

## Press release

### LCQ3: Administration and operation of government funds

Wednesday, December 14, 2011

Following is a question by the Hon Paul Chan and a reply by the Secretary for Financial Services and the Treasury, Professor K C Chan, in the Legislative Council today (December 14):

Question:

The Government has made provisions in its policy address or budget to set up a number of funds for specific purposes, some of which are segregated from the public account, and it has often earmarked funding in the budget for injection into such funds, with a view to providing subsidies to different targets, projects or pilot schemes through such funds. The revenue and expenditure of some of these funds are not listed under the annual account of the Government, making it difficult for members of the public to fully understand the actual financial situation of these funds as well as their uses in public expenditure. In this connection, will the Government inform this Council:

(a) in respect of the aforesaid funds which are still in operation at present, of the dates, purposes and modes of setting up the funds (eg set up under the law or the relevant trust legislation, etc), the amounts of start-up funding and donations from various sectors at the time of the establishment of the fund, the audited net assets as at July 1, 1997 and March 31 this year respectively, and the total amounts of audited revenue and expenditure in each financial year during this period (broken down by government funding account and non-government funding account), together with a breakdown in table form listing the names of the funds and itemised figures by policy bureau responsible for managing the funds;

(b) since the setting up of the funds in (a), of the respective numbers of times and justifications for government injections into individual funds; the respective names and numbers of projects that had received allocations from such funds in the past five years, together with the amounts involved; and

(c) whether the authorities have conducted regular reviews on the effectiveness of the aforesaid funds (eg formulation of indicators for assessing whether the purposes for setting up the funds are met, as well as timetables for accomplishing such indicators,

etc), and whether they have updated the purposes for setting up the funds, the indicators for assessing whether the purposes for setting up the funds are met, as well as the timetables for accomplishing such indicators; if they have, of the time when they have conducted the reviews as well as the latest positions; if not, the reasons for that?

Reply:

President,

Government injections into funds have to be approved in accordance with established procedures. Generally speaking, the responsible bureau will first consult the relevant Panel of the Legislative Council (LegCo) on the proposed injection before seeking funding approval from the Finance Committee. Injections will only be made after the proposals are examined and approved by the Finance Committee. In addition, all government injections into funds are recorded in the government cash-based accounts in the year of injection. The accounts are audited by the Director of Audit. The audited government accounts are submitted to LegCo on an annual basis as prescribed under the relevant ordinance. In other words, injections into funds are transparent and subject to monitoring.

As at the end of March 2011, outside the scope of the cash-based accounts, there are a total of 34 funds set up by the Government for specific purposes and receiving Government injection. The Hon Paul Chan asked for a wide range of information, including the dates, purposes and modes of setting up the funds, the amounts of start-up funding and donations from various sectors at the time of fund establishment, the amounts of net assets, the responsible policy bureaux, and the number and amount of Government injections into respective funds, and the justifications for such injections. The reply covered a number of policy bureaux and funds. For easy understanding of the voluminous data, I have tabulated the contribution from relevant bureaux in Attachments 1 to 7, and shall give examples in the main reply for illustration.

(a) Of the 34 funds which are still in operation, the Samaritan Fund established in 1950 has the longest history. The Community Care Fund established in 2011 is the most recent. These funds were set up for specific purposes, serving different client groups and areas. For example, the Cantonese Opera Development Fund was set up to support and fund studies, projects and activities aimed to promote and sustain the development of Cantonese opera, while the Consumer Legal Action Fund provides financial and legal assistance to consumers in cases involving significant consumer interests.

As regards the mode of fund establishment, some were established by law, such as the Sir David Trench Fund for Recreation set up under the Sir David Trench Fund for Recreation Ordinance (Cap 1128). Some are trust funds, for example, the Education Development Fund is held in trust under the Permanent Secretary for Education Incorporation Ordinance (Cap 1098) (formerly Permanent Secretary for Education and Manpower Incorporation Ordinance).

The income of the funds may come from the following sources:

- (1) Government injection. For example, through three injections, the Government injected \$9 billion into the Trust Fund in Support of Reconstruction in the Sichuan Earthquake Stricken Areas;
- (2) Private donation. For example, \$5 million of the Elder Academy Development Foundation came from private donations;
- (3) Levies and charges collected under various ordinances. For example, levies from vehicle owners and driving licence holders are the major contributions to the Traffic Accident Victims Assistance Fund;
- (4) Investment income. For example, the Research Endowment Fund mainly makes use of the investment return generated from the capital to meet its operational needs.

The dates, purposes and modes of setting up the 34 funds, the amounts of Government injection and other donations at the time of their establishment, the audited net assets value as at July 1, 1997 and March 31, 2011, and the amounts of revenue and expenditure during this period are set out in Attachments 1 to 7 by the policy bureau responsible for managing the funds.

(b) The number of government injections received by individual funds varies from case to case. For example, the Health Care and Promotion Fund was only granted a sum by the Government when it was established, while a number of injections were made by the Government into the Language Fund at its establishment and afterwards to meet its service needs. We have, where possible, listed in Attachments 1 to 7 the number of and justifications for government injections into these 34 funds, and the names and number of projects which received allocations from such funds in the past five years, together with the amounts involved, by policy bureau and fund. Since some of the funds, such as the Environment and Conservation Fund which has approved over 2,000 projects, granted allocations to quite a number of projects in the past five years, only the 10

projects receiving the highest funding in 2010-11 are listed for reference.

(c) Relevant bureaux/departments are responsible for the administration and operation of the funds. Generally speaking, the bureaux/departments concerned and the fund steering/executive committees will oversee the operation of the funds on an on-going basis, and conduct regular reviews on the use and effectiveness of the funds. The details of the 34 funds as provided by the relevant bureaux are set out in Attachments 1 to 7.

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