

ITEM FOR FINANCE COMMITTEE

**HEAD 142 – GOVERNMENT SECRETARIAT :
OFFICES OF THE CHIEF SECRETARY FOR
ADMINISTRATION AND THE FINANCIAL SECRETARY**

**HEAD 148 – GOVERNMENT SECRETARIAT :
FINANCIAL SERVICES AND THE TREASURY BUREAU
(FINANCIAL SERVICES BRANCH)**

**HEAD 152 – GOVERNMENT SECRETARIAT :
COMMERCE, INDUSTRY AND TECHNOLOGY BUREAU
(COMMERCE AND INDUSTRY BRANCH)**

Members are invited to approve the following changes to the 2004-05 Estimates with effect from 1 June 2004 for the purpose of setting up a new Economic Analysis and Business Facilitation Unit under the Financial Secretary's Office –

- (a) for Head 142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary –
 - (i) supplementary provision of \$27.424 million under Subhead 000 Operational expenses;
 - (ii) inclusion under Subhead 700 General non-recurrent of four approved commitments transferred from Head 148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch);
 - (iii) widening the ambit of Subhead 838 Minor consultancy studies (block vote) to include the proposed Economic Analysis and Business Facilitation Unit as a user of funds under this Subhead; and

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- (iv) supplementary provision of \$8.5 million under Subhead 838 Minor consultancy studies (block vote);
- (b) for Head 148 Government Secretariat: Financial Services and the Treasury Bureau (Financial Services Branch) –
 - (i) deletion of provision of \$18.39 million under Subhead 000 Operational expenses; and
 - (ii) transfer of four approved commitments under Subhead 700 General non-recurrent to Head 142 Government Secretariat: Offices of the Chief Secretary for Administration and the Financial Secretary;
- (c) for Head 152 Government Secretariat: Commerce, Industry and Technology Bureau (Commerce and Industry Branch) –
 - (i) deletion of provision of \$9.034 million under Subhead 000 Operational expenses; and
 - (ii) deletion of provision of \$8.5 million under Subhead 838 Minor consultancy studies (block vote).

PROBLEM

We need to provide funding for the new Economic Analysis and Business Facilitation (EABF) Unit which will be established on 1 June 2004 under the Financial Secretary's Office (FSO).

PROPOSAL

2. The EABF Unit will be set up on 1 June 2004 within FSO by merging the existing Economic Analysis Division (EAD) in the Financial Services Branch (FSB) of the Financial Services and the Treasury Bureau, and Division 4 in the Commerce and Industry Branch (CIB) of the Commerce, Industry and Technology Bureau. To provide the necessary funding for this new Unit, we propose the following cost-neutral changes to the 2004-05 Estimates with effect from 1 June 2004 –

/(a)

- (a) providing supplementary provision of \$27.424 million under Head 142 Subhead 000 Operational expenses, to be offset by the deletion of provision of -
 - (i) \$18.39 million under Head 148 Subhead 000 Operational expenses; and
 - (ii) \$9.034 million under Head 152 Subhead 000 Operational expenses.
- (b) transferring four approved commitments related to economic analysis from Head 148 Subhead 700 General non-recurrent to Head 142 Subhead 700 General non-recurrent;
- (c) widening the ambit of Head 142 Subhead 838 Minor consultancy studies (block vote) to include the EABF Unit as a user of funds under this Subhead; and
- (d) providing supplementary provision of \$8.5 million under Head 142 Subhead 838, to be offset by the deletion of an equivalent amount under Head 152 Subhead 838.

JUSTIFICATION

Establishment of the EABF Unit

3. On 28 April 2004, the Establishment Subcommittee of the Finance Committee recommended, *vide* EC(2004-05)1, the proposed changes in the directorate establishment and non-directorate establishment ceiling of the respective Heads of Expenditure to merge and transfer EAD in FSB and Division 4 in CIB as the new EABF Unit directly under FSO. The new Unit will serve as the secretariat for the Economic and Employment Council (EEC) chaired by the Financial Secretary and will provide executive support, co-ordinate policy inputs and analyses from relevant policy bureaux and departments on specific issues considered by EEC, and monitor overall progress of work on behalf of EEC. It will also continue to perform the existing duties of EAD in FSB and Division 4 in CIB. Essentially, the reorganisation proposal involves –

- (a) the establishment of the EABF Unit and simultaneous transfer of the economic analysis and helping business functions from FSB and CIB respectively to the new Unit;
- (b) permanent redeployment of six directorate posts (five from FSB and one from CIB) to FSO ; and
- (c) corresponding adjustments to the establishment ceiling of Head 142, Head 148 and Head 152 to facilitate the transfer of 37 non-directorate posts (28 from FSB and nine from CIB) to FSO, and to cater for the creation of additional temporary posts for undertaking short-term ad hoc studies or assignments under the Helping Business Programme.

/Supplementary

Supplementary provision for Head 142 Subhead 000 Operational expenses

4. Subject to Members' approval of the above establishment changes recommended by the Establishment Subcommittee, we propose to make consequential changes to the ambit of Head 142 to cover the functions of the EABF Unit and accommodate the staff to be transferred from FSB and CIB. The proposal will involve supplementary provision of \$27.424 million under Head 142 Subhead 000 Operational expenses in 2004-05, to be offset by the deletion of corresponding provisions under Subhead 000 of Head 148 and Head 152. The breakdown of supplementary provision is as follows:

	(\$'000)
Personal Emoluments	
- Salaries	24,835
- Allowances	238
Departmental Expenses	
- Hire of services and professional fees	1,681
- General departmental expenses	670
Total :	<u>27,424</u>

The provisions to be transferred to Head 142 are the aggregate of provisions in the 2004-05 Approved Estimates originally earmarked for the operation of EAD in FSB and Division 4 in CIB for the rest of the financial year with effect from 1 June 2004.

Transfer of non-recurrent commitments from Head 148 to Head 142

5. We also propose to transfer four non-recurrent commitments approved under Head 148 Subhead 700 General non-recurrent, totalling \$11.84 million, to Head 142. These commitments are related to the work of EAD in FSB and they are listed below -

Item (Code)	Ambit	Approved Commitment \$ million
001	Undertaking economic research projects for the Asia-Pacific Economic Cooperation	2.40
004	Contracting out economic research projects	5.45

022	Hire of econometric modelling services to enable projections on government revenues and fiscal position	1.57
664	Consultancy study on a comprehensive review and enhancement of the GDP forecasting framework	2.42
		11.84

Ambit of and supplementary provision for Head 142 Subhead 838

6. At present, Division 4 in CIB may incur expenditure under Head 152 Subhead 838 for conducting minor studies each costing above \$100,000 but not exceeding \$3 million under the Helping Business Programme. Consequent upon the transfer of the helping business function from CIB to the new EABF Unit in FSO, we propose to widen the ambit of the existing Subhead 838 under Head 142 to include EABF Unit as a user of the funds under this Subhead with supplementary provision of \$8.5 million in 2004-05, to be offset by the deletion of an equivalent amount under Head 152 Subhead 838. The amount to be transferred is the part of the block vote under Head 152 Subhead 838 originally earmarked for Division 4 in CIB for the rest of the financial year with effect from 1 June 2004.

FINANCIAL IMPLICATIONS

7. The proposals, which involve cost-neutral transfer of provisions and commitments, will not give rise to any additional financial implications for the Government.

BACKGROUND INFORMATION

8. We briefed Members of the Legislative Council Panel on Commerce and Industry on the reorganisation proposal on 13 April 2004. Members supported the establishment of the EABF Unit. On 28 April 2004, the Establishment Subcommittee of the Finance Committee recommended the proposed organisation and staffing structure of the proposed new Unit .