Government complements the private sector as a source of finance. This approach allows us to pump-prime, and attract private sector involvement in major development projects which have commercial potential, for greater flexibility and cost-effectiveness. We also monitor, as a shareholder, the performance of Government's investments to ensure an appropriate rate of return to the community.

We will assess our performance in respect of this KRA against the following indicators –

- Amount of government finance provided to fund major infrastructure and development projects. We expect to provide \$2 billion for investment and \$9.4 billion in loans in 2001-2002.
- Expected returns on government loans and investments. In 2001-2002, we estimate a return of \$2.8 billion from investments made and \$5.2 billion repayments from loans made.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
To seek approval of any financing required for the implementation of various railway projects <i>(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

Initiative	Target
<p>To seek approval of financing proposals for the proposed International Exhibition Centre on the Airport Island (<i>FB</i>)</p>	<p>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</p>
<p>To offer a second tranche of Government's shares in MTR Corporation Limited for sale (<i>FB</i>)</p>	<p>Subject to market conditions, to launch the second offering</p>

4

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

We have to maintain adequate fiscal reserves to meet the operating, contingency and monetary requirements of the Government. The Asian financial crisis underlines the importance of having robust reserves to cater for our needs during difficult times. We have entrusted the investment of fiscal reserves to the Hong Kong Monetary Authority.

We will assess our performance in respect of this KRA against the following indicator –

- The level of fiscal reserves being held. The 2001 Budget forecast that the level of reserves would be about \$430 billion by end-March 2002.

We will pursue the following initiative and target to deliver results in this area –

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

We provide, through our departments, a range of central support services to facilitate bureaux and departments to deliver their services efficiently and cost-effectively. This includes financial management, accounting, procurement, land transport and printing. We review the mode of delivery of these services regularly to meet customers' operational needs and improve customer satisfaction. We also devolve, where appropriate, resource and spending decisions to bureaux and departmental managers in order to enable them to deploy resources more flexibly to meet their operational needs.

We will assess our performance in respect of this KRA against the following indicators –

- Price competitiveness of common stock items provided by Government Supplies Department. Our targets are:
 - (a) to compare the procurement prices of at least 200 or 12% of the common stock items with market prices; and
 - (b) to eliminate from stock those items for which there is no price advantage in comparison with market price, after taking overhead costs into account, except where there are special reasons to justify their retention.
- Size of the vehicle fleet in Government Land Transport Agency's transport pools. Our target is to reduce the vehicle fleet from 122 in April 2001 to 96 by March 2002, both to reduce cost and to improve utilisation.
- Charges for printing work. We aim to reduce the charge by a further 10%, in addition to the 10% introduced in May 2001.

We will pursue the following initiatives and targets to deliver results in this area –

Initiative	Target
<p>To further enhance the efficiency of Government Supplies Department's service and operation through increasing computerisation</p> <p><i>(Government Supplies Department (GSD))</i></p>	<p>To introduce the Electronic Marketplace System in 2003-2004 for low value government purchases</p>
<p>To shorten the delivery lead time for supply of medical items to hospitals and clinics</p> <p><i>(GSD)</i></p>	<p>To improve the delivery lead time from seven to three working days in 2001</p>
<p>To introduce more environmental initiatives in the operation of government fleet</p> <p><i>(Government Land Transport Agency)</i></p>	<p>To examine the feasibility of progressively introducing vehicles with low emissions (e.g. hybrid vehicle, Liquefied Petroleum Gas vehicle) by end-2002</p>
<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>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>

Initiative	Target
<p>To implement the recommendations made by the Task Force on the Review of Government Financial Reporting Policy</p> <p><i>(Finance Bureau/Treasury)</i></p>	<p>To publish in October 2003 the first set of accrual-based government accounts for 2002-2003</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>

We aim to meet Government's accommodation needs (including office space and quarters) in an economical and cost-effective manner, by leasing or purchasing property in the private market or building new government premises. We also aim to optimise the use of sites occupied or allocated for Government, Institution and Community (GIC) purposes and to release those that are surplus to Government's needs. We ensure that government accommodation is well managed and properly maintained, thereby preserving the value of the properties and providing a comfortable environment for users. We also aim to maximise commercialisation opportunities in existing government properties without affecting the normal operation of the occupants. We will strive to manage the government estate better, in line with Government's environmental protection objective.

We will assess our performance in respect of this KRA against the following indicators –

- Take-up rate of government accommodation. Our target is to ensure that the average take-up rate reaches 99.8%.
- Annual office rental saved as a result of de-leasing. Our target is to achieve \$30 million rental savings as a result of de-leasing.
- Annual quarters rental saved as a result of de-leasing. Our target is to achieve \$12 million rental savings as a result of de-leasing.
- Number of under-utilised or reserved sites identified for redevelopment or release. Our target is to identify 16 additional under-utilised or reserved sites.
- Number of government buildings for planned maintenance and refurbishment. Our target is to complete planned maintenance and refurbishment of 650 government buildings.

We will pursue the following initiative and target to deliver results in this area –

Initiative	Target
To strengthen statutory control of alteration and addition works in government buildings <i>(Architectural Services Department)</i>	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

Prudent Management of Public Finances

Detailed Progress

1

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>(Finance Bureau (FB))</i>	To control the growth in recurrent and capital expenditure in 2001-2002 to no more than 2.5% in real terms <i>(2000)</i>	The 2001 Budget has contained the growth in recurrent and capital expenditure to 2.8% in real terms in 2001-2002. This growth rate is below the forecast growth of the Gross Domestic Product (GDP) at the time and close to the 2.5% growth spending guideline announced by the Financial Secretary in his 2000 Budget Speech. <i>(Action Completed)</i>
To continue to implement the Enhanced Productivity Programme (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>	The 2001 resource allocation exercise is being carried out with a view to achieving a 2% productivity gain for 2002-2003 as targeted. <i>(Action in Progress: On Schedule)</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 <i>(FB)</i></p>	<p>To publish at least three issues of the EPP Newsletter in 2001 <i>(2000)</i></p>	<p>We issued two EPP Newsletters in March and July respectively. <i>(Action in Progress: On Schedule)</i></p>
<p>To undertake an EPP across Government and the subvented sector <i>(FB)</i></p>	<p>To require departments to deliver productivity gains amounting to 5% of their operating expenditure between now and 2002-2003 <i>(1998)</i></p>	<p>In addition to the cumulative 3% savings to be delivered in 2001-2002, government bureaux, departments and subvented organisations are required to deliver the remaining 2% savings by the year 2002-2003. <i>(Action in Progress: On Schedule)</i></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 <i>(FB)</i></p>	<p>To apply \$135 billion to capital works projects in the programme during the five-year forecast period of 1997-2002 <i>(1997)</i></p>	<p>Cumulative expenditure on the Capital Works Programme for the four-year period from 1997-1998 to 2000-2001 was \$107 billion. We plan to spend around \$25 billion in 2001-2002. <i>(Action in Progress: On Schedule)</i></p>

2

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 year. 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>(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>The Advisory Committee has launched a public consultation exercise in accordance with its terms of reference. It will thereafter prepare its report for submission to the Financial Secretary before the end of 2001.</p> <p><i>(Action in Progress: On Schedule)</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>The Task Force has initiated studies on key revenue items such as salaries tax, profits tax and stamp duties as well as indirect taxes. An economic model involving demographic, economic and budgetary variables to consider government finances into the 2020's is also being compiled.</p> <p><i>(Action in Progress: On Schedule)</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><i>(FB)</i></p>	<p>To complete the studies and submit a report to the Financial Secretary by the end of 2001</p> <p><i>(2000)</i></p>	<p>The studies have been completed and the report is being compiled.</p> <p><i>(Action in Progress: On Schedule)</i></p>
<p>To conduct a comprehensive review of the scope of exemptions from First Registration Tax for motor vehicles with a view to updating the system</p> <p><i>(FB/Customs and Excise Department (C&ED))</i></p>	<p>To formulate a proposal for consultation with the trade by the end of 2000</p> <p><i>(2000)</i></p>	<p>The trade is being consulted on the proposals.</p> <p><i>(Action Completed)</i></p>
<p>To provide an electronic lodgement service whereby taxpayers can submit their tax returns, applications and notifications through the Internet or public kiosks</p> <p><i>(Inland Revenue Department (IRD))</i></p>	<p>To provide the service by the end of 2000</p> <p><i>(2000)</i></p>	<p>The service has been provided since December 2000.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To provide an electronic notifying service whereby the business community can inform the Government about changes in business particulars for business registration purposes</p> <p><i>(IRD)</i></p>	<p>To accept notification of amendments to particulars on the Business Register by sole proprietors through the Internet or public kiosks by mid-2001</p> <p><i>(2000)</i></p>	<p>The service was launched in September 2001.</p> <p><i>(Action Completed)</i></p>
<p>To explore the feasibility of developing an open bond system for dutiable commodities</p> <p><i>(C&ED)</i></p>	<p>To launch a pilot scheme of an open bond system on selected representative warehouses by early 2001</p> <p><i>(2000)</i></p>	<p>The six-month pilot scheme has been completed.</p> <p><i>(Action Completed)</i></p>
<p>To implement a five-year Information Systems Strategy Plan which includes 12 projects</p> <p><i>(IRD)</i></p>	<p>To implement the projects between 2000 and 2004</p> <p><i>(1999)</i></p>	<ul style="list-style-type: none"> ● Two projects have been completed on schedule. ● Development work on six projects is underway for phased implementation in late 2001, 2002 and 2003. ● Feasibility study for one project has been commissioned for completion in late 2001. ● Feasibility studies for the remaining three projects are scheduled to begin from late 2002 to 2003. <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To provide electronic access to selective business registration services (IRD)</p>	<p>To accept electronic submission of applications for registration by sole proprietors and applications for copies of extracts of the Business Register by the end of 2000 (1999)</p>	<p>The service has been available since December 2000. <i>(Action Completed)</i></p>
<p>To develop an interactive tax enquiry system where taxpayers can enquire about their payment status and the details of tax reserve certificate accounts through various electronic channels (IRD)</p>	<p>To provide the service by the end of 2000 (1999)</p>	<p>The service has been available since December 2000. <i>(Action Completed)</i></p>
<p>To provide new electronic means for tax payments and purchase of tax reserve certificates (IRD)</p>	<p>To provide the service by the end of 2000 (1999)</p>	<p>The service has been available since December 2000. <i>(Action Completed)</i></p>
<p>To provide electronic access to enquiries on rates and rent accounts and updating of rates and rent payers' particulars (Rating and Valuation Department)</p>	<p>To provide the service by the end of 2000 (1999)</p>	<p>The service has been available since December 2000. <i>(Action Completed)</i></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 <i>(FB)</i></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 <i>(1999)</i></p>	<p>We have decided not to revise four livelihood-related fees (water tariffs, sewage charges, school fees and medical fees) in the current financial year. We will review the time frame for revision later and consult the Legislative Council. <i>(Action in Progress: Under Review)</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
<p>To seek approval of financing proposal for urban renewal projects under the proposed Urban Renewal Authority (URA) <i>(Finance Bureau (FB))</i></p>	<p>To obtain approval from the Finance Committee of the Legislative Council in connection with the establishment of the URA <i>(1999)</i></p>	<p>The URA Ordinance came into operation on 1 May 2001, and the URA was established on the same date. Subject to the Business Plan and development schemes to be drawn up by URA, we will seek Finance Committee's approval of a financing proposal for urban renewal projects. <i>(Action in Progress: On Schedule)</i></p>
<p>To vet and seek approval for loan proposals for schemes of development or to address special circumstances <i>(FB)</i></p>	<p>As proposals arise <i>(1999)</i></p>	<p>We will seek relevant approvals for new loan proposals for schemes of development or to address special circumstances as and when necessary. <i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To launch an Initial Public Offering of a minority shareholding in the MTR Corporation Limited (MTRCL) <i>(FB)</i></p>	<p>Subject to market conditions launch the Initial Public Offering in early 2000 <i>(1999)</i></p>	<p>The new MTR Ordinance came into operation on 30 June 2000 and the MTRCL replaced the Mass Transit Railway Corporation on the same date. The Initial Public Offering took place from 25 to 28 September 2000. <i>(Action Completed)</i></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 <i>(Finance Bureau)</i>	To keep the level of fiscal reserves at about \$440 billion as at 31 March 2001 <i>(2000)</i>	The fiscal reserves as at 31 March 2001 were \$430 billion, which was close to the target. <i>(Action Completed)</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
<p>To review our financial reporting policy <i>(Finance Bureau (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 <i>(2000)</i></p>	<p>The Task Force on Review of Government Financial Reporting Policy produced its report in December 2000. After acceptance by the Financial Secretary, the report was issued for public consultation from May 2001 to July 2001. After considering the public views collected during the consultation period, the Task Force will decide the form to be adopted for the accrual based accounts. <i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To develop our financial information systems <i>(Treasury)</i></p>	<p>To review the existing Government Financial Management Information System 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 <i>(2000)</i></p>	<p>Based on the outcome of consultancy study and overseas fact-finding missions, we have decided to replace the existing system with an Enterprise Resource Planning System to meet our needs for financial management information in the next decade. We aim to introduce the system in phases between 2003 and 2007. <i>(Action in Progress: On Schedule)</i></p>
<p>To extend the scope of the Electronic Tendering System in the Government Supplies Department <i>(Government Supplies Department (GSD))</i></p>	<p>To issue and receive electronically tenders at or above \$10 million in value in 2000-2001 <i>(2000)</i></p>	<p>The Electronic Tendering System has started, since mid-August 2001, to issue and receive electronically tenders at or above \$10 million in value. <i>(Action Completed)</i></p>
<p>To set new performance targets and introduce more efficient work processes in the light of a benchmark study comparing GSD's storage and delivery services with those in the private sector <i>(GSD)</i></p>	<p>To implement new performance targets and work processes in 2000-2001 <i>(2000)</i></p>	<p>New performance targets to improve delivery lead time and stock-out rate have been introduced. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To improve the environmental performance of the government vehicle fleet</p> <p><i>(Government Land Transport Agency (GLTA))</i></p>	<ul style="list-style-type: none"> ● To arrange for all government diesel vehicles to use ultra low sulphur diesel no later than end-2000 ● 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 <p><i>(2000)</i></p>	<ul style="list-style-type: none"> ● All government diesel vehicles have switched to ultra low sulphur diesel since July 2000. <p><i>(Action Completed)</i></p> <ul style="list-style-type: none"> ● The feasibility of retrofitting continuous regeneration traps to EURO I & II standard government diesel vehicles is under review. The results should be available by early 2002. <p><i>(Action in Progress: Under Review)</i></p>
<p>To introduce an electronic Government Gazette to provide timely and convenient information to users and reduce paper consumption</p> <p><i>(Printing Department)</i></p>	<p>To upload the Government Gazette and the six Supplements onto the Internet by end-2000</p> <p><i>(2000)</i></p>	<p>Electronic Gazette fully launched on the Internet in December 2000.</p> <p><i>(Action Completed)</i></p>
<p>To provide a Help Desk to render assistance/ advice to other bureaux/departments on procurement matters</p> <p><i>(GSD)</i></p>	<p>To review, in mid-2000, the effectiveness of the Help Desk, which was established in May 1999, with a view to identifying further room for strengthening the supporting services to bureaux and departments and rationalising existing procedures on procurement matters</p> <p><i>(1999)</i></p>	<p>In accordance with the recommendations of the review conducted in May 2000, GSD has posted a set of frequently-asked questions with answers on procurement matters on the Bulletin Board of Central Cyber Government Office for reference by bureaux and departments. More guidelines may be included from time to time when necessary.</p> <p><i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To review the cost-effectiveness of the existing arrangements for furniture maintenance for quarters (GSD)</p>	<p>To complete the review in 1999 and implement any resulting new arrangements in 2000 (1999)</p>	<p>GSD completed the review in December 1999. To enhance cost-effectiveness, GSD has contracted out its furniture maintenance service . GSD's Furniture Workshop was closed on 1 April 2001. (Action Completed)</p>
<p>To promote environmentally-responsible purchasing (GSD)</p>	<p>To explore with other departments the possibility of making more environmentally-responsible purchases (such as recycled products), and to purchase such products in the most cost-effective manner (1999)</p>	<p>GSD will continue to purchase recycled or environmentally-friendly products (e.g. recycled paper, toners and cartridges, and ultra low sulphur diesel for government vehicles). All GSD contractors are now required to pack their goods for Government in recycled packaging materials. (Action Completed)</p>

Initiative	Target	Present Position
<p>To review the use of government vehicles solely for passenger transport (GLTA)</p>	<p>To implement in 1999 a trial scheme on pool transport, and assess the cost-effectiveness in six months' time (1999)</p>	<p>The trial scheme for enhancing the utilisation of pool transport (e.g. single-trip booking, pooling of departmental cars) was completed in August 2000. It revealed that only limited transport resources, confined to times of low demand, could be redeployed. These resources could not be effectively utilised in the absence of other demand. The scheme will therefore not be pursued further. (Action Completed)</p>
<p>To improve the Government's land transport services (GLTA)</p>	<p>To complete a comprehensive review of pool transport services and draw up a timetable for implementing any improvement measures arising from the review in 1998-1999 (1998)</p>	<p>GLTA reviewed the pool transport services in 1999 and 2000. The two reviews resulted in the merging of three transport pools into one with a reduced number of vehicles and drivers. The pool transport charges made to other departments were also reduced as a result of improved fleet management and mobilisation. (Action Completed)</p>

Initiative	Target	Present Position
<p>To further enhance the operational flexibility of Trading Funds so as to improve services, promote productivity and increase cost-effectiveness</p> <p><i>(FB)</i></p>	<p>To consider and develop policy of enhancing the operational and management flexibility of Trading Funds in 1998-1999</p> <p><i>(1997)</i></p>	<p>The Trading Funds have designed and implemented a set of indicators to measure productivity and cost-effectiveness and identify any areas of under-performance.</p> <p><i>(Action Completed)</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
Improve waste management in government properties <i>(Government Property Agency (GPA))</i>	To extend waste recycling arrangements to include plastic bottles and aluminium cans in all government offices and quarters managed by the GPA in 2000-2001 <i>(2000)</i>	Collection bins for waste paper, plastic bottles and aluminum cans are now placed in all common areas of offices and quarters managed by the GPA. On-going poster campaigns are also arranged to encourage recycling. <i>(Action Completed)</i>
Improve energy efficiency in government properties <i>(GPA)</i>	To use energy efficient devices in building services installations in all 54 joint-user offices by March 2002 <i>(2000)</i>	Energy efficiency devices have been installed in all joint-user offices. <i>(Action Completed)</i>

Initiative	Target	Present Position
<p>Enhance environmental awareness in the upkeep of the government estate <i>(Architectural Services Department (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 <i>(2000)</i></p>	<p>The review has been completed as scheduled. Arch SD issued guidelines on the use of recyclable materials and energy-saving high efficiency light fittings. Over 80% of the training on environmental awareness have been carried out. The remaining will be completed by end-2001. <i>(Action in Progress: On Schedule)</i></p>
<p>To develop an Integrated Government Property Information system to facilitate the review of existing and planned use of government premises <i>(GPA)</i></p>	<p>To develop the system by October 2000 <i>(1999)</i></p>	<p>The Integrated Government Property Information System has been fully operational since October 2000. <i>(Action Completed)</i></p>
<p>To review the utilisation and continued need of canteens in government premises to release space for alternative use <i>(GPA)</i></p>	<p>To close 16 canteens by end-2000 and release the space for more productive alternative use <i>(1999)</i></p>	<p>The 16 canteens have been closed as scheduled and the space released has been put to more productive alternative use. <i>(Action Completed)</i></p>

Initiative	Target	Present Position
<p>To draw up and roll forward annually a prioritised programme for reprovisioning existing users of under-utilised Government Institution and Community sites and for redeveloping or releasing such sites</p> <p><i>(GPA)</i></p>	<ul style="list-style-type: none"> ● To draw up a five-year programme for 1999-2000 to 2003-2004 by early 1999 <p><i>(1998)</i></p> ● To arrange for the release of two government office sites at Canton Road and Tung Lo Wan Hill Road for sale in 2001 <p><i>(1997)</i></p> ● 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><i>(1997)</i></p> 	<ul style="list-style-type: none"> ● GPA has rolled forward the five-year programme to cover 2005-2006. This programme now includes 59 (out of a total of 126) under-utilised sites for which agreement for release has been secured. <p><i>(Action Completed)</i></p> ● GPA is progressively decanting occupants from these two government office buildings to tie in with the disposal of the two sites. <p><i>(Action in Progress: On Schedule)</i></p> ● GPA has released 10 under-utilised sites and is working on the release of eight other. In addition, the Agency is exploring the possibility of releasing five other sites that may be surplus to requirements. <p><i>(Action in Progress: On Schedule)</i></p>

Initiative	Target	Present Position
<p>To plan and monitor progress in the construction of new government office buildings</p> <p><i>(GPA)</i></p>	<ul style="list-style-type: none"> ● To plan for the construction of the Sha Tin Government Office Building for completion in 2001 <p><i>(1998 and 1997)</i></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><i>(1998)</i></p>	<ul style="list-style-type: none"> ● Construction commenced in July 1999. Works are on schedule for completion by December 2001. <p><i>(Action in Progress: On Schedule)</i></p> <ul style="list-style-type: none"> ● The original proposal has been superseded. An alternative proposal to convert a former air cargo building at Kai Tak for the purpose, approved by Finance Committee, is now underway and scheduled to be completed by late 2003. <p><i>(Action in Progress: On Schedule)</i></p>
<p>To implement a furniture replacement programme to modernise office environment and achieve more efficient use of space</p> <p><i>(GPA)</i></p>	<p>To implement the programme involving about 350 000 m² of office space between 1999 and 2004</p> <p><i>(1998)</i></p>	<p>GPA has completed furniture replacement for 165 000 m² of office space. The target figure of 350 000 m² will be reviewed, because over time, some of the offices included in the programme have already been reprovisioned with new style furniture.</p> <p><i>(Action in Progress: Under Review)</i></p>

Initiative	Target	Present Position
<p>To refurbish and upgrade the condition of old government buildings to preserve their value and to improve the environment for staff and the public visiting these government offices</p> <p><i>(Arch SD)</i></p>	<p>To refurbish 268 buildings in 1997-1998, 346 buildings in 1998-1999 and 450 buildings in 1999-2000</p> <p><i>(1998 and 1997)</i></p>	<p>Refurbishment of the buildings has been completed as scheduled.</p> <p><i>(Action Completed)</i></p>