

# **APPENDIX B**

**ANALYSIS OF PUBLIC/GOVERNMENT EXPENDITURE**

**2002–03 TO 2007–08**

**CONTENTS**

**SECTION I – THE ESTIMATES IN THE CONTEXT OF THE ECONOMY**

Relationship between Government Expenditure and  
Public Expenditure in 2007–08 and GDP

**SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

Recurrent Public Expenditure — Year-on-Year Change

Recurrent Government Expenditure — Year-on-Year Change

Percentage Share of Expenditure by Policy Area Group —  
Recurrent Public Expenditure  
Recurrent Government Expenditure

**SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE  
BY POLICY AREA GROUP**

Total Public Expenditure — Year-on-Year Change

Total Government Expenditure — Year-on-Year Change

Percentage Share of Expenditure by Policy Area Group —  
Total Public Expenditure  
Total Government Expenditure

**SECTION IV – MAJOR CAPITAL PROJECTS TO BEGIN IN 2007–08**

**SECTION V – TRENDS IN PUBLIC EXPENDITURE: 2002–03 TO 2007–08**

**SECTION VI – KEY TO CLASSIFICATION OF EXPENDITURE**

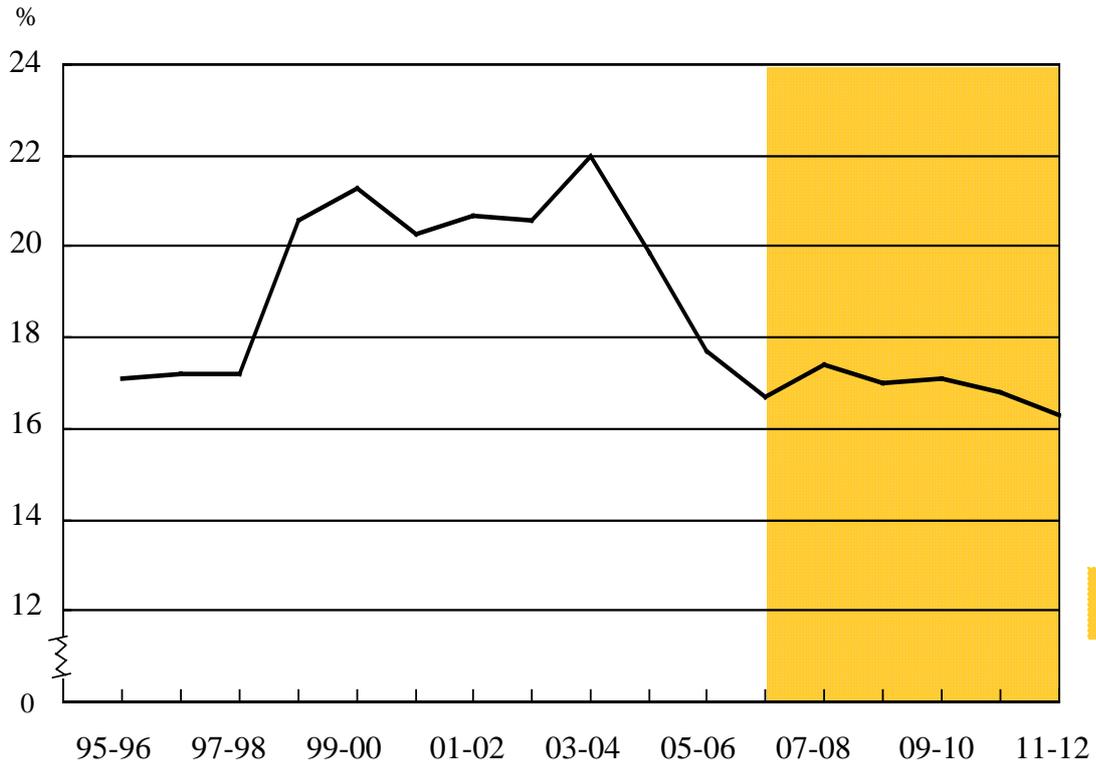
*Note:* Expenditure figures for 2006-07 and before as shown in Sections II, III and V have been adjusted to align with the cost-neutral transfers between policy area groups adopted in the 2007-08 estimate.

## SECTION I – THE ESTIMATES IN THE CONTEXT OF THE ECONOMY

## Relationship between Government Expenditure and Public Expenditure in 2007–08 and GDP

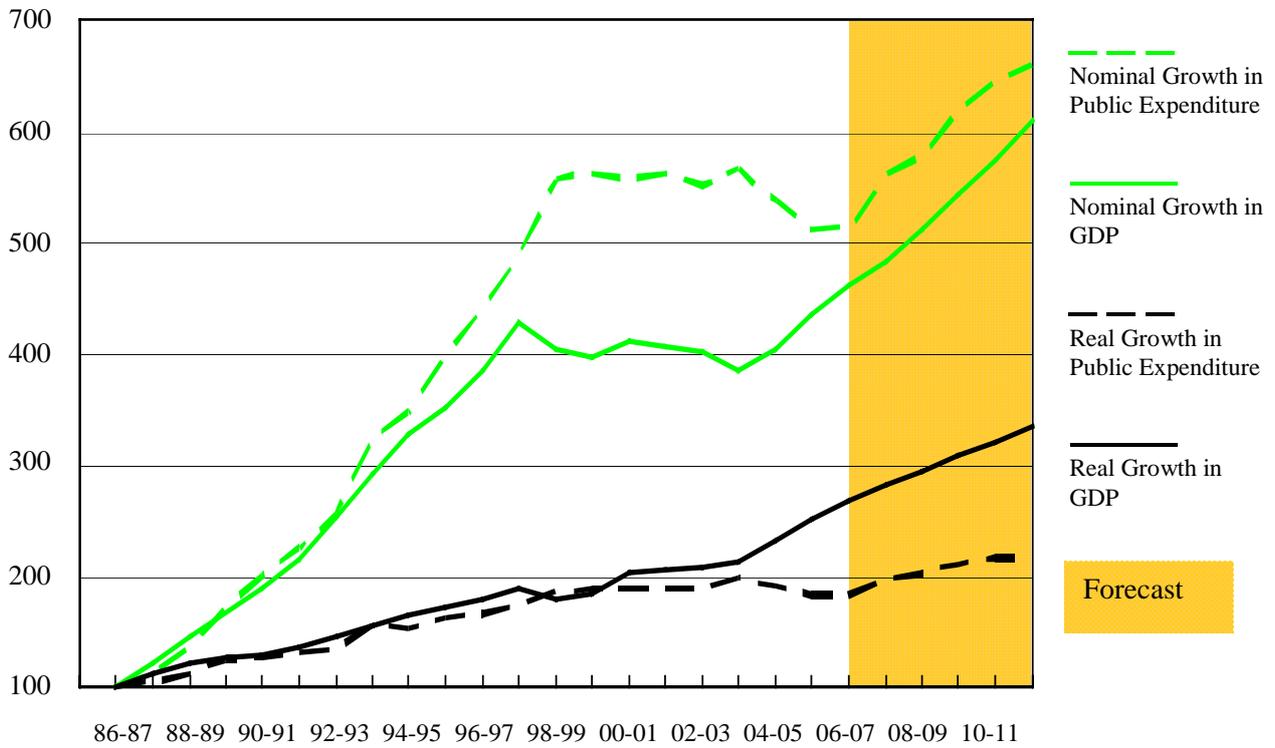
	<b>2007–08 Estimate \$m</b>
General Revenue Account	
Operating	214,200
Capital	2,471
	<hr/> 216,671
Capital Works Reserve Fund	25,777
Innovation and Technology Fund	901
Loan Fund	4,132
Lotteries Fund	956
Government Expenditure	<hr/> 248,437
Trading Funds	3,731
Housing Authority	15,677
Public Expenditure	<hr/> 267,845
	<hr/>
GDP	1,538,176
Public Expenditure as a % of GDP	17.4%

Public Expenditure as a Percentage of GDP



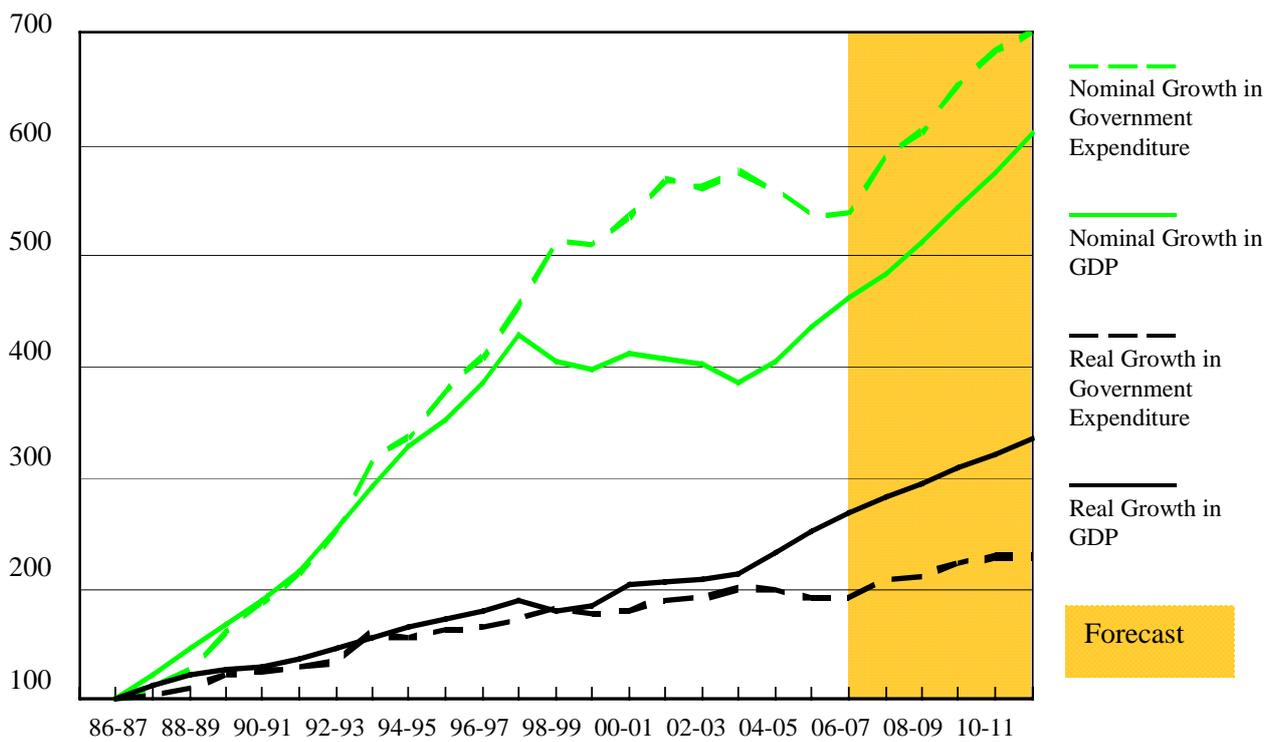
Comparison of Cumulative Growth in Public Expenditure with Cumulative Growth in GDP since the Introduction of Medium Range Forecast

Index (86-87 = 100)



Comparison of Cumulative Growth in Government Expenditure with Cumulative Growth in GDP since the Introduction of Medium Range Forecast

Index (86-87 = 100)



**SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE BY  
POLICY AREA GROUP**

**Recurrent Public Expenditure : Year-on-Year Change**

	2006-07 Original Estimate \$m	2006-07 Revised Estimate \$m	2007-08 Estimate \$m	Increase/Decrease over 2006-07 Original Estimate	
				in Nominal Terms %	in Real Terms %
<b>Education</b>	47,856	44,873	<b>50,064</b>	<b>4.6</b>	<b>4.7</b>
<b>Social Welfare</b>	34,584	32,845	<b>35,986</b>	<b>4.1</b>	<b>3.6</b>
<b>Health</b>	29,922	29,774	<b>30,517</b>	<b>2.0</b>	<b>2.1</b>
<b>Security</b>	23,496	22,746	<b>24,058</b>	<b>2.4</b>	<b>2.4</b>
<b>Infrastructure</b>	11,505	11,188	<b>11,554</b>	<b>0.4</b>	<b>0.5</b>
<b>Economic</b>	11,184	10,796	<b>11,254</b>	<b>0.6</b>	<b>0.7</b>
<b>Housing</b>	9,818	10,220	<b>10,246</b>	<b>4.4</b>	<b>3.3</b>
<b>Environment and Food</b>	8,593	7,915	<b>8,731</b>	<b>1.6</b>	<b>1.7</b>
<b>Community and External Affairs</b>	6,995	6,846	<b>7,269</b>	<b>3.9</b>	<b>4.1</b>
<b>Support</b>	29,012	27,327	<b>29,450</b>	<b>1.5</b>	<b>1.1</b>
	<u>212,965</u>	<u>204,530</u>	<u><b>219,129</b></u>	<b>2.9</b>	<b>2.8</b>

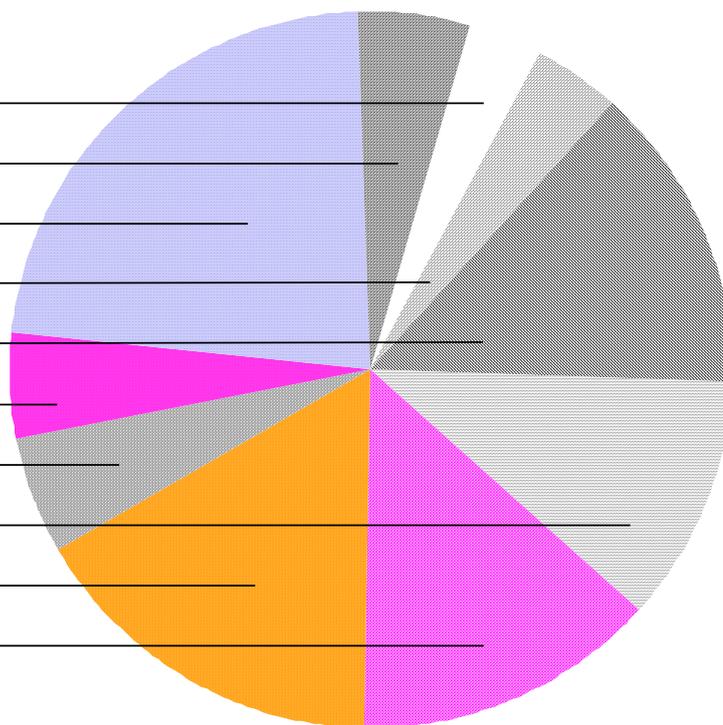
**SECTION II – ANALYSIS OF RECURRENT PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP**

**Recurrent Government Expenditure : Year-on-Year Change**

	2006–07 Original Estimate \$m	2006–07 Revised Estimate \$m	2007–08 Estimate \$m	Increase/Decrease over 2006–07 Original Estimate	
				in Nominal Terms %	in Real Terms %
<b>Education</b>	47,856	44,873	<b>50,064</b>	<b>4.6</b>	<b>4.7</b>
<b>Social Welfare</b>	34,584	32,845	<b>35,986</b>	<b>4.1</b>	<b>3.6</b>
<b>Health</b>	29,922	29,774	<b>30,517</b>	<b>2.0</b>	<b>2.1</b>
<b>Security</b>	23,496	22,746	<b>24,058</b>	<b>2.4</b>	<b>2.4</b>
<b>Infrastructure</b>	11,336	11,034	<b>11,392</b>	<b>0.5</b>	<b>0.6</b>
<b>Environment and Food</b>	8,593	7,915	<b>8,731</b>	<b>1.6</b>	<b>1.7</b>
<b>Economic</b>	7,988	7,502	<b>7,957</b>	<b>-0.4</b>	<b>-0.3</b>
<b>Community and External Affairs</b>	6,995	6,846	<b>7,269</b>	<b>3.9</b>	<b>4.1</b>
<b>Housing</b>	149	153	<b>177</b>	<b>18.6</b>	<b>18.6</b>
<b>Support</b>	29,012	27,327	<b>29,450</b>	<b>1.5</b>	<b>1.1</b>
	<u>199,931</u>	<u>191,015</u>	<u><b>205,601</b></u>	<b>2.8</b>	<b>2.8</b>

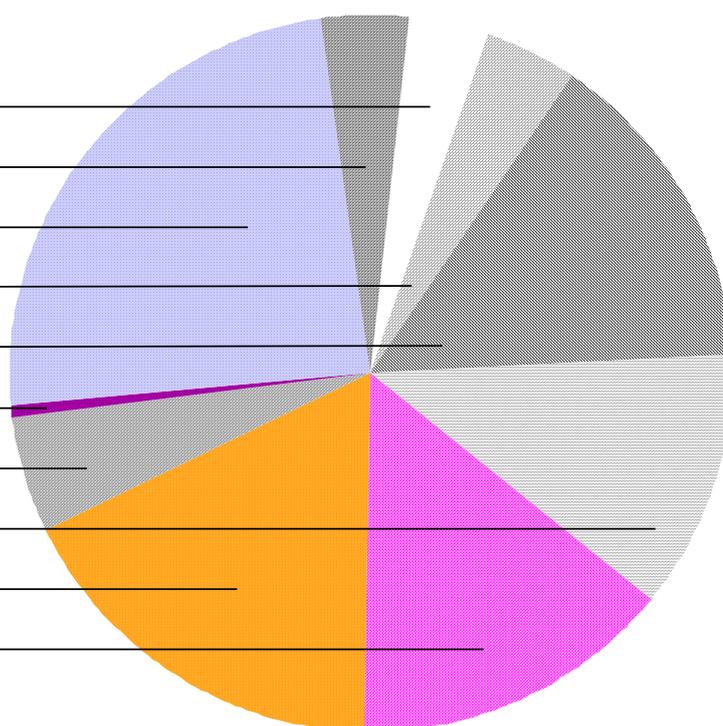
**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Public Expenditure : 2007-08 Estimate**

<b>Community and External Affairs</b>	<b>3.3%</b>
<b>Economic</b>	<b>5.1%</b>
<b>Education</b>	<b>22.8%</b>
<b>Environment and Food</b>	<b>4.0%</b>
<b>Health</b>	<b>13.9%</b>
<b>Housing</b>	<b>4.7%</b>
<b>Infrastructure</b>	<b>5.3%</b>
<b>Security</b>	<b>11.0%</b>
<b>Social Welfare</b>	<b>16.4%</b>
<b>Support</b>	<b>13.5%</b>
	<b>100.0%</b>



**Percentage Share of Expenditure by Policy Area Group  
 Recurrent Government Expenditure : 2007-08 Estimate**

<b>Community and External Affairs</b>	<b>3.5%</b>
<b>Economic</b>	<b>3.9%</b>
<b>Education</b>	<b>24.4%</b>
<b>Environment and Food</b>	<b>4.3%</b>
<b>Health</b>	<b>14.8%</b>
<b>Housing</b>	<b>0.1%</b>
<b>Infrastructure</b>	<b>5.5%</b>
<b>Security</b>	<b>11.7%</b>
<b>Social Welfare</b>	<b>17.5%</b>
<b>Support</b>	<b>14.3%</b>
	<b>100.0%</b>



**SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP**

**Total Public Expenditure : Year-on-Year Change**

	2006–07 Original Estimate \$m	2006–07 Revised Estimate \$m	2007–08 Estimate \$m	Increase/Decrease over 2006–07 Original Estimate in Nominal Terms %	in Real Terms %
<b>Education</b>	56,450	53,053	<b>57,194</b>	<b>1.3</b>	<b>1.4</b>
<b>Social Welfare</b>	36,231	34,046	<b>37,371</b>	<b>3.2</b>	<b>2.7</b>
<b>Health</b>	32,312	32,053	<b>32,732</b>	<b>1.3</b>	<b>1.4</b>
<b>Security</b>	27,050	25,483	<b>28,937</b>	<b>7.0</b>	<b>6.9</b>
<b>Infrastructure</b>	24,490	22,907	<b>22,398</b>	<b>-8.5</b>	<b>-8.7</b>
<b>Housing</b>	15,821	14,651	<b>15,861</b>	<b>0.3</b>	<b>-0.6</b>
<b>Economic</b>	15,291	13,617	<b>15,471</b>	<b>1.2</b>	<b>1.2</b>
<b>Environment and Food</b>	11,659	10,305	<b>11,896</b>	<b>2.0</b>	<b>2.1</b>
<b>Community and External Affairs</b>	8,424	8,133	<b>8,463</b>	<b>0.5</b>	<b>0.5</b>
<b>Support</b>	37,161	31,315	<b>37,522</b>	<b>1.0</b>	<b>0.6</b>
	<u>264,889</u>	<u>245,563</u>	<u><b>267,845</b></u>	<b>1.1</b>	<b>0.9</b>

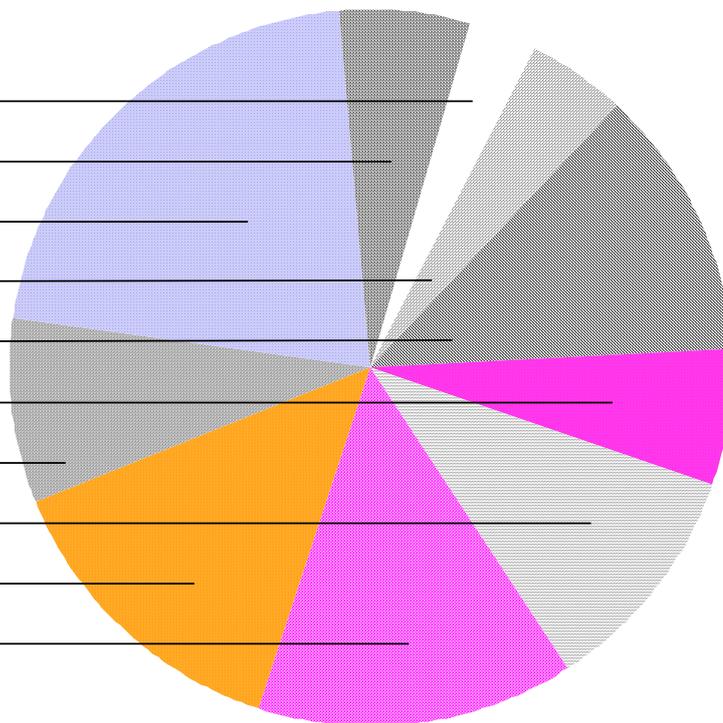
**SECTION III – ANALYSIS OF TOTAL PUBLIC/GOVERNMENT EXPENDITURE BY POLICY AREA GROUP**

**Total Government Expenditure : Year-on-Year Change**

	2006–07 Original Estimate \$m	2006–07 Revised Estimate \$m	2007–08 Estimate \$m	Increase/Decrease over 2006–07 Original Estimate	
				in Nominal Terms %	in Real Terms %
<b>Education</b>	56,450	53,053	<b>57,194</b>	<b>1.3</b>	<b>1.4</b>
<b>Social Welfare</b>	36,231	34,046	<b>37,371</b>	<b>3.2</b>	<b>2.7</b>
<b>Health</b>	32,312	32,053	<b>32,732</b>	<b>1.3</b>	<b>1.4</b>
<b>Security</b>	27,050	25,483	<b>28,937</b>	<b>7.0</b>	<b>6.9</b>
<b>Infrastructure</b>	24,308	22,737	<b>22,202</b>	<b>-8.7</b>	<b>-8.9</b>
<b>Economic</b>	11,878	10,032	<b>11,936</b>	<b>0.5</b>	<b>0.6</b>
<b>Environment and Food</b>	11,659	10,305	<b>11,896</b>	<b>2.0</b>	<b>2.1</b>
<b>Community and External Affairs</b>	8,424	8,133	<b>8,463</b>	<b>0.5</b>	<b>0.5</b>
<b>Housing</b>	161	160	<b>184</b>	<b>13.9</b>	<b>13.9</b>
<b>Support</b>	37,161	31,315	<b>37,522</b>	<b>1.0</b>	<b>0.6</b>
	<u>245,634</u>	<u>227,317</u>	<u><b>248,437</b></u>	<b>1.1</b>	<b>1.0</b>

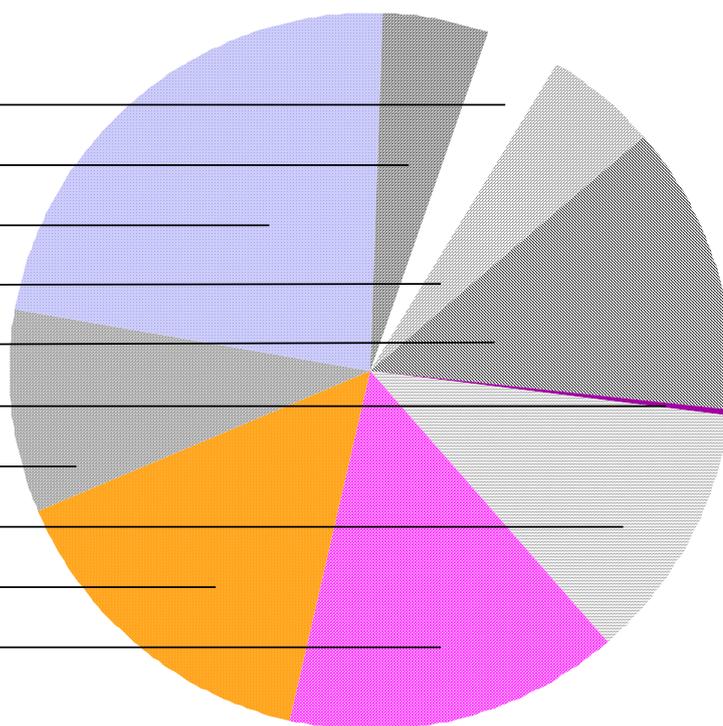
**Percentage Share of Expenditure by Policy Area Group**  
**Total Public Expenditure : 2007-08 Estimate**

<b>Community and External Affairs</b>	<b>3.2%</b>
<b>Economic</b>	<b>5.8%</b>
<b>Education</b>	<b>21.4%</b>
<b>Environment and Food</b>	<b>4.4%</b>
<b>Health</b>	<b>12.2%</b>
<b>Housing</b>	<b>5.9%</b>
<b>Infrastructure</b>	<b>8.4%</b>
<b>Security</b>	<b>10.8%</b>
<b>Social Welfare</b>	<b>13.9%</b>
<b>Support</b>	<b>14.0%</b>
	<b>100.0%</b>



**Percentage Share of Expenditure by Policy Area Group**  
**Total Government Expenditure : 2007-08 Estimate**

<b>Community and External Affairs</b>	<b>3.4%</b>
<b>Economic</b>	<b>4.8%</b>
<b>Education</b>	<b>23.0%</b>
<b>Environment and Food</b>	<b>4.8%</b>
<b>Health</b>	<b>13.2%</b>
<b>Housing</b>	<b>0.1%</b>
<b>Infrastructure</b>	<b>9.0%</b>
<b>Security</b>	<b>11.6%</b>
<b>Social Welfare</b>	<b>15.0%</b>
<b>Support</b>	<b>15.1%</b>
	<b>100.0%</b>



**SECTION IV – MAJOR CAPITAL PROJECTS TO BEGIN IN 2007–08**

Funds allocated for capital projects to start in 2007–08 include –

	\$ million
<b>Infrastructure and Support</b>	<b>22,425</b>
— Construction, improvement and widening of Pok Oi Interchange/Shua Tin Trunk Road T4/ Tuen Mun Road Tsing Tin Interchange/Tuen Mun Road L18A/Ha Tsuen Section of Ping Ha Road	
— Customs Headquarters Building	
— Demolition of buildings and structures in Kwai Chung, Kennedy Town and Cheung Sha Wan	
— Development at Anderson Road (site formation and associated infrastructure works)	
— Drainage improvement works on Northern Hong Kong Island, in East and West Kowloon and in New Territories	
— Engineering infrastructure works for Pak Shek Kok development	
— Improvement and extension of pedestrian subway system and footbridge in Kwai Chung and Tsuen Wan	
— Improvement to Hong Kong Central mid-level and high level areas water supply	
— Provision and replacement of traffic control, surveillance and information dissemination facilities	
— Provision and uprating of salt water supply for Northwest New Territories/ Northwest Kowloon	
— Replacement and rehabilitation of water mains, stage 2	
— Retrofitting of noise barriers on Tsing Tsuen Bridge, Tseung Kwan O Road and Yuen Shin Road	
— Site formation for school development at Aberdeen Reservoir Road, Aberdeen	
— Tamar Development	
<b>Education</b>	<b>3,138</b>
— Construction, extension, redevelopment and reprovisioning of primary, secondary and special schools	
— Headquarters and onscreen marking centres of the Hong Kong Examinations and Assessment Authority	
— Multi-media Building – stage 2, The City University of Hong Kong	
— New campus at Tiu Keng Leng for the Vocational Training Council	
— 1 500-place student hostel, The Chinese University of Hong Kong	
<b>Health</b>	<b>3,063</b>
— Prince of Wales Hospital – extension block	
— Redevelopment of Caritas Medical Centre, phase 2	
<b>Security</b>	<b>1,824</b>
— Government Complex at Mei Lai Road	
— Junior Police Officers' married quarters in Area 44, Tuen Mun	
— Redevelopment of Lo Wu Correctional Institution	
<b>Community and External Affairs</b>	<b>1,682</b>
— Improvement works to the sports venues for the 2009 East Asian Games	
— Provision of open space and recreation grounds in Ma On Shan, Kwai Chung, Tsing Yi, Sheung Shui, Tsuen Wan, Wong Tai Sin and Ap Lei Chau	
— Renovation of libraries – phase 2 works	
<b>Environment and Food</b>	<b>1,037</b>
— Conversion of aqua privies into flushing toilets	
— North District, Port Shelter and outlying islands sewerage	

## **SECTION V – TRENDS IN PUBLIC EXPENDITURE : 2002–03 TO 2007–08**

### **Introduction**

**1** This section presents trends in public expenditure over the period 2002–03 to 2007–08. The analysis includes expenditure by the Government, the Trading Funds and the Housing Authority.

**2** Details of the individual heads of expenditure contributing to a particular policy area are provided in an index in Volume I of the 2007–08 Estimates. This index further provides details by head of expenditure of individual programmes which contribute to a policy area.

## Recurrent Public Expenditure by Policy Area Group 2002–03 to 2007–08

Policy Area Groups	Actual				Revised Estimate	Estimate
	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	%	%	%	%	%	%
<b>Education</b>	22.4	22.2	21.8	22.0	21.9	22.8
<b>Social Welfare</b>	14.6	15.1	15.5	15.9	16.0	16.4
<b>Health</b>	15.3	15.0	14.7	14.6	14.6	13.9
<b>Security</b>	11.5	11.3	11.2	11.1	11.1	11.0
<b>Infrastructure</b>	5.6	5.5	5.5	5.6	5.4	5.3
<b>Economic</b>	5.0	5.1	5.1	5.4	5.3	5.1
<b>Housing</b>	5.2	5.1	5.0	5.3	5.0	4.7
<b>Environment and Food</b>	4.0	3.9	3.7	3.7	3.9	4.0
<b>Community and External Affairs</b>	3.5	3.3	3.2	3.3	3.4	3.3
<b>Support</b>	12.9	13.5	14.3	13.1	13.4	13.5
	100.0	100.0	100.0	100.0	100.0	100.0
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total Recurrent Public Expenditure</b>	211,728	211,102	205,426	200,710	204,530	219,129

## Total Public Expenditure by Policy Area Group 2002–03 to 2007–08

Policy Area Groups	Actual				Revised Estimate	Estimate
	2002–03	2003–04	2004–05	2005–06	2006–07	2007–08
	%	%	%	%	%	%
<b>Education</b>	21.0	21.0	21.1	22.0	21.6	21.4
<b>Social Welfare</b>	12.1	12.3	12.9	13.6	13.9	13.9
<b>Health</b>	12.6	12.6	12.5	12.9	13.1	12.2
<b>Security</b>	10.3	9.9	9.9	10.1	10.3	10.8
<b>Infrastructure</b>	9.8	10.0	11.2	10.4	9.4	8.4
<b>Housing</b>	9.0	9.2	7.0	6.3	6.0	5.9
<b>Economic</b>	4.8	5.1	5.1	5.3	5.5	5.8
<b>Environment and Food</b>	4.3	4.0	3.9	3.9	4.2	4.4
<b>Community and External Affairs</b>	3.1	3.0	3.0	3.2	3.3	3.2
<b>Support</b>	13.0	12.9	13.4	12.3	12.7	14.0
	100.0	100.0	100.0	100.0	100.0	100.0
	\$m	\$m	\$m	\$m	\$m	\$m
<b>Total Public Expenditure</b>	263,520	271,098	257,137	244,982	245,563	267,845

## SECTION VI – KEY TO CLASSIFICATION OF EXPENDITURE

## Index of Policy Area Groups

<b>Policy Area Group</b>	<b>Description by Policy Area</b>	<b>Reference (Note)</b>
Community and External Affairs	District and Community Relations	19
	Recreation, Culture, Amenities and Entertainment Licensing	18
Economic	Air and Sea Communications and Logistics Development	3
	Commerce and Industry	6
	Employment and Labour	8
	Financial Services	1
	Information Technology and Broadcasting	17
	Manpower Development	34
	Posts, Power, Competition Policy and Consumer Protection	4
	Public Safety	7
Travel and Tourism	5	
Education	Education	16
Environment and Food	Agriculture, Fisheries and Food Safety	2
	Environmental Hygiene	32
	Environmental Protection and Conservation	23
Health	Health	15
Housing	Housing	31
Infrastructure	Buildings, Lands and Planning	22
	Transport	21
	Water Supply	24
Security	Administration of Justice	12
	Anti-corruption	13
	Immigration Control	10
	Internal Security	9
	Legal Administration	11
	Legal Aid	20
Social Welfare	Social Welfare	14
	Women's Interests	33
Support	Central Management of the Civil Service	26
	Complaints Against Maladministration	30
	Constitutional Affairs	28
	Intra-Governmental Services	27
	Revenue Collection and Financial Control	25
	Support for Members of the Legislative Council	29

*Note:* The Policy Area Reference corresponds with that used in the Index of Policy Areas in the Estimates of Expenditure.