

**Subcommittee to Study the Proposed Legislative Amendments
Relating to the Re-organisation of the Government Secretariat**

Follow up on the issues raised at the meeting on 23 May 2012

As requested by members at the meeting on 23 May 2012, this paper provides information concerning the policy responsibilities of eight politically appointed officers (PAOs) after the re-organisation of the Government Secretariat, rationale on the hierarchy of the Government, reference of the Financial Secretary (FS) in legislation, implementation of the principle of accountability under the existing political appointment system, and proposed salary adjustments of PAOs for the fourth-term Government.

Policy responsibilities of eight PAOs

2. To share the workload of the Chief Secretary for Administration and FS respectively to oversee and coordinate the cooperation between the Hong Kong Special Administrative Region (HKSAR) and the Mainland, and a number of cross-cutting policy issues, the Chief Executive-elect (CE-elect) has proposed to create two posts of Deputy Secretaries of Departments (DSoDs), i.e. the Deputy Chief Secretary for Administration (DCS) and Deputy Financial Secretary (DFS). The policy responsibilities of DCS and DFS are at **Annexes A** and **B** respectively.

3. Apart from the creation of two DSoD posts, the re-organisation proposals also include: the setting-up of a new Culture Bureau; the restructuring of the existing Commerce and Economic Development Bureau into two bureaux, namely the Commerce and Industries Bureau, and the Technology and Communications Bureau; as well as the restructuring of the existing Development Bureau and the Transport and Housing Bureau into a Housing, Planning and Lands Bureau, and a Transport and Works Bureau. With the creation and restructure of bureaux, the policy responsibilities of the Directors of Bureaux concerned, namely, the Secretary for Culture, the Secretary for Home Affairs, the Secretary for Commerce and Industries, the Secretary for Technology and Communications, the Secretary for Housing, Planning and Lands and the Secretary for Transport and Works are at **Annexes C** to **H** respectively.

Hierarchy of the Government

4. As provided for in Article 48(5) of the Basic Law, the principal officials of the Government of the HKSAR include, among others, Secretaries and Deputy Secretaries of Departments, and Directors of Bureaux. Under the existing hierarchy of the Government, Secretaries of Departments take lead to formulate policies at a macro level and play a key role in ensuring coordination and consistency in policy formulation and implementation. Directors of Bureaux are responsible for setting policy objectives and goals, and developing and shaping policies in specific areas under their respective purview. Executive departments work to Bureaux and their Heads are responsible for overseeing the implementation of policies and delivery of services by their departments. The creation of the two DSoD posts will not change the existing hierarchy mentioned above. Details of the rationale for creating two DSoD posts and the hierarchy in the proposed new structure of the Government are at **Annex I**.

Reference to FS

5. Under the Interpretation and General Clauses Ordinance (Cap. 1), the term “Financial Secretary” means both FS of the HKSAR and the Secretary for Financial Services and the Treasury (SFST), unless there is a contrary intention in the relevant legislation. In the interests of transparency and for the avoidance of doubt, only those statutory powers and functions relating to the public finance, including those provided under the Public Finance Ordinance (Cap. 2) and the Financial Secretary Incorporation Ordinance (Cap. 1015), may be exercised and performed by SFST. For details, please refer to the document on “Responsibilities of the FS and the SFST” issued by the Chief Executive in June 2003 at **Annex J**. The current proposals to reorganise the Government Secretariat will not affect the above arrangements.

Implementation of the principle of accountability under the Political Appointment System

6. Under the political appointment system, depending on the gravity of the issues involved and the circumstances, there could be various ways in which the PAOs bear the political responsibility. Since the system was introduced in 2002, there have been occasions where the PAO concerned apologised to the public, was reprimanded by the Chief Executive, or resigned from office in accordance with the spirit of the political appointment system.

Proposed salary adjustment of PAOs

7. The current Administration has proposed that the cash remuneration for Directors of Bureaux of the next term Administration be increased, on the basis of the level approved by the Legislative Council (LegCo) Finance Committee in 2002, by the same rate as the cumulative pay increase of civil servants in the upper salary band since the level took effect in October 2002, namely by 8.1%.

8. In addition, the Administration has proposed that the cash remuneration for PAOs be adjusted annually in line with the movement of Consumer Price Index (C) (CPI(C)). This is in line with the existing mechanism under which the remuneration for LegCo Members is adjusted on an annual basis. If this proposal is implemented, the cash remuneration for PAOs would be revised annually with effect from 1 July 2013 in accordance with the change in the annual CPI(C).

9. There is no proposal of adjusting PAOs' cash remuneration further by reference to the outcome of the 2012 civil service pay adjustment exercise. In other words, even if civil servants' pay is to be increased later in 2012, the PAOs' cash remuneration will not be increased as a result.

**Constitutional and Mainland Affairs Bureau
Office of the Chief Executive-elect
May 2012**

Policy Responsibilities of Deputy Chief Secretary for Administration

1. To assist the Chief Executive (CE) and the Chief Secretary for Administration (CS) in ensuring coordination in policy formulation and implementation especially pertaining to human resources (including education; manpower planning and development; social welfare planning and retirement protection), and culture. More specifically, to oversee manpower planning and address manpower mismatch; to improve education and cultural literacy; to address the needs for an aging population through planning for healthcare, elderly services and retirement protection; to formulate policy for the youth and children; and to develop welfare planning. In this connection, to supervise relevant policy bureaux, namely, the Education Bureau, the Labour and Welfare Bureau, and the Culture Bureau.
2. To oversee specific priority areas of the CE's policy agenda as directed by him/her and/or the CS including those relating to population policy and poverty alleviation.
3. To assist the CE in policy making as a member of the Executive Council.
4. To explain Government policies to and answer questions from the Legislative Council, members of the public and the media.
5. To deputise for the CS during his/her absence.
6. To exercise relevant statutory functions delegated by the CE and/or the CS, or vested in him/her by law.
7. To perform other duties that are incidental and/or conducive to performing the duties set out in the preceding paragraphs.

Policy Responsibilities of Deputy Financial Secretary

1. To assist the Chief Executive (CE) and the Financial Secretary (FS) in ensuring coordination in the formulation and implementation of policy pertaining to economic development and development of the industries in order to create wealth and provide more employment opportunities. More specifically, to promote trade and industry; to support development of the maritime, air, logistics and tourism industries, as well as technology and communications; and to promote further development of professional services. In this connection, to supervise relevant policy bureaux, namely, the Commerce and Industries Bureau, and the Technology and Communications Bureau.
2. To oversee specific priority areas of the CE's policy agenda as directed by him/her and/or the FS, including those relating to the positioning of Hong Kong in the national development plans, and the effective implementation of various agreements signed with the Mainland by fostering a closer cooperation with authorities at the central and provincial levels.
3. To assist the CE in policy making as a member of the Executive Council.
4. To explain Government policies to and answer questions from the Legislative Council, members of the public and the media.
5. To deputise for the FS during his/her absence.
6. To exercise relevant statutory functions delegated to him by the CE and/or the FS, or vested in him/her by law.
7. To perform other duties that are incidental and/or conducive to performing the duties set out in the preceding paragraphs.

Policy Responsibilities of Secretary for Culture

Responsibilities to be transferred from the existing Secretary for Home Affairs

1. To devise a holistic culture policy, promote cultural activities and exchanges, nurture talents and cultural groups, and encourage community participation, i.e. to develop both the hardware and software for Hong Kong as a cultural hub.
2. To oversee the development of the West Kowloon Cultural District.
3. To steer and strategise the work of the Leisure and Cultural Services Department in relation to the arts and culture.
4. To work with relevant parties to promote arts education within and outside schools in a well-coordinated manner.
5. To partner with District Councils to popularise arts programmes at the district level.

Responsibilities to be transferred from the existing Secretary for Commerce and Economic Development

6. To formulate and implement policy to drive the development of creative sectors and build Hong Kong into a creative capital in the region.
7. To steer and strategise the work of the Create Hong Kong.

Responsibilities to be transferred from the existing Secretary for Development

8. To formulate and implement policy on heritage conservation and to protect, conserve and revitalise historical and heritage sites and buildings.
9. To steer and strategise the work of the Commissioner of Heritage's Office

Policy Responsibilities of Secretary for Home Affairs

1. To devise measures to enhance the role of District Councils and empower the District Officers to coordinate the work and services provided by government departments at the district level with a view to addressing district issues at the district level and capitalising on local opportunities.
2. To formulate and implement policies relating to youth development, gambling, civic education promotion, religion, sports and recreation, legal aid, social enterprise, community building, building management, and certain entertainment and accommodation related licensing.
3. To steer and strategise work of the Home Affairs Department, the Leisure and Cultural Services Department in relation to leisure and sport services, the Information Services Department and the Legal Aid Department.

Policy Responsibilities of Secretary for Commerce and Industries

Responsibilities to be transferred from the existing Secretary for Commerce and Economic Development

1. To oversee matters relating to Hong Kong's external commercial relations, Mainland and Hong Kong Closer Economic Partnership Arrangement, investment promotion, intellectual property protection, industry support, trade facilitation, competition policy, tourism, consumer protection, wine-related business, postal services and meteorological services.
2. To steer and strategise the work of Tourism Commission, Hong Kong Economic and Trade Offices (overseas), Hong Kong Observatory, Hongkong Post, Intellectual Property Department, and Trade and Industry Department.

Responsibilities to be transferred from the existing Secretary for Transport and Housing

3. To formulate and implement policy and provide holistic support to drive development of the maritime, air and logistics industries, to enhance their competitiveness and increase market penetration, and to strengthen Hong Kong's position as an international and regional aviation, shipping and maritime centre and logistic hub.
4. To steer and strategise the work of the Civil Aviation Department and Marine Department.

**Policy Responsibilities of
Secretary for Technology and Communications**

*Responsibilities to be transferred from the existing Secretary for
Commerce and Economic Development*

1. To formulate technology policy to support the development of technology infrastructure; encourage synergy among government, enterprises as well as research and academic institutions in research and development; and integrate the development of emerging industries in the Mainland with innovative technology in Hong Kong.
2. To oversee matters relating to broadcasting, telecommunications, information technology as well as innovation and technology.
3. To steer and strategise the work of the Innovation and Technology Commission, Office of the Communications Authority and Office of the Government Chief Information Officer.
4. To house-keep the Radio Television Hong Kong.

Policy Responsibilities of Secretary for Housing, Planning and Lands

Responsibilities to be transferred from the existing Secretary for Transport and Housing

1. To formulate and implement housing policy to ensure adequate and stable supply of housing in response to the need of the community.
2. To steer and strategise the work of the Housing Department.

Responsibilities to be transferred from the existing Secretary for Development

3. To assess the long-term demand for land to assure a flexible, steady and sufficient supply to meet developmental needs, enhance Hong Kong's competitiveness as a commercial hub, increase the per capita living and working space and improve the quality of life.
4. To achieve better and more efficient use of land resources to meet future needs arising from economic re-structuring, population changes and development of new industries.
5. To formulate and implement policy to promote and ensure building safety and maintenance, and urban renewal.
6. To steer and strategise the work of the Buildings Department, Lands Department, Land Registry and Planning Department.

Policy Responsibilities of Secretary for Transport and Works

Responsibilities to be transferred from the existing Secretary for Transport and Housing

1. To plan for and implement the construction and improvement of our transport infrastructure to further enhance the economic development of Hong Kong and its connectivity and integration with the Mainland.
2. To further promote the usage of public transport services by improving their quality and co-ordination, and to review fare scales.
3. To extend our railway network in coordination with other forms of transport, and to explore green transport modes.
4. To effectively manage road use, reduce congestion and promote safety.
5. To steer and strategise the work of the Highways Department and Transport Department.

Responsibilities to be transferred from the existing Secretary for Development

6. To ensure the effective planning, management and implementation of public sector infrastructure development and works programmes.
7. To steer and strategise the work of the Architectural Services Department, Civil Engineering and Development Department, Drainage Services Department, Electrical and Mechanical Services Department, and Water Supplies Department.

Creation of Deputy Chief Secretary for Administration and Deputy Financial Secretary

Introduction

This note explains the rationale of the Chief Executive-elect's proposal to create the two Deputy Secretary of Department (DSoD) posts, and to respond to Members' enquiries on the creation of these new posts.

Background of creating DSoD

2. Since the establishment of the Hong Kong Special Administrative Region (HKSAR), there are growing exchanges and integration between the HKSAR and the Mainland. To co-ordinate the cooperation between the HKSAR and the Mainland in social and economic developments, the workload of the Chief Secretary for Administration (CS) and the Financial Secretary (FS) has been increasing. In addition, with changes in the political environment of the HKSAR and the thriving media, senior officials often need to devote a lot of time and effort to handling pressing political matters, resulting in insufficient time being given to medium and long term planning on structural social and economic policies, such as the ageing population and poverty problems that are important issues concerning people's livelihood. This has generated social conflicts and grievances in the community.

3. To enhance Hong Kong's economic development and competitiveness, we need to promote diversification of industries. The rapid development of our nation brings along unlimited opportunities. We must proactively prepare ourselves to get connected with the national development plans and the development plans of Guangdong province as well as the Shenzhen city, to promote the further development of our pillar industries, and support our new and emerging industries. CEPA provides a win-win platform for economic and trade cooperation between Hong Kong and the Mainland. We must ensure that all the preferential measures are fully implemented, and further deepen and widen the coverage of CEPA in trade in goods, trade in services and trade and investment facilitation on an on-going basis, so that Hong Kong enterprises and professionals can make full use of the CEPA measures, to promote economic and trade development.

Policy responsibilities of DSoD

4. The creation of two DSoD posts seeks to realise one of the key policy objectives of the Chief Executive-elect, on “promoting economic development, improving people’s livelihood”, and to enhance the communication between the executive and the legislature, with a view to ensuring smooth implementation of policies.

5. The Deputy Chief Secretary for Administration (DCS) is tasked to assist CS in co-ordinating the development of human resources to meet the demands for human resources from various economic and social sectors of Hong Kong, and to maintain Hong Kong’s competitiveness in the era of quest for talents in the 21st century. The specific responsibilities of DCS include overseeing manpower planning and addressing manpower mismatch; improving education and cultural literacy; addressing the needs for an ageing population through planning for healthcare, elderly services and retirement protection; formulating policy for the youth and children; and developing welfare planning. CS could focus more on other cross-cutting policies requiring longer term planning, e.g. population policy, poverty alleviation and sustainable development. He will enhance the exchanges with the Mainland, continue to oversee Hong Kong-Guangdong cooperation, and the operation of the Community Care Fund. In addition, CS will provide leadership on further constitutional development, strengthening district administration and promoting social harmony.

6. The Deputy Financial Secretary (DFS) is tasked to assist FS in economic development, formulating policies on industries, creating wealth for Hong Kong and providing more employment opportunities for Hong Kong people. The specific responsibilities of DFS include enhancing communication with the ministries, provinces and municipalities of the Mainland; implementing economic cooperation agreements signed with Mainland authorities; coordinating the formulation and implementation of policies to promote Hong Kong’s development set out in the National Five-year Plans; and supporting development of trade and industries, development of maritime, air, logistics and tourism industries; as well as promoting technology and communications development. FS could focus more on the further development of Hong Kong as a leading international financial centre and the premiere offshore Renminbi business centre. He will make proper use of the fiscal reserves to make financial, social and economic investments for the long term development of Hong Kong and set aside funding to meet future expenditures arising from the ageing population. He will also oversee the formulation of longer term policies on housing, planning and lands, and transport infrastructure.

7. In sum, the two DSoDs are responsible for co-ordinating development of human resources and industries respectively to enhance the overall competitiveness of Hong Kong.

Relationship with Secretaries of Departments (SoDs) and Directors of Bureaux (DoBs)

8. Under the leadership of the Chief Executive, CS is still the head of the politically appointed officials and will continue to chair the Policy Committee every week to discuss and co-ordinate formulation of important policies with all DoBs. CS will work with FS on the priority of resource allocation in preparation for the annual Budget. Creation of the two DSoD posts will not affect the contact and communication of the DoBs with the two SoDs, nor will it attenuate CS's role in maintaining oversight of the scene at large.

9. As mentioned above, the two DSoDs will have specific responsibilities and directly supervise the operation of two or three closely related bureaux. The DSoDs report to their respective SoDs who will assign tasks to them as necessary. The performance of DSoDs will be measured by whether they can accomplish the tasks assigned to them in good time, appropriately and fully.

10. Take the example of population policy, CS is the Chairman of the Steering Committee of Population Policy. The scope of the population policy is very wide, covering manpower planning, quality of population, policies for youth and children, ageing population, babies born locally but whose parents are non-permanent residents of Hong Kong, admission scheme for talents, new immigrants, ethnic minorities, and Hong Kong people living in the Mainland. Each task requires in-depth study and straddles across various bureaux. Similarly, a thorough study of the poverty problem (which involves various policies such as education, welfare, housing, industries, employment and retraining) requires harmonisation and co-ordination. DCS can share the work on those issues which are directly related to the Education Bureau, the Labour and Welfare Bureau and the Culture Bureau in examining and formulating policies on manpower planning, population quality, issues on youth and children, and ageing population. The co-ordination role of DCS is not only confined to the bureaux under his/her purview. For example, the study on retirement protection involves the mandatory provident fund scheme under the Financial Services and the Treasury Bureau. Planning for elderly services involves medical and housing policies, and the study of complementary measures for the elderly to return to their home towns after retirement. Regarding specific policy

issues, DCS needs to take a co-ordinating role, such as planning and lands, and space for cultural activities.

11. As regards the division of labour, DoBs are responsible for shaping specific policies under their purview and steer the departments concerned to implement such policies. DoBs should be at the forefront to explain policies to the Legislative Council, the media and the community, and to solicit their support. DSoDs should focus on the long term planning and co-ordination of policies that cut across Bureaux. The DSoDs and DoBs should decide the specific division of labour between them and the mode of operation according to needs and actual situation. The overriding principles are to expand capacity and enhance efficiency to achieve more results.

Conclusion

12. The creation of two DSoD posts aims to enhance executive leadership, improve the relationship between the executive and the legislature, enhance co-ordination among departments, implement long term planning, better develop our economy and improve people's livelihood.

**Office of the Chief Executive-elect
May 2012**

Responsibilities of the Financial Secretary and the Secretary for Financial Services and the Treasury

Articles 106 to 113 of the Basic Law of the Hong Kong Special Administrative Region (HKSAR) set out, among other things, the responsibilities of the Government for the public finance and monetary and financial affairs. This document aims to delineate the responsibilities of the Financial Secretary (FS) and the Secretary for Financial Services and the Treasury (SFST) in these areas. FS and SFST are accountable to the Chief Executive in discharging these responsibilities.

2. In this connection, FS shall be responsible for the following areas-

- (a) the monetary system;
- (b) the Exchange Fund;
- (c) the public finance;
- (d) the financial system; and
- (e) the status of Hong Kong as an international financial centre.

3. As regards the first two of these, FS shall be responsible for determining the monetary policy objective and the structure of the monetary system of Hong Kong, and shall exercise control over the Exchange Fund as provided for in the Exchange Fund Ordinance (Cap. 66). As also provided for in that Ordinance, FS has appointed the Monetary Authority (MA) to assist him in the performance of his functions under the Ordinance. For the purpose of clarity and transparency, FS will further define the relationship between him and MA in discharging his responsibilities in these two and other relevant areas.

4. As regards the public finance, the financial system and Hong Kong's status as an international financial centre, FS shall be responsible for determining the policy objectives at a macro level. SFST shall be responsible for formulating specific policies to achieve such objectives and for overseeing their implementation through the regulatory authorities and other organisations as appropriate.

5. SFST is thus the Principal Official who has primary responsibility for ensuring the effective discharge of our responsibilities in the three areas set out in paragraph 4 above. In performing this function, he shall liaise and consult with other relevant parties within and outside the Government. As the custodian of policies in these areas, SFST is expected to bring to FS's attention any matters which come to his attention and which necessitate any action on FS's part pursuant to statutory powers vested in FS or otherwise. In exercising such powers, FS would seek the advice of SFST as he deems appropriate.

6. SFST has a specific responsibility for the efficient functioning of our financial system. Where this requires regulation, the regulatory authorities shall exercise their powers and discharge their functions independently in accordance with the respective statutes. SFST is expected to safeguard that independence. Where the law requires them to consult, or seek approval from, FS, SFST is expected, if requested by FS, to advise him.

7. SFST shall, in accordance with traditional practice, after seeking FS's policy guidance as appropriate and approval by the Chief Executive in Council, be responsible for introducing legislative proposals into the Legislative Council in respect of all five areas referred to in paragraph 2, with the exception set out in paragraph 8 below.

8. FS shall have responsibility for the preparation of the Government's budget, assisted by SFST, his staff and such other officials as FS deems appropriate. This responsibility will include the introduction of the Appropriation Bill into the Legislative Council. Thereafter, the day-to-day management of the public finance shall be the responsibility of SFST.

9. Under the Interpretation and General Clauses Ordinance (Cap.1), the term "Financial Secretary" means both FS and SFST, unless there is a contrary intention in the relevant legislation. In the interests of transparency and for the avoidance of doubts, there is a need to set out the

circumstances where SFST may exercise statutory powers vested in FS by virtue of this particular provision. In this regard, the Government's intention is that only those statutory powers and functions relating to the public finance, including those provided under the Public Finance Ordinance (Cap.2) and the Financial Secretary Incorporation Ordinance (Cap. 1015), may be exercised and performed by SFST. This is essentially the same as the position before 1 July 2002, when such powers and functions were exercised and performed by the former Secretary for the Treasury. This will enable SFST, inter alia, to give administrative directions and instructions for the control and management of the public finance and to make changes to the approved estimates of expenditure, subject to such conditions, exceptions and limitations as may be specified by the legislature.

10. In the other areas for which SFST has primary responsibility, notwithstanding the broad definition of FS which includes SFST in Cap. 1, FS should reserve to himself all powers and functions, which have not been specifically delegated. However, as mentioned above, he would look to SFST for advice as he deems appropriate in exercising such powers or performing such functions.

Chief Executive

27 June 2003