

# 立法會

## *Legislative Council*

LC Paper No. LS 81/03-04

### **Paper for the House Committee Meeting on 4 June 2004**

### **Legal Service Division Report on Proposed Resolution under section 29 of the Public Finance Ordinance (Cap. 2)**

The Secretary for Financial Services and the Treasury ("the Secretary") has given notice to move a motion under section 29(1) of the Public Finance Ordinance (Cap. 2) ("the Ordinance") at the Legislative Council meeting of 16 June 2004. The motion seeks the Legislative Council's approval to authorize the Government to transfer a sum of \$40,000,000,000 (\$40 billion) from the Land Fund to the general revenue.

2. Section 29(1) of the Ordinance provides that the Legislative Council may by resolution provide for the establishment of funds for the purposes as may be specified in the resolution and from which moneys may, under the authority of a funds warrant issued by the Financial Secretary, be expended for the purposes for which the funds were established subject to such conditions, exceptions and limitations as may be specified in the resolution. The Land Fund was set up under section 29 of the Ordinance by a resolution of the Provisional Legislative Council passed on 23 July 1997 (L.N.398 of 1997) to receive and hold all of the assets, net of expenses, transferred from the Hong Kong Special Administrative Region Government Land Fund.

3. According to paragraph 2 of the Secretary's draft speech circulated to members with the proposed resolution, the purpose of the transfer is to meet the anticipated cashflow shortfall in 2004-05. In paragraph 4 of the draft speech, the Secretary acknowledges that the 1997 resolution only authorizes the Land Fund to be used for investment and not for the provision of any Government services. The Secretary also acknowledges that the 1997 resolution has no provision to allow the Government to transfer money from the Land Fund to the General Revenue Account ("GRA") or other Government funds.

4. The Secretary is seeking the Legislative Council's approval under section 29(1) of the Ordinance to authorize the Government to transfer \$40 billion from the Land Fund to the general revenue. In May 2003, the Administration also sought similar approval from the Legislative Council which passed a resolution to authorize the transfer of \$120 billion from the Land Fund to the general revenue in order to meet the Government's expenditure requirements (L.N. 117 of 2003).

5. At its meeting on 3 May 2004, the Panel on Financial Affairs ("the Panel") was briefed about the Administration's proposed resolution under the Ordinance to authorize the Government to transfer \$40 billion from the Land Fund to the GRA. The Administration also invited members' views on the way forward for the Land Fund. While indicating their support for the proposed resolution as a means to meet Government's cashflow requirements, members stressed that the Administration should continue to adhere to the principle of prudent management of public finances and step up its efforts to address the deficit problem by implementing efficiency saving measures and exploring new sources of revenue. Members may refer to the Administration's briefing paper circulated to the Panel vide LC Paper No. CB(1)1629/03-04(03) for background information.

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2 June 2004