

立法會
Legislative Council

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Finance Committee of the Legislative Council

**Minutes of the 3rd meeting
held at the Legislative Council Chamber
on Friday, 17 December 2004, at 2:30 pm**

Members present:

Hon Emily LAU Wai-hing, JP (Chairman)
Hon CHAN Kam-lam, JP (Deputy Chairman)
Hon James TIEN Pei-chun, GBS, JP
Ir Dr Hon Raymond HO Chung-tai, S.B.St.J., JP
Hon LEE Cheuk-yan
Hon Martin LEE Chu-ming, SC, JP
Dr Hon David LI Kwok-po, GBS, JP
Hon Fred LI Wah-ming, JP
Dr Hon LUI Ming-wah, JP
Hon Margaret NG
Hon Mrs Selina CHOW LIANG Shuk-ye, GBS, JP
Hon James TO Kun-sun
Hon CHEUNG Man-kwong
Hon CHAN Yuen-han, JP
Hon Bernard CHAN, JP
Hon LEUNG Yiu-chung
Hon SIN Chung-kai, JP
Dr Hon Philip WONG Yu-hong, GBS
Hon WONG Yung-kan, JP
Hon Jasper TSANG Yok-sing, GBS, JP
Hon Howard YOUNG, SBS, JP
Dr Hon YEUNG Sum
Hon LAU Chin-shek, JP
Hon LAU Kong-wah, JP
Hon Miriam LAU Kin-ye, GBS, JP
Hon CHOY So-yuk
Hon Andrew CHENG Kar-foo
Hon TAM Yiu-chung, GBS, JP
Hon Abraham SHEK Lai-him, JP
Hon LI Fung-ying, BBS, JP

Hon Tommy CHEUNG Yu-yan, JP
Hon Albert CHAN Wai-yip
Hon Frederick FUNG Kin-kee, JP
Hon Audrey EU Yuet-mee, SC, JP
Hon Vincent FANG Kang, JP
Hon LEE Wing-tat
Hon LI Kwok-ying, MH
Dr Hon Joseph LEE Kok-long
Hon Jeffrey LAM Kin-fung, SBS, JP
Hon Andrew LEUNG Kwan-yuen, SBS, JP
Hon Alan LEONG Kah-kit, SC
Hon LEUNG Kwok-hung
Dr Hon KWOK Ka-ki
Dr Hon Fernando CHEUNG Chiu-hung
Hon CHEUNG Hok-ming, SBS, JP
Hon WONG Ting-kwong, BBS
Hon TONG Ka-wah, SC
Hon CHIM Pui-chung
Hon Patrick LAU Sau-shing, SBS, JP
Hon Albert Jinghan CHENG
Hon TAM Heung-man

Members absent:

Hon Albert HO Chun-yan
Hon Mrs Sophie LEUNG LAU Yau-fun, SBS, JP
Hon LAU Wong-fat, GBS, JP
Hon Timothy FOK Tsun-ting, GBS, JP
Hon WONG Kwok-hing, MH
Hon Daniel LAM Wai-keung, BBS, JP
Hon MA Lik, JP
Hon KWONG Chi-kin

Public officers attending:

Mr Frederick MA Si-hang, JP	Secretary for Financial Services and the Treasury
Mr Alan LAI Nin, GBS, JP	Permanent Secretary for Financial Services and the Treasury (Treasury)
Miss Elizabeth TSE, JP	Deputy Secretary for Financial Services and the Treasury (Treasury) 1
Mr Alfred FOK	Principal Executive Officer (General), Financial Services and the Treasury Bureau (The Treasury Branch)
Mr Norman CHAN, SBS, JP	Deputy Chief Executive, Hong Kong Monetary Authority
Mrs Clarie LO, JP	Deputy Secretary for Financial Services and the Treasury (Financial Services)

Mrs Millie NG	Principal Assistant Secretary for Financial Services and the Treasury (Financial Services)
Miss Effie YAO	Senior Manager, Hong Kong Monetary Authority
Mrs Carrie YAU, JP	Permanent Secretary for Health, Welfare & Food
Ms Linda LAI, JP	Deputy Secretary for Health, Welfare and Food (Family and Women)
Mr Paul TANG, JP	Director of Social Welfare
Miss Ann HON	Assistant Director of Social Welfare (Subventions)

Clerk in attendance:

Ms Pauline NG	Assistant Secretary General 1
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Staff in attendance:

Miss Becky YU	Chief Council Secretary (1)1
Mrs Mary TANG	Senior Council Secretary (1)2
Ms Caris CHAN	Senior Legislative Assistant (1)1
Mr Frankie WOO	Legislative Assistant (1)2

Action

Item No. 1 - FCR(2004-05)31

RECOMMENDATIONS OF THE ESTABLISHMENT SUBCOMMITTEE MADE ON 17 NOVEMBER 2004

The Chairman put the item to vote. The Committee approved the proposal.

Item No. 2 - FCR(2004-05)32

RECOMMENDATIONS OF THE PUBLIC WORKS SUBCOMMITTEE MADE ON 24 NOVEMBER 2004

2. Mr CHEUNG Man-kwong said that Members of the Democratic Party (DP) would abstain from voting on PWSC(2004-05)42 – A private independent school (secondary-cum-primary) at Kong Sin Wan Tsuen, Pok Fu Lam, because there was no demand for additional school places within the district. However, being a private independent school, its impact on the overall supply of school places was not as significant as subsidized schools.

3. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 3 - FCR(2004-05)33

HEAD 106 – MISCELLANEOUS SERVICES

New Non-Recurrent Subhead “Contribution to the Eighth Replenishment of the Asian Development Fund”

4. The Chairman informed members that the Panel on Financial Affairs was consulted on the proposal at its meeting on 6 December 2004.

5. Mr Bernard CHAN, Chairman of Panel on Financial Affairs, said the proposed contribution to the Asian Development Fund (ADF) of the Asian Development Bank (ADB) had the unanimous support of the Panel given that Hong Kong had benefited from ADB operations in the past. Members had also requested that the proposal be put to the Finance Committee for approval as soon as possible. He added that Members of the Alliance were also in support of the proposal.

6. Mr SIN-Chung-kai said that DP Members would support the proposal because it was necessary for Hong Kong to meet its international obligations to support poverty reduction and improve the quality of life in the region.

7. The Chairman noted that contribution to ADF was calculated according to the consensus burden sharing formula based on the per capita Gross National Product (GNP) of a donor member and adjusted to its shareholding in ADB. She then enquired about the difference between Gross Domestic Product (GDP) and GNP. Referring to the supplementary information paper tabled at the meeting, the Deputy Chief Executive, Hong Kong Monetary Authority (DCE, HKMA) explained that GDP was a measure of the total value of production of all resident producing units of a country or territory in a specified period, while GNP was a measure of the total income earned by residents of an economy from engaging in various economic activities, irrespective of whether the economic activities were carried out within the economic territory or outside. Per capita GNP was adopted in the calculation of the burden sharing formula in 1997 because having included the income earned overseas by residents, it could more accurately reflect the financial strength of an economy. In the case of Hong Kong, the difference between GDP and GNP was not substantial.

8. Mr Fernando CHEUNG questioned why Singapore’s contribution to the ADF was much lower than that of Hong Kong. DCE, HKMA explained that according to the burden sharing formula, the respective burden sharing ratios of Hong Kong and Singapore were 0.57% and 0.39% of the total contribution. The difference was mainly attributed to the higher subscribed capital of 0.551% of Hong Kong in ADB than that of 0.344% of Singapore. While Hong Kong followed its burden share of 0.57% to contribute to the ADF VII in 1997 and ADF VIII in 2000, Singapore did not make any contribution to ADF VII but contributed US\$4 million, which was equivalent to about 0.14% of the total contribution, to ADF VIII and promised to contribute US\$3.8 million, i.e. 0.12% of the total contribution, to ADF IX in 2004.

9. As to why Singapore could decline to shoulder its obligation that came with its membership in 1997, DCE, HKMA advised that contribution to ADF was on a voluntary basis. It would be up to donor members to decide on the amount of contribution based on their own circumstances. There were few donor members who did not follow the burden sharing formula and in fact, some of them had contributed more than their own share. As a responsible member, Hong Kong had followed its burden share to contribute to ADF VII and VIII and it should continue to contribute to ADF IX in 2004.

10. While supporting for the contribution to ADF, Dr KWOK Ka-ki asked whether Hong Kong, like Singapore, could reduce its contribution to ADF on account of fiscal difficulties until such time when the economy revived. DCE, HKMA said that many donor members like the United States, Japan and Turkey all had their own fiscal deficit problems but they still contributed to ADF. While Hong Kong could choose to reduce its contribution to ADF IX which was on a voluntary basis, this would have adverse impact on the international image of Hong Kong. Besides, ADF would not be able to secure the necessary funding if donor members chose not to shoulder their obligations on account of their fiscal deficit problems.

11. Mr Albert CHENG was opposed to any attempt to reduce Hong Kong's contribution to ADF IX. On the contrary, consideration should be given to increasing its contribution. DCE, HKMA said that it was proper for Hong Kong to contribute to ADF according to the burden sharing formula. However, if members felt that Hong Kong should contribute more, this could be further considered. Mr James TIEN however took a different view. He said that while Members of the Liberal Party (LP) were supportive of the proposed contribution to ADF to enable Hong Kong to meet its international obligation, they were against any further contribution in excess of burden sharing ratio given that there were various domestic welfare issues needed to be taken care of.

12. Mr LEUNG Kwok-hung said that at a recent meeting of the Panel on Welfare Services (WS Panel), members urged the Director of Social Welfare (DSW) to make provisions for spectacles for the underprivileged children, the amount of which would be less than \$1 million. He enquired if consideration could be given to setting aside part of the contribution for this purpose. DCE, HKMA said that once contribution to ADF was agreed upon, regular drawdown would be made by ADB. The Secretary for Financial Services and the Treasury also confirmed that the setting aside of the contribution for the requested provision could not be made. Mr James TIEN considered that Members could assist in their own capacity. LP Members were also sympathetic with underprivileged children and had secured donations for 2 000 spectacles for these children. He suggested that other Members could assist in distributing the spectacles.

13. Mr LEE Cheuk-yan questioned why Burma was included in the list of eligible ADF borrowers in Enclosure 3 to the information paper. He pointed out that even the Burmese people agreed that the repressive Burmese Government should be subject to economic sanction for failure to recognize the results of the

democratic election. DCE, HKMA advised that the loans to the Burmese Government were made before 1990 and no new loans were made to the country since then. Given the long repayment periods for ADF loans, sometimes spanning over a period of 30 years, the Burmese Government still had outstanding loans and thus was included in the list referred to.

14. Mr LEE Cheuk-yan and Dr KWOK Ka-ki enquired about the rights and obligations of Hong Kong as a shareholder of ADB and the extent to which it could participate in the decision-making process of ADB, including allocation of ADF. DCE, HKMA advised that Hong Kong was represented by an Australian Executive Director on the Board of Directors of ADB. Through this Australian Executive Director, Hong Kong was able to obtain information and contribute views to the operation of ADB as well as participate in the voting on major decisions. The voting power was directly proportional to the share holding in ADB. He said that if members have any suggestions on the ADF, the Administration would be pleased to convey them to ADB through the Australian Executive Director. The Chairman asked if Hong Kong could have its own representative in the Board of Directors of ADB instead of relying on the Australian Executive Director. DCE, HKMA explained that the membership of the Board of Directors was decided by donor members' shareholding in ADB. As Australia had a voting power representing 7.704% of total voting power of Asia-Pacific member economies in the ADB, it could have its own representative in ADB and such a representative could represent other donor members with smaller capital share like Hong Kong.

15. The Chairman put the item to vote. The Committee approved the proposal.

Item No. 4 - FCR(2004-05)34

HEAD 170 – SOCIAL WELFARE DEPARTMENT

♦ Sub-head 700 General non-recurrent

New Item “Partnership Fund for the Disadvantaged”

16. The Chairman informed members that the WS Panel was consulted on the proposal at its meeting on 8 November 2004.

17. Miss CHAN Yuen-han, Chairman of the WS Panel, said that she was pleased to learn that the Administration had acceded to the Panel's request of not mandating a ceiling of 15% of the grants from the Partnership Fund for the Disadvantaged (the Fund) for staffing and administrative expenses.

18. Dr YEUNG Sum said that DP Members were supportive of the proposed establishment of the Fund, but they remained of the view that welfare expenditure should not be further reduced.

19. Mr Bernard CHAN said that Members of the Alliance welcomed the proposal. He also expressed appreciation for the efforts made by the Social Welfare Department in addressing the concerns raised by the Hong Kong Council of Social Services (HKCSS).

20. Mr Fernando CHEUNG supported the establishment of the Fund to promote the development of a tripartite social partnership comprising the Government, the business community and the welfare sector. He said that this was a step in the right direction and he hoped that more incentives would be introduced to secure corporate participation in welfare projects.

21. The Permanent Secretary for Health, Welfare and Food (PSHWF) thanked members for their support. She said that extensive public consultation on the establishment of the Fund had been conducted during the period from April to November 2004 and it was hoped that the Fund could help meet the needs of the underprivileged.

22. Mr LEE Cheuk-yan said that he could not understand why the Administration could use \$200 million to set up the Fund while declining to dispense with the cut in funding for the welfare sector by \$60 million for the year 2005-06. He was concerned that with the cut in funding, the welfare sector would try to make up the shortfall by deploying its existing staffing resources to secure contributions from business corporations with a view to maximizing the matching grant portion. This might compromise the quality of direct services provided by the existing staff. He enquired if there were any means to ensure the proper deployment of staffing resources. Mr LEUNG Kwok-hung echoed that funding for the Comprehensive Social Security Assistance Scheme should not be reduced. PSHWF said that given the fiscal deficit, every bureau and department was required to reduce its expenditure to meet the budget through efficiency drives. Notwithstanding, reduction in welfare funding had been kept to the minimum percentage of 1% and welfare agencies with a recurrent expenditure of \$3 million or less would be exempted from any reduction. It was hoped that funding reduction would no longer be required after the fiscal deficit had been resolved as a result of the revival of the economy. As regards the deployment of staff, DSW said that while there was no ceiling on which the matching grant could be used to cover staffing and administrative expenses, such grant was by no means a recurrent subsidy for subvented services. Output control regarding subvented services was covered by Funding and Service Agreements and monitored by SWD as well as users.

23. While supporting the proposal which aimed to promote corporate social responsibility, Mr Howard YOUNG asked whether the matching grant was confined to contributions from locally registered companies and whether this would apply to contributions from individuals as well. The Assistant Director of Social Welfare (Subventions) said that contributions from all business corporations, irrespective of place of registration, would be eligible for the matching grant so long as they operated their business in Hong Kong. This was meant to ensure that a long-term partnership could be established between the business corporation and the welfare organization concerned. As to whether contributions from overseas corporations which did not operate their business in Hong Kong could be eligible for the matching grant, DSW agreed to take this into consideration, adding that assessment would need to be made on a case-by-case basis. Mr Bernard CHAN held the view that the eligibility criteria for the matching grant should be made more flexible to

attract contributions from overseas foundations. He said that HKCSS had been actively involved in securing contributions from overseas.

24. Dr KWOK Ka-ki said that he supported the setting up of the Fund. He was however concerned that smaller welfare organizations which did not have well established connections with the business sector would be at a disadvantaged position as they would not be able to secure contributions and benefit from the matching grant. He enquired if assistance could be provided to these organizations. Sharing similar view, Mr Bernard CHAN stressed the importance of setting up a platform which would act as a match-maker between welfare organizations and the business sector to facilitate them in building up tripartite social partnership. PSHWF took note of members' views and agreed to provide the necessary assistance to facilitate the matching between welfare organizations and the business sector. DSW added that the purpose of capping the allocation for each successful application at a maximum of \$500,000 was aimed at facilitating smaller welfare organizations to secure funding. Extensive publicity on the establishment of the Fund would be conducted and a review would be carried out after the first round of allocation.

25. Noting that the Fund was meant to promote corporate social responsibility, Mr LEUNG Kwok-hung enquired about the extent in which the business corporations had discharged their social responsibility in the past. He held the view that if it was the Administration's intention to encourage the business sector to contribute more in helping the disadvantaged, consideration could be given to increasing the profits tax which would be much easier to implement. DSW said that the business sector had all along shouldered its social responsibility. Apart from donations, the directorate of many of the welfare organizations comprised representatives from the business sector who had offered a lot of valuable advice. It was hoped that the provision of a matching grant would help to foster a closer social partnership between business and welfare sectors. DSW added that \$10 million from the Fund would be earmarked for research and studies to enhance the understanding and competence of welfare organizations in building up and maintaining partnership with the business sector. Overseas experience in promoting corporate social responsibility would also be taken into account.

26. The Chairman put the item to vote. The Committee approved the proposal.

27. The meeting was adjourned at 3:20 pm.