

Financial Secretary's Speech

Following is a reply by the Financial Secretary, Mr Donald Tsang on the Motion Debate by the Hon CHAN Kam-lam yesterday (Wednesday):

Madam President,

I wish to first of all thank Members for giving me the opportunity to take part in this motion debate which allows me to listen to your views on this very important issue. I feel that Members have spoken sincerely and frankly on the issue. I will also speak frankly and sincerely and hope that you will accept my views as I have accepted yours. On 22 June, the Chief Executive announced a package of special relief measures in respect of Hong Kong's economic adjustment. These measures underline the commitment of the Administration to help the community in the current economic adjustment. We understand the difficulties they face and will do all we can to help them tide over this difficult period.

When I explained in detail the package of measures, I pointed out that each and every measure is the result of very careful consideration after balancing all the pros and cons. Our decisions were based on the following three important criteria: first, we must uphold the principle of prudent financial management which we have always adhered to; secondly, we need to maintain the interest and confidence of investors and international organisations in investing in Hong Kong as a means to secure and increase local employment opportunities; thirdly, we need to ensure that the measures will not have any adverse effect on the linked exchange rate system. These three principles are crucial to protecting the long-term interests of Hong Kong.

I need to stress that all the measures are targetted at our present problems and are pragmatic. They will have immediate impact and will address the most pressing issues. I believe that Members would agree with me that under the present economic climate, simply throwing away large amounts of money does not necessarily mean that we could resolve all the problems. I hope that Members can share a common goal with us, which is, public money must be put to the right use in order that the public can really benefit.

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~~relating to Salaries Tax and Profits Tax before these measures have been proved effective. Besides, we think that the proposal of tax rebate may not necessarily benefit those who are in genuine need.~~

As Hong Kong practises a low tax policy, our tax rate in general is among the lowest around the world and the taxes paid by most taxpayers are relatively low. An across-the-board tax rebate will only bring exceptional benefits to those taxpayers who do not need such a relief.

Though the Government has decided against a tax rebate, we have considered measures which can bring benefits to most people to relieve the present economic pressures. Among the various kinds of tax levied by the Government, rates is the one that every household and all businesses have to pay. Therefore, we have decided to rebate the rates in respect of the first quarter of the year 1998-99. The measure will benefit owners of over 1.93 million residential units and 0.34 million non-residential units.

Fifth: Social Welfare Services Development Fund

Madam President, the motion proposes the establishment of a Social Welfare Services Development Fund by the Government in order to meet our commitment on social welfare services and to increase employment. In fact, the Government has allocated substantial resources to the provision of social welfare services in the past five years. In 1998-99, recurrent expenditure on social welfare amounts to some \$24.9 billion, a more than threefold increase over the \$7.6 billion in 1992-93. The percentage of the total recurrent public expenditure it accounts for has increased from 8.3% in 1992-93 to over 12.5% this year. Similar growth rates also apply to direct subvention expenditure which has increased significantly from \$1.8 billion in 1992-93 to \$5.3 billion in the current financial year.

We appreciate that as the economy of Hong Kong develops, the public become more concerned towards the vulnerable and disadvantaged sector in the community. As a result, public spending for social services continues to adjust upwards. In the past few years, there has been significant growth in all social welfare services to meet this demand. For example, the residential places in care and attention homes have been increased from 4 400 in 1992-93 to the present 10 000. An additional 7 200 residential and day care places for the disabled have also been provided, representing an increase of more than 100%.

Family case workers have also increased from 400 to the present 700 and school social workers from 150 to 300.

Moreover, the Government is committed to fund the many initiatives under the strategic policy objective on "care for the elderly" and to enhance our services to disabled persons, needy families and young people. For example, we already have plans to purchase an additional 2 400 residential care places in private homes for the elderly in the next three years. The supply of subvented residential care places in care and attention homes for the aged will rise by 3 300 in the next few years. On top of that, we will provide an additional 1 000 infirmary beds in the coming five years. We have also secured resources to provide 870 additional places in various kinds of rehabilitation services centres next year and a further 3 800 places in the following five years.

In the next 18 months, the provision of a wide spectrum of services as those described above will create around 3 300 new posts in the Social Welfare Department and non-governmental organizations. Of these posts, about 800 are at professional or managerial level and the remaining 2 500 at the clerical/support level.

I do share Members' views that in the next few years, we shall have to keep up our efforts in the development of social welfare services. I would also like to point out that we already have a well-established Lotteries Fund for the purpose of financing social welfare services. However, we should not forget that there are also some strong strong voices in the community against the substantial increase in public spending in this area, in particular the increase in the CSSA payment. The establishment of a Social Services Development Fund also goes against the prudent fiscal policy we have adhered to so far.

The target-based management process, introduced since the establishment of the Special Administrative Region Government, will enable us to lay down long-term directions for growth and plan for the necessary resource allocation. On the effective implementation of this management approach, we could be more forward looking in the longer term provision of quality welfare services to the public within the availability of resources.

~~Sixth: To formulate a long-term industrial policy~~

~~Madam President, during the debate, the Hon CHAN Kam-lam and~~

***Motion Debate on**
“Establishment of a Social Welfare Services Development Fund”
to be moved by the Honourable Eric LI at the
Provisional Legislative Council meeting on 1 April 1998

“That, in order to make up for the shortfall and inadequacy in social welfare services in the past and to honour the Government’s commitment made in this respect, this Council urges the Government to make a provision of \$3.4 billion for the establishment of a Social Welfare Services Development Fund, so as to cope with the growth in the community’s demand for social welfare services in the next five years and to ensure the steady development of social welfare services.”

Madam President,

I should like to begin by thanking the Honourable Eric LI for moving this motion. This issue is clearly of concern to the welfare sector. I have listened with great interest to the views and suggestions of Members and will reflect on these.

Social Welfare Expenditure

2. As the economy of Hong Kong develops and the public more aware and concerned towards the elderly, the disabled and the needy in the community, demand for social services has continued to be on the rise. To this end, the Government has allocated substantial resources into the provision of social welfare services since the past five years, resulting in significant growth in social welfare services.

3. In 92/93, social welfare expenditure was \$7.6 billion. Our estimated recurrent expenditure for 98/99 will be \$24.9 billion. The increase is over three-fold. In the past few years, social welfare expenditure continued to consume a large and ever increasing proportion of overall recurrent public expenditure, growing from 8.3% in 1992/93 to over 12.5% in the coming financial year.

Funding for Direct Services

4. Members have expressed concern that substantial growth in social security payments in recent years has had a negative impact on the Government's capacity to provide adequate funds for direct services. This concern is unfounded. Subvention on direct services in 1992/93 was \$1.8 billion. The corresponding figure in 1998/99 is estimated to be \$5.3 billion. The increase is again almost three-folds.

5. In the past few years, social welfare services have grown substantially. For instance, C&A places has grown from 4,389 places in 92/93 to the present provision of 8,837 places. There has also been an additional 7,300 residential and day-care places for the disabled which will more than double the current provision.

Future Development in Social Welfare Services

6. I agree with Members that we still have much to accomplish in the provision of social welfare services over the next few years. To illustrate, we need to further increase our supply of C&A home places, improve elderly services and increase the supply of residential services to the disabled. We already have plans to purchase, in the next three years, an additional 2,400 residential care places in private homes for the elderly. The supply of subvented residential care places in C&A homes for the aged will rise by 3,300 in the next few years. We will also provide 18 integrated elderly health centres and 18 visiting health teams for the elderly. In the coming five years, there will be an additional 1,000 infirmary beds. Resources have also been secured to provide an additional 870 places in various rehabilitation services next year and a further 3,800 places in the next five years.

Principles in Public Finance Management

7. I believe that the intention of Hon Eric LI's motion on the establishment of a Social Welfare Development Fund is to ensure the

continuous injection of Government resources over the next few years for the effective development of the welfare services. I hope the progress which we have achieved, as mentioned above, will demonstrate our long-standing commitment to providing quality welfare services, which remain the direction of our work in the coming years.

8. However, I would like to stress that, the prudent financial management principles that keep our expenditure within the limits of revenues, have served us extremely well. This ensures that the Government expenditure, over time, does not grow faster than the economy as a whole. Therefore, under our budgetary system, requests for recurrent expenditure to fund new or improved services must be considered within recurrent expenditure guidelines. This ensures that what we have committed to finance on a permanent basis is what we can afford, having regard to the financial position of the Government and the general economic situation in Hong Kong.

9. Some Members may feel that in the development of welfare services, we are always in a “catching-up” mode. But Members will appreciate that it is not simply a question of money. The changing demand or the difficulties in securing premises, for example, are some of the problems. The Government is actively addressing these specific problems and will continue to extend services to those most in need in the community.

Target-based Management Process

10. Since the establishment of the SAR Government, we have introduced a set of target-based management process which, in the past year, has been applied to the three strategic policy areas of education, housing and elderly services. By applying this approach, we are able to set our objectives for the future, lay down long term directions for growth and plan for the necessary resources allocation.

11. Using elderly services as an example, we set out strategic policy objectives and our commitment on the basis of key target areas on a number of these items, such as the provision of residential services, daycare centres and integrated services teams.

12. This management approach is expected to be applied to other social services areas to allow us to be more precise in setting out our objectives, and enhance accuracy in forecasting the resources required and allocating them to the specific target areas. I believe, on the effective implementation of this management approach, we could be more forward looking in seeking longer term provision of resources so as to provide services to the public, subject to the financial position of the government.

Conclusion

13. On this basis, I do not see the necessity to establish a Social Welfare Services Development Fund. I wish to reaffirm our commitment to continue to serve the needy and vulnerable in our community. And, I can assure Members that we will provide adequate funds for this purpose having regard to the Government's financial situation.

14. The Government has long valued its close working relationship with the welfare sector. We share, I believe, a common vision and long-term objective. Together, we must strive to implement these in order to benefit the community, whom we all seek to serve.

15. Thank you, Madam President.