

LCQ21: Alleviating burden on public finance

Following is a question by Dr the Hon Lo Wai-kwok and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (October 20):

Question:

Amid the haze of the epidemic, the Government has introduced a number of measures to promote the recovery of the economy, including taking forward a number of major infrastructure projects. On the other hand, the Financial Secretary indicated earlier that fiscal deficits are expected to be recorded in the coming four financial years in Hong Kong. On alleviating the burden on public finance, will the Government inform this Council:

(1) whether it will consider financing the major infrastructure projects to be taken forward through the issuance of bonds; if so, of the details; if not, the reasons for that;

(2) whether it will consider issuing on a large scale an "Anti-epidemic Development Bond" for the purpose of financing measures to be introduced for fighting against the epidemic, supporting various trades and industries, developing innovation and technology, etc.; if so, of the details; if not, the reasons for that; and

(3) whether it will consider ploughing back some amount of money from the balances of the eight funds established under the Public Finance Ordinance (Cap. 2) (including the Capital Works Reserve Fund, Capital Investment Fund, Civil Service Pension Reserve Fund, Disaster Relief Fund, Innovation and Technology Fund, Land Fund, Loan Fund and Lotteries Fund) to the General Revenue Account of the Government for implementing measures to boost the economy and, when the economy has recovered, injecting monies into those funds until their balances return to the original levels; if so, of the details; if not, the reasons for that?

Reply:

President,

The replies to the respective parts of the question are as follows:

(1) and (2) At present, the Government issues bonds under the Government Bond Programme and the Government Green Bond Programme (GGB Programme) to promote the development of bond market and green finance. The funds raised from the GGB Programme, which was launched to promote green finance and support sustainable development, are allocated to the Capital Works Reserve Fund (CWRP) to provide funding for eligible projects under the Green Bond

Framework, including infrastructure projects. The Government has successfully issued green bonds totalling US\$3.5 billion and, depending on market conditions, plans to further issue green bonds totalling around HK\$175.5 billion within five years starting from 2021-22.

With regard to suitable projects in the future, the Government will continue to raise funds through the issuance of green bonds. This is an appropriate direction given the currently low-interest environment. Not only can this relieve the Government's fiscal pressure of meeting capital expenditures with existing resources, but is also conducive to accelerating the development of Hong Kong into a regional hub for bonds and green sustainable finance, and further consolidating Hong Kong's status as an international financial centre.

The Government's overall fiscal position is currently sound and healthy. The Government's objective is to achieve fiscal balance of the Consolidated Account over a certain period of time. According to the Medium Range Forecast in the 2021-22 Budget (this year's Budget), while the consolidated deficit for 2021-22 would reach \$101.6 billion, the consolidated deficits in the coming years are forecasted to narrow substantially to within \$20 billion annually, and a consolidated surplus is forecasted in 2025-26. As the Government's overall fiscal position is healthy, the Government has the capacity to allocate resources to carry out various infrastructure projects and plans according to the long-term needs for social and economic development.

In the cases of infrastructure developments, the Government draws up the most suitable financial arrangements for individual projects, having regard to the policy objectives and needs, as well as other factors such as the characteristics and requirements of individual projects. Different financial arrangements have different traits, and there is no one single proposal that can suit all government works projects. The details of the Government's responses and measures in relation to anti-epidemic, support for businesses as well as innovation and technology, etc. have already been stipulated in this year's Budget. Sufficient resources have been allocated for these measures, and there is no need to issue bonds for funding them.

(3) The total balances of the General Revenue Account (GRA) and the eight Funds constitute the Government's fiscal reserves. The GRA is for meeting the day-to-day cash flow requirements of the Government's operation. For Funds set up by Resolutions of the Legislative Council, they have their respective designated use. For instance, the CWRP is designated for capital works, major systems and equipment; the Innovation and Technology Fund is committed to promote innovation and technology, etc. The Government reviews the fund balances from time to time and will arrange the transfers from Funds to the GRA or vice versa as appropriate.