

Speech by FS at SCMP's Redefining Hong Kong Series 2022/23 webinar (English only)

Following is the speech by the Financial Secretary, Mr Paul Chan, at the South China Morning Post (SCMP)'s Redefining Hong Kong Series 2022/23 webinar on "Budget 2022-23: Prioritise a speedy economic recovery or a green one?" today (March 16):

Gary (Chief Executive of the SCMP, Mr Gary Liu), Tammy (Editor-in-Chief of the SCMP, Ms Tammy Tam), Paul (Financial Services Tax Leader for Hong Kong, Ernst & Young Tax Services, Mr Paul Ho), Olga (News Editor of the SCMP, Ms Olga Wong), Natalie (Correspondent of the SCMP, Ms Natalie Wong), distinguished guests, ladies and gentlemen,

Good afternoon.

It is a pleasure to once again take part in the South China Morning Post's Redefining Hong Kong Series.

This is the fifth year in a row I've done so, each address following hot on the heels of my annual Budget speech. The latest, for the 2022-23 fiscal year, marks a modest milestone: the final Budget of the current-term Government.

For me, it has been an honour and a privilege – a painstaking privilege at times. These last two Budgets have been particularly challenging.

Budgets built, in part, to stem the tide against a brutal pandemic can never be easy. Not when your goal is to minimise the suffering of companies, workers and the Hong Kong community as a whole.

The budget for this fiscal year continues last year's countercyclical fiscal policy. It also contains a series of one-off measures amounting to about HK\$170 billion.

The commitment is significant and wide-ranging. Still, the virus is likely to continue creating short-term pressure on economic activities, particularly for our consumption-related sectors.

First quarter results will, no doubt, reflect the strains weighing on our economy. With the concerted efforts of the Government and the community, together with the continuing firm support of the Central Government, however, I am confident we will prevail – and sooner than later.

In the meantime, to support the cash flow of SMEs (small and medium-sized enterprises), I proposed in the Budget that a rental enforcement moratorium be introduced for three months. I have also enhanced the Special

100% Loan Guarantee product under the SME Financing Guarantee Scheme to provide greater support to SMEs in need.

Consumption vouchers with a total value of HK\$10,000 will be disbursed to each eligible citizen this year. We will issue the first batch of vouchers valued at HK\$5,000 in April to last year's successful registrants, serving as a quick relief amid this wave of epidemic. The disbursement of the remaining vouchers in this summer should stimulate the market, accelerating our economic recovery – particularly if, as expected, the epidemic situation has stabilised by then.

A variety of tax-reduction and relief measures are also in the offing, including the first-time introduction of tax deductions for domestic rental expenses.

These, and numerous other initiatives, will support businesses and individuals. That, too, can contribute to economic recovery.

Over the medium term, Hong Kong's economic outlook is promising.

As the International Monetary Fund (IMF) noted in its annual report on Hong Kong, published just over a week ago, our financial system remains resilient, thanks to – and I quote – "swift and bold policy responses... a strong external position and strong institutional frameworks".

The IMF went on to say that Hong Kong has, and I quote, "continued expanding robustly even during the pandemic, while maintaining its role as a major international financial centre".

We can take confidence in that assessment. And we can look forward to long-term progress, thanks to the sustained development of our country's economy and the opportunities that bring us. That certainly includes the Guangdong-Hong Kong-Macao Greater Bay Area (GBA) development and our continuing economic integration with the Mainland.

To maximise those opportunities, we must continue to build capacity and overcome the constraints on our workforce, raising living standards, and opportunities, for all Hong Kong people.

Inclusive, people-centred economic development is the only way forward for Hong Kong.

It is also the way forward for our community and the well-being of us all. With that very much in mind, we are pursuing a green, zero-emission future.

It helps, and greatly so, that we are one of the world's major financial centres, blessed with the expertise and the experience to bring international capital and quality green projects together for mutual benefit. That can help Hong Kong achieve its target of carbon neutrality by 2050, while promoting the green transformation of our economy. It will also help our country

achieve its "3060 Target" regarding peak emissions and carbon neutrality.

We have issued the equivalent of more than US\$7 billion in green bonds targeting global institutional investors since the launch of the Government Green Bond Programme in 2018. And we're just getting going, ladies and gentlemen. This year, we will issue green bonds worth some US\$4.5 billion.

The launch, last year, of our Green and Sustainable Finance Grant Scheme has been well received by the industry, let me add. More than 50 applications have been approved to date, covering a variety of green and sustainable debt instruments.

And to help companies get green financing, we will lower the minimum loan size to HK\$100 million, down from HK\$200 million.

We will also expand the issuance of retail green bonds to boost their availability in Hong Kong. The public can directly invest in green projects, both to help Hong Kong create the green environment we all want, and to realise the steady, inflation-linked returns we could all use.

Over this financial year, I plan to issue no less than HK\$10 billion in retail green bonds.

We also plan to launch a three-year Pilot Green and Sustainable Finance Capacity Building Support Scheme. That will encourage and subsidise professionals in the financial and related sectors for gaining relevant professional qualifications.

Let me add that my Budget's green initiatives afford opportunities well beyond the financial sector.

For example, an additional HK\$1.5 billion has been earmarked to extend the EV-charging at Home Subsidy Scheme for four years. The programme supports the installation of about 140 000 EV (electric vehicle) parking spaces in some 700 existing private residential buildings. That accounts for about half of the parking spaces in Hong Kong.

I will also inject HK\$200 million into the Green Tech Fund to promote decarbonisation and enhance environmental protection in Hong Kong.

I&T (innovation and technology) is critical to sustainable economic development. Which is why, in recent years, I have promoted I&T through a wide variety of policy measures in the Budget.

Initiatives have included developing and pooling talent, attracting business, encouraging research and development (R&D), stimulating market demand and ensuring a smooth and steady flow of financing.

To ensure that this good work continues, I will increase funding for the Hong Kong Growth Portfolio, under the Future Fund, by HK\$10 billion. Of that, HK\$5 billion will be used to set up the Strategic Tech Fund. The remaining

HK\$5 billion will be used to set up a GBA Investment Fund to focus on investment opportunities in the GBA.

For the Strategic Tech Fund, Science Park and Cyberport will help identify suitable technology companies which are of strategic value to Hong Kong, and promising investment opportunities conducive to enriching our I&T ecosystem.

To help universities realise their R&D promise and ambitions, I will double their subsidy under the Technology Start-up Support Scheme for Universities to HK\$16 million.

Hong Kong's considerable life and health science strengths have also been recognised. I have set aside HK\$10 billion in my Budget to support health and life sciences' research.

Let me now touch on the theme of this year's Redefining Hong Kong Series: "prioritise a speedy economic recovery or a green one?" To this speaker, that begs the question: what's a budget for?

I don't believe an "either-or" approach can ever hope to respond, adequately, to an economy, and a community, the size and significance of Hong Kong's.

A budget needs to be too many things for too many institutions, sectors and people to meet basic needs – never mind a larger vision – in the "either-or".

In the short term, this year's Budget, like last year's, must address the palpable needs of our pandemic-battered economy and community. In the medium to long term, it must also shape our way to the future. To the rewarding future we all want and deserve.

That future will be built on the sustainable development of our economy. An economy that extends short-term relief, enables long-term development and ensures environmental well-being at community and individual levels.

Hong Kong is blessed with unique advantages, including our "one country, two systems" framework, the rule of law, a market-oriented and international business environment and an enduring determination to succeed.

This year is a milestone for Hong Kong, the 25th anniversary of the establishment of the Hong Kong Special Administrative Region. I'm hopeful, too, that the year will mark the beginning of Hong Kong's post-pandemic economy, with all the opportunities that promises us. Each and every one of us.

I look forward now to taking your questions.

But first, let me wish you all the best of health and business in 2022. Thank you.