
Finance Bureau

In the past year, we have been working on 34 pledges, of which :

- we have completed 15;
- we are on schedule with 13;
- one is under review; and
- we are pressing ahead with five on-going commitments.

The following sets out the detailed report for each main programme area.

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| Revenue Protection and Collection |
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| <i>Year</i> | <i>Pledge</i> | <i>Present Position</i> |
|-------------------------|--|--|
| <i>Action Completed</i> | | |
| 1997 | 1. To review the system of profits tax and determine and announce any changes to this, or to other tax arrangements in the Budget next year. | The Financial Secretary announced in the 1998-1999 Budget the recommendations of the review. |
| 1997 | 2. To implement in 1998 proposals arising from the profits tax review with a view to making our business environment more competitive. | The necessary legislative amendments have been passed by the Provisional Legislative Council (PLC). Where necessary, the Inland Revenue Department has issued practice notes and updated existing ones to explain the details of the measures implemented. |

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| 1997 | 3. | To improve the collection of air passenger departure tax in order to facilitate passenger processing at the new airport by extending the tax coupon scheme in 1998. | From 1 September 1998, airlines have stopped collecting air passenger departure tax from departing passengers during check-in if the tax has been paid upon the purchase of air tickets. The new collection arrangement reduces processing time for check-in and improve customer service. |
| 1997 | 4. | To streamline the Inland Revenue Department's business registration procedures and shorten processing time in order to help business in 1998. | We have reduced the processing time for the issue of new business registration certificates from eight working days to six working days and have set up two additional shroff counters in the Business Registration Office. |
| 1997 | 5. | To provide additional staff in 1998 to improve the investigation capability of the Customs and Excise Department to enable it to tackle more effectively cases of suspected revenue fraud and non-compliance with the Dutiable Commodities Ordinance. | We have secured resources for the creation of three posts to improve the investigation capability of the Customs and Excise Department. The posts will be filled upon their creation in October 1998. |

Good progress has been made with the following commitments in the past year. We will continue to work on them on an on-going basis.

- | <i>Year</i> | | <i>Pledge</i> | |
|-------------|----|---|--|
| 1996 | 6. | To continue to enforce strictly the legislation against the use of service companies to avoid or reduce salaries tax liability; and on the keeping of proper business records for tax purposes. | |
| 1996 | 7. | To step up our fight against tax evasion, minimise the opportunities for tax avoidance and ensure that all taxes due are fully paid. | |

Budgetary Planning and Financial Management

| <i>Year</i> | <i>Pledge</i> | <i>Present Position</i> |
|-------------------------|---|---|
| <i>Action Completed</i> | | |
| 1997 | 1. To review our financial situation carefully, and to discuss the role played by our reserves in the financial management of the Hong Kong Special Administrative Region Government in the next Budget. | We gave a full account in the 1998 Budget of the purposes, levels and adequacy of our fiscal reserves. |
| 1997 | 2. In 1998-1999, to introduce an improved management process to enhance the measurement of the output of government services through better definition of policy objectives so as to relate them to resource inputs. | We have introduced the Target-based Management Process to develop policy objectives across Government. This process focuses on the results the Government aims to deliver for the community. All policy objectives across Government have been covered. |
| 1997 | 3. In 1998-1999, total recurrent government expenditure is expected to grow by about \$7.7 billion or 5% in real terms over 1997-1998. This will provide sufficient resources for implementing strategic policy objectives in the areas of housing, education, care for the elderly and economic development. | We secured the PLC's approval of the 1998-1999 estimates of expenditure, incorporating a 5% real increase in recurrent government expenditure. |
| 1997 | 4. To expedite the Public Works Programme to meet the needs for land supply for housing and related infrastructure. | In the past 12 months, we have ensured that all funding submissions to the Public Works Sub-Committee of the Finance Committee of the Legislature, which enable the projects to commence, were made on time and according to plan. We will continue with this practice. |

- 1997 5. To identify more suitable projects, government and subvented, to be injected into the capital works programme.
- We have allocated funding for 107 new projects under the 1998 Resource Allocation Exercise. This compares with 71 and 95 new projects approved for funding in the 1996 and 1997 exercises, respectively.

Action in Progress : On Schedule

- 1997 6. From 1997-2002, \$135 billion is expected to be spent on capital works projects already in the programme. The main areas of spending will be :
- We estimate that in 1997-1998, we spent about \$18.5 billion on non-Airport Core Programme capital works projects, including :

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|---|----------------|---|---------------|
| Education | \$24.6 billion | Education | \$3.4 billion |
| Land formation and flood control | \$16.9 billion | Land formation and flood control | \$2.0 billion |
| Transport | \$17.2 billion | Transport | \$2.1 billion |
| Port works | \$12.8 billion | Port works | \$1.2 billion |
| Health and welfare (excluding capital spending on welfare under the Lotteries Fund) | \$11.1 billion | Health and welfare (excluding capital spending on welfare under the Lotteries Fund) | \$2.0 billion |
| Environment | \$11.7 billion | Environment | \$2.8 billion |
| Waterworks | \$8.9 billion | Waterworks | \$1.4 billion |

- 1996 7. From 1996-2001, \$18.2 billion is forecast to be spent on various capital works under the Airport Core Programme.
- As at the end of September 1998, we have spent \$10.9 billion on various capital works under the Airport Core Programme.

- 1996 8. From 1996-2001, \$602 million is forecast to be spent on government facilities for the second runway at the new airport. About \$40 million is forecast to be spent on this project in the 1997-1998 financial year.
- Works for the project are proceeding on schedule and tenders have been invited for the systems and equipment required for the project. In the financial year 1997-1998, we have spent \$36.8 million. In the first six months of the 1998-1999 financial year, the target was to spend \$146 million, bringing the total expected expenditure on this project, since 1996, to \$182.8 million.
- 1994 9. To develop our financial information systems and to provide managers with appropriate financial management training.
- To implement the Purchase Order Processing System on a pilot basis in October 1997.
 - In 1997-1998, to provide training to 1 240 officers and equip 30 bureaux and departments with the Ledger Accounting and Financial Information System (LAFIS) Departmental Reporting System which will improve financial reporting and control in departments.
 - To extend the LAFIS Departmental Reporting System to all departments by the end of 1998-1999.
- The system was implemented as scheduled on a pilot basis in three departments in October 1997. The Treasury is conducting a review of the pilot scheme in order to decide the way forward.
- More than 1 500 officers have attended financial management training in 1997-1998. In total, we have organised two-day courses for 3 406 officers since October 1994, and one-day courses for 1 125 officers since March 1997.
- A total of 60 bureaux and departments have been equipped with the LAFIS Departmental Reporting System as at end September 1998. We expect that all bureaux and departments (89 in total) will be equipped with the system by the end of 1998-1999.

Good progress has been made with the following commitments in the past year. We will continue to work on them on an on-going basis.

| <i>Year</i> | <i>Pledge</i> |
|-------------|---|
| 1996 | 10. To respond to the community's demands for more and better public services while maintaining our commitment to small government and low taxes. To strike the right balance in allocating the new resources generated by continuing economic growth to different policy areas. |
| 1996 | 11. To maintain a vigorous campaign to promote greater efficiency and value-for-money in the public sector. |
| 1996 | 12. To devolve, as far as possible, resource and spending decisions to bureau and departmental managers. |

Management of Government's Investment

| <i>Year</i> | <i>Pledge</i> | <i>Present Position</i> |
|-------------------------|---|--|
| Action Completed | | |
| 1997 | 1. To review in 1998-1999 the investment strategy for the fiscal reserves in order to secure a higher overall return. | We have completed the review of the roles and investment strategy of the fiscal reserves. The Financial Secretary announced the new investment arrangement for the fiscal reserves in his Budget Speech on 18 February 1998. Implementation of the new arrangement took place on 1 April 1998. |

- 1997 2. From 1998-2001, to seek funding approval for high-tech projects such as the Science Park.
- Finance Committee approved and the Government disbursed a grant of \$525 million to the Applied Research Fund (ARF) for financing applied research and development projects with the aim of upgrading Hong Kong's industries in terms of value and technology.

Finance Committee's approval was obtained for a \$268 million injection to meet the operating expenses of the Science Park Corporation and \$54.8 million for the Phase I construction of the project.

Support for the ARF and the Science Park now takes the form of a grant, instead of an investment item, to better meet the needs of these initiatives.

Action in Progress : On Schedule

- 1997 3. From 1998-2001, to seek funding approval of approximately \$50 billion for Government's capital investment in support of High Priority Projects under the Railway Development Strategy.
- Finance Committee's approval was obtained for a \$29 billion equity injection into the Kowloon-Canton Railway Corporation to allow major works on the West Rail project to proceed. We have already injected the first tranche of equity of \$14.5 billion in mid-April 1998.

- 1997 4. To consider in 1998-1999 further enhancing the operational flexibility of trading funds so as to improve services, promote productivity and increase cost-effectiveness.
- The trading funds have designed and implemented a set of indicators to measure productivity and cost-effectiveness and identify any areas of under-performance. The policy of enhancing operational and management flexibility of trading funds is being developed.

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| Development of Government's Estate |
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| <i>Year</i> | <i>Pledge</i> | <i>Present Position</i> |
|---|---|---|
| Action Completed | | |
| 1997 | 1. To release 260 government quarters and three sites now used for civil servants quarters in 1997-1998. | 260 government quarters were released for sale. Of them, 133 units have been sold and the remainder are still on sale or being let out. Three quarters sites have been released and sold. |
| 1997 | 2. To release three quarters sites for disposal in 1998-1999. | Three quarters sites have been released and included in the Land Sales Programme for 1998-1999. The sites have not yet been sold due to suspension of the Land Sales Programme as from June 1998. |
| 1997 | 3. To draw up a programme in 1998-1999 to replace old style furniture by new furniture in existing government offices to improve the working environment and to achieve a more modern office outlook. | A programme for replacing old style furniture by new furniture for 1999-2004 has been drawn up. |
| Action in Progress : On Schedule | | |
| 1997 | 4. To arrange for the release of two government office sites at Canton Road and Tung Lo Wan Hill Road for sale in 2001. | Reprovisioning of the offices affected is in hand. |
| 1997 | 5. To undertake refurbishment of government buildings to preserve their value and to improve the environment for staff and the public visiting these government offices. | The annual refurbishment programme for year 1997-1998 has been completed. Refurbishment works for 1998-1999 including the upgrading of fire services installations in office buildings and improvement works in clinics have already started. |

- 1997 6. To adopt a more proactive and systematic approach to the planning of government building projects to optimise utilisation of sites.
- A new system has been put in place for the Government Property Agency to take a more proactive and effective co-ordinating role in both existing and new site reservations so as to ensure optimisation of site utilisation.
- 1997 7. To review existing and planned use of sites by Government through setting up and effectively utilising a comprehensive database of Government, Institution and Community (GIC) sites in 1998.
- A database system was set up in May 1998. Data are being collected and analysed to facilitate a review of existing and planned use of sites.
- 1997 8. 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, including accommodation needed for social welfare and community purposes, so as to achieve optimum utilisation of sites.
- Two working groups have been formed to review the potential for redevelopment of under-utilised clinic and community hall sites respectively. The Government Property Agency will co-ordinate the joint user development proposals and necessary reprovisioning arrangements.
- 1997 9. To map out a strategy and a prioritised programme for redeveloping existing under-utilised government sites; to draw up redevelopment options for five such sites in 1998; and to roll forward the programme annually.
- Five under-utilised government sites have been identified for other development purposes. The Government Property Agency is drawing up a list of other under-utilised sites with a view to rolling forward an annual programme.

1997 10. To take on responsibility for the management and commercialisation of the decommissioned Kai Tak Airport from 1998, pending its eventual redevelopment.

The Government Property Agency assumed responsibility to manage and commercialise the decommissioned Kai Tak Airport on 6 July 1998. Some of the buildings and land are reserved for Government use. We are assessing possible options for putting those areas surplus to Government's requirements into effective use pending eventual redevelopment.

Action in Progress : Under Review

1997 11. To build three new government office complexes at Smithfield Road, Sha Tin and Sai Wan Ho scheduled for completion in 2000, 2001 and 2002 respectively.

Following the decision to construct a new office complex on the Tamar site in Central, the need for these office complexes has been reviewed, with the following results :

- There will no longer be a need for developing office accommodation at Smithfield Road. The scope of this project is now under review.
- The Shatin Office will proceed as planned for completion in 2001.
- The Sai Wan Ho Office project is no longer necessary and has been dropped.