

## Message

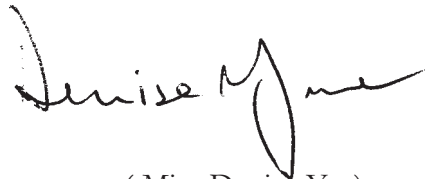
The coming year will pose many challenges to our management of public finances. It is now more important than ever to ensure that we continue with our past practice of maintaining these on a sound and stable basis.

The implementation of a Target-based Management Process announced last year has assisted us to focus resources on the strategic needs of the community. We would continue to put available resources to the best use in meeting community's aspirations and the long-term interest of Hong Kong. We will put in extra efforts to enhance productivity gains in the Government. We will also further improve the efficient delivery of Government's central services, including the effective management of government's accommodation and estate.

We will ensure that the extensive list of new tax concessions and relief measures announced in the 1998-1999 Budget are implemented smoothly. At the same time, we will step up our resources and efforts to safeguard Government revenue by promoting voluntary tax compliance and taking effective action against tax default, evasion and avoidance.

We will continue to make judicious investments in infrastructure and development projects which will benefit Hong Kong over the long term. We will also maintain healthy fiscal reserves, to underpin the success and resilience of Hong Kong's economy.

We are confident that prudent management of public finances can help Hong Kong ride out the storm with renewed vitality, and that the Government will also emerge from the process as a more responsive, efficient and effective organisation in the service of our community.

A handwritten signature in black ink, appearing to read "Denise Yue", with a stylized flourish at the end.

( Miss Denise Yue)

Secretary for the Treasury

# **Prudent Management of Public Finances**

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

In meeting this Policy Objective, we will 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.

## Key Result Areas (KRAs)

To ensure that this Policy Objective can be achieved, we must deliver results in the following key areas, that is, we must –

<b>I</b>	<b>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</b>	<b>Page 4</b>
<b>II</b>	<b>Maintain an effective revenue collection and protection system to cover our spending commitments</b>	<b>Page 6</b>
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<b>IV</b>	<b>Maintain the level of fiscal reserves within established guidelines through prudent and efficient management</b>	<b>Page 9</b>
<b>V</b>	<b>Improve the efficiency, quality and cost-effectiveness of Government services</b>	<b>Page 10</b>
<b>VI</b>	<b>Manage Government's estate cost-effectively and efficiently</b>	<b>Page 14</b>

The following sections of this booklet explain the importance of these KRAs, describe the broad thrust of our efforts, and outline the indicators which we are using to assess progress. Each section lists the new key initiatives being taken to achieve our objectives and pinpoints the agency accountable for each initiative and the specific targets which we intend to meet.

# 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**

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.

## Indicator

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

## Initiatives

To undertake an enhanced productivity programme across the Government

*(Finance Bureau (FB))\**

## Targets

To achieve quantifiable productivity gains in the Government's baseline operational expenditure for funding new initiatives in the 1999 resource allocation exercise

\* the brackets denote the agency with lead responsibility for the initiative

<b>Initiatives</b>	<b>Targets</b>
To carry out fundamental expenditure reviews to examine the cost-effectiveness of resources contributing to the delivery of Policy Objectives <i>(FB)</i>	To complete no less than two fundamental expenditure reviews in 1999

## II

### Maintain an effective revenue collection and protection system 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 have a strong commitment to combating tax evasion and minimising opportunities for tax avoidance.

#### Indicator

Our indicator of progress in this area is the extent to which revenue collected is sufficient to meet government expenditure.

#### Initiatives

To enhance efforts to combat tax evasion and minimise opportunities for tax avoidance  
*(Inland Revenue Department (IRD))*

#### Targets

To create an additional field audit team in 1999-2000 to handle 100 more cases and recover an estimated additional \$100 million per annum in tax and penalties

Initiatives	Targets
<p>To increase the efficiency of the Business Registration Office by upgrading the application system for the issue of new business registration certificates</p> <p><i>(IRD)</i></p>	<p>To shorten the processing time for new applications from six days to four days as from 1999</p>
<p>To extend the scripless tax reserve certificate scheme which is a more convenient way for taxpayers to purchase tax reserve certificates to provide for tax payment</p> <p><i>(IRD)</i></p>	<p>To extend the scheme, which at present covers only civil servants and civil service pensioners, to all salaries taxpayers as from 1999</p>





## Provide sources of government finance

We make major investments and 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.

### Indicators

Our indicators of performance in this area are –

- the amount of government finance provided to fund major infrastructure and development projects
- the expected rate of return on government investments

### Initiatives

### Targets

To complete an equity injection into the Kowloon-Canton Railway Corporation for the construction of West Rail Phase I  
*(Finance Bureau (FB))*

To inject equity of \$29 billion into the Corporation by 1999

To seek approval for the financing proposal for the Ma On Shan - Tai Wai Rail Link and Tsim Sha Tsui Extension  
*(FB)*

To seek approval from the Finance Committee of the Legislative Council in 1999-2000

# IV

## Maintain the level of fiscal reserves within established guidelines through prudent and efficient management

We have to maintain fiscal reserves adequate to meet the operating, contingency and monetary requirements of public finance. The financial turmoil since October 1997 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 aim to preserve the value of our fiscal reserves in real terms.

### Indicator

Our indicator of performance in this area is the level of fiscal reserves.

### Initiative

To examine how to align the investment policies of the Land Fund with the rest of the fiscal reserves so as to facilitate management by the Hong Kong Monetary Authority as a single portfolio

*(Finance Bureau)*

### Target

To complete the review by 31 March 1999

# V

## Improve the efficiency, quality and cost-effectiveness of government services

We promote value-for-money across Government and help departments improve the efficiency, quality and cost-effectiveness of their services. We review regularly the most appropriate means of delivering government services, e.g., through Trading Funds, contracting out, corporatisation, and other means. We are also committed to ensuring the provision of efficient and cost-effective central support services to departments, including financial management, accounting, procurement, land transport and printing.

### Indicator

Our indicator of progress in this area is the level of customer satisfaction and the extent of improvement in the cost-effectiveness of government services established through organisational reviews, benchmarking exercises and customer surveys.

### Initiatives

### Targets

To conduct a review of the operation of the Printing Department aimed at increasing efficiency and cost-effectiveness in service delivery  
*(Printing Department)*

To complete the review in 1999-2000

To improve the Government's land transport services  
*(Government Land Transport Agency)*

To complete during 1998-1999 a comprehensive review of pool transport services and draw up a timetable for implementing any improvement measures arising from the review

Initiatives	Targets
<p>To implement a five-year Business Plan for Government Supplies Department (GSD) to make its operations more efficient, cost-effective and customer-oriented</p> <p><i>(Government Supplies Department (GSD))</i></p>	<p>To draw up detailed action plans for each of the five divisions of the Department by early 1999</p>
<p>To conduct International Organisation for Standardisation (ISO) 9000 accreditation for three of the services provided by GSD, namely, product inspection, delivery of stores and procurement</p> <p><i>(GSD)</i></p>	<p>To complete accreditation by 2000-2001</p>

Initiatives	Targets
<p>To enhance the efficiency of GSD's service and operation through increasing computerisation (GSD)</p>	<ul style="list-style-type: none"> <li>● To introduce by end 1999 bar-coding to the GOODSMAN (Goods On-line Ordering, Delivery, Stock Management and Accounting Network) computer system to further improve stock management in the Government Logistics Centre which is Government's central warehouse</li> <li>● To upgrade the Procurement Management System to make it year 2000 compliant by June 1999 and incorporate enhanced procurement management functions by mid-2000</li> <li>● To implement an Electronic Bidding System by early 2000</li> </ul>

Initiatives	Targets
<p>To provide a more efficient collection service of Government bills <i>(Treasury)</i></p>	<ul style="list-style-type: none"> <li>● To provide an additional means of an electronic bill settlement service through most of the Automatic Teller Machine (ATM) terminals under the JETCO network for the payment of rates, taxes and water charges by the end of 1998, and to explore in 1999 the possibility of introducing similar service to other networks</li> <li>● To integrate the collection offices of Treasury and Inland Revenue Department in Wanchai into an all-purpose collection and payment office by the end of 1998</li> </ul>



## Manage Government's estate cost-effectively and efficiently

We aim to meet Government's accommodation needs (including office space and quarters) in an economical and cost-effective manner, by building new government premises and renting or purchasing property in the private market at terms advantageous to Government. We ensure that government accommodation is well managed and properly maintained, thereby preserving the value of the properties and providing a comfortable environment to users. We aim to maximise commercialisation opportunities in existing government properties without affecting the normal operation of the occupants. We also aim to optimise the use of sites occupied or allocated for Government, Institution and Community (GIC) purposes, working closely with concerned bureaux and departments by co-ordinating joint-user developments for GIC sites and releasing surplus sites for other development purposes where possible.

### Indicators

Our indicators of progress in this area are –

- the ratio of Government-owned premises to rented accommodation
- the occupancy rates of government accommodation
- the annual office rental saved as a result of deleasing
- the number of under-utilised sites re-developed or released

Initiatives	Targets
<p>To complete the input of data into the comprehensive computerised database of GIC sites to facilitate the review of existing and planned use of such sites</p> <p><i>(Government Property Agency (GPA))</i></p>	<p>To complete surveys of existing and planned uses of 2 500 GIC sites and input data obtained into the database by the end of 1999</p>
<p>To draw up and roll forward annually a prioritised programme for reprovisioning existing users of under-utilised GIC sites and for redeveloping or releasing such sites</p> <p><i>(GPA)</i></p>	<ul style="list-style-type: none"> <li>● To draw up a five-year programme for 1999-2000 to 2003-2004 by early 1999</li> <li>● To deliver the programme for 1999-2000</li> </ul>
<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"> <li>● To open the Cheung Sha Wan Government Office Building in 1999</li> <li>● To plan for the construction of the following new projects – <ul style="list-style-type: none"> <li>– a Shatin Government Office Building for completion in 2001</li> <li>– a works depot and government office building in Chai Wan for completion in 2003</li> </ul> </li> </ul>



Initiatives	Targets
<p>To implement a furniture replacement programme to modernise the outlook of office environments and achieve more efficient use of space</p> <p><i>(GPA)</i></p>	<p>To implement the programme involving about 350 000m<sup>2</sup> of office space between 1999 and 2004</p>
<p>To improve the condition of old government buildings</p> <p><i>(Architectural Services Department)</i></p>	<p>To refurbish about 450 buildings in 1999-2000</p>