

## Supplementary Information (FCR (2004-05)33)

### *(a) Definitions of, and differences between, GDP and GNP<sup>1</sup>*

#### **Gross Domestic Product (GDP)**

GDP is a measure of the total value of production of all resident producing units of a country or territory in a specified period.

#### **Gross National Product (GNP)**

GNP is a measure of the total income earned by residents of an economy from engaging in various economic activities, irrespective of whether the economic activities are carried out within the economic territory or outside. In other words, in compiling GNP, earnings of residents from various economic activities (e.g. bond or equity investments) from within or outside the economic territory are included, whereas earnings of non-residents from economic activities within the economic territory are excluded.

#### **Difference between GDP and GNP**

The difference between GNP and GDP is the difference of income earned overseas by residents and income earned by non-residents within the territory. If the income earned overseas by residents is more than the income earned by non-residents within the territory, the economy's GNP will be higher than its GDP. In the case of Hong Kong, the difference between GNP and GDP is not substantial. For example, Hong Kong's GNP for 1994 was HK\$1,041.8 billion, 1.2% higher than its GDP of HK\$1,029.8 billion. For 2003, Hong Kong's GNP, at HK\$1,254.2 billion, was 2.8% higher than its GDP, at HK\$1,220.0 billion.

### *(b) Reasons for using GNP figures (instead of GDP) for the computation of ADF contributions*

According to the ADB, GNP is used in the formula for calculating a donor member's burden sharing of the ADF because it can reflect better the financial strength of an economy and hence its ability to contribute to the ADF. A country's wealth can be generated from the income of the nation, not only the income generated domestically.

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<sup>1</sup> Source: Census and Statistics Department

*(c) Comparison (in terms of amount and ratio) of Hong Kong's and Singapore's contributions to ADF VIII and ADF IX*

According to the consensus burden sharing formula, a donor member's burden share is based on the member's per capita GNP and adjusted for its shareholding in the ADB. The 1994 per capita GNP figures were used for calculating the contributions of donor members to ADF VII in 1997. According to the calculation, Hong Kong's contribution to ADF VII was 0.57% of the total contribution, while Singapore's contribution was 0.39%. The difference is mainly because Hong Kong's subscribed capital in ADB is higher than Singapore's (0.551% versus 0.344%). Despite that the burden sharing ratios were agreed by donor members, Singapore did not make any contribution to ADF VII. Although the same burden sharing formula was adopted in ADF VIII and ADF IX, Singapore contributed US\$4 million to ADF VIII, or 0.14% of the total contribution, and for ADF IX, Singapore has promised to contribute US\$3.8 million, representing 0.12% of the total contribution. Hong Kong followed its burden share of 0.57% to contribute to the ADF VII and ADF VIII. We propose to follow the same burden share for ADF IX. Hong Kong and Singapore's contributions to ADF VIII and ADF IX, in terms of dollar amount and percentage of total contribution, are shown in the table below.

	Contribution to ADF VIII in US\$ mn (as a % of total contribution)	Contribution to ADF IX in US\$ mn (as a % of total contribution)
Hong Kong	16.28 (0.57%)	19.19 (0.57%)
Singapore	4.0 (0.14%)	3.8 (0.12%)
Difference	12.28 (0.43%)	15.39 (0.45%)