

The Role of Legislative Council in the Budgetary Process of Hong Kong Special Administration Region of People's Republic of China



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Overview of some important facts since July 1, 1997:



- Hong Kong, China, was established as a Special Administrative Region of People's Republic of China on July 1, 1997, upon coming into force of the Basic Law of the HKSAR which was enacted by National People's Congress of PRC.
- HKSAR exercises a high level of autonomy, practises the capitalistic system, with an independent taxation system and is financially self-supporting.
- HKSAR must follow the principle of keeping expenditure within the limits of revenues in drawing up its budget, and strive to achieve a fiscal balance, avoid deficits and keep the budget commensurate with the growth rate of its gross domestic product.



- The Government, with the Chief Executive of HKSAR as its head, draws up and introduce budgets and final accounts to the Legislative Council.
- The Legislative Council authorizes public expenditure by the enactment of an annual appropriation bill and approval of estimates of expenditure, and approves revenue measures by enactment of ordinances.
- Finance Committee of the Legislative Council approves changes to the approved estimates of expenditure as proposed by the Government during the course of a financial year.

Political Structure of Hong Kong Special Administrative Region



Key features:

- The Chief Executive of the Hong Kong Special Administrative Region is
 - head of Government of HKSAR;
 - elected locally by an election committee, and appointed by the Central People's Government of PRC;
 - is not a member of Legislative Council;
 - empowered to approve the introduction of motions regarding revenues or expenditure to the Legislative Council;
 - cannot belong to any political party.



Overview of the Legislative Council

- 30 Members returned by Geographical Constituencies.
- 30 Members returned by Functional Constituencies.
- Four-year terms: current term ends on 30 September 2012.
- Power to introduce bills is restricted.
- Members' amendments to Appropriation Bill are limited to reduction of amount being sought.
- Procedure for Voting – Government motions vs Members' motions.
- Finance Committee – membership and terms of reference.

Balance of Power between the Government and Legislative Council



- If the Legislative Council refuses to pass a budget or an important bill, and if consensus cannot be reached after consultations, the Chief Executive may dissolve the Legislative Council.
- Power to dissolve Legislative Council can only be exercised after consultation with the Executive Council which advises the Chief Executive.
- The Chief Executive may dissolve the Legislative Council only once in each term of his or her office.
- If appropriation of public funds cannot be approved, the Chief Executive may approve provisional short term appropriations according to the level of expenditure of the previous fiscal year.



- The Chief Executive must resign when the new Legislative Council still refuses to pass the original bill in dispute.
- Members of Legislative Council may only introduce bills which do not relate to public expenditure or political structure or the operation of the government.
- A Member of Legislative Council is no longer qualified for office when he or she accepts a government appointment and becomes a public servant.
- No member of the Government is a Member of Legislative Council.

Budgetary Process of Hong Kong for 2011 to 2012



- **October 2010 – Beginning of new legislative session**
 - Finance Committee approves proposed changes to approved Estimates of Expenditure of 2010 to 2011 until March 2011

- **September/October 2010 – Financial Secretary gave out operating expenditure envelopes to departments**
 - Chief Executive consulted LegCo Members on Policy Address



- **October 13, 2010 – Chief Executive delivered Policy Address**
 - FS consulted LegCo Members on Budget

- **February 23, 2011 – Government introduced Appropriation Bill 2011 and made temporary revenue protection orders**

- **March 9 and 16, 2011 – Vote on Account Resolution**



- **March 21 to 25, 2011 – FC examined the Estimates of Expenditure**
- **April 14, 2011 – Appropriate Bill 2011 passed by LegCo**



- **April 1, 2011 – Beginning of new financial year of 2011-2012**
 - FC approves proposed changes to approved Estimates of Expenditure of 2011 to 2012 until March 2012
- **June/July 2011 – Government introduces Supplementary Appropriation Bill 2011-2012**
- **Mid July 2011 – End of legislative session 2010-2011**



THANK YOU