Public Sector Reform in Hong Kong and Singapore:
Reform Trajectories and Explanations

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Introduction

In the academic literature on 'New Public Management' (NPM), which focuses on the many administrative reforms and public sector reforms taking place at the global level since the 1980s, discussion has centred on both "argumentation over doctrinal and policy issues, on the one hand, and explanatory analysis of policy choices and organizational change ... on the other" (Barzelay 2002: 30). In terms of intellectual force, NPM represents a critique of the traditional model of public administration based on state bureaucracy (Hughes 1998; Dunleavy and Hood 1994) and the general failure of government — expressed as the unresponsive but invasive state, the over-extended state and the private interest sate captured by privileged groups (Minogue 2000). NPM advocates a new paradigm that emphasizes a more performance-oriented culture within a less centralized public sector (OECD 1995: 8). In practice, this new model is achieved by

- Restructuring and reducing the public sector, particularly through privatization;
- Reorganizing and slimming down central civil services;
- Introducing competition into remaining public services, especially through internal market, and the contracting out of public services to the private sector; and
- Improving efficiency and obtaining value for money through performance management and auditing (Minogue 2000: 3).

Much of the debate on NPM is concerned with either its normative superiority, or otherwise, as a model of public sector management over old-style public administration, or with its status as a new paradigm of theory and research (Osborne and McLaughlin 2002: 11). While there is no shortage of prescriptive writings and views in favour of adopting NPM as a way to regenerate or reinvent public sector organizations, particularly from international management consultancy firms, aid agencies, and regional and international organizations operating as NPM advocates and entrepreneurs (Osborne and Gaebler 1993; OECD 1995; World Bank 1996, 1997), the academic literature is mostly critical and skeptical (Lynn 1998; Pollitt 2000; Minoque 2000). More specifically in terms of civil service reform and 'agencification', doubts have been raised about the loss of public accountability (Polidano 1999; O'Toole and Jordan 1995).

Hood and Jackson (1991) saw NPM as both an administrative *argument* and an

accepted administrative *philosophy*. As practical argument, NPM provides justification for an administrative model that differs from the previous model. A growing literature has developed in the West explaining the rise of the NPM boom and the political and institutional dynamics behind. In Asia, the NPM literature is only just beginning to take form. This paper hopes to add to this growing 'explanatory' literature by reviewing recent public sector reforms in East Asia (in this case Singapore and Hong Kong). It explores the interface between domestic/national settings and the international NPM trend in terms of the formation of reform strategy and directions; *as well as* the interaction among major policy actors — in particular political and bureaucratic leaders — in NPM policy agenda-setting.

Explaining the Rise of New Public Management

It is inconceivable that national leaders and government reformers in various countries are simply putting their ears to all the good stories of NPM reforms or are blinded by the managerial gospel preached by international consultants and organizations. There is usually more than the rational justifications that lead to the decisions on adopting the NPM model. If we treat NPM as policy like other government policies, it is entirely proper to view policy-making as much an outcome of a complex bargaining process involving power, influence, interest, negotiation and accommodation, as a result of rational evaluation of choices, if not more so (McGrew & Wilson 1982: 227).

Explanations of NPM's rise onto the agenda of various national governments over the past decade or so are beginning to be more prominently explored in academic literature. It is generally held that bureaucratic and political choices, in addition to rational considerations, shape the actual NPM policy decision. Dunleavy (1986, 1991), for example, had early on pointed to bureau-shaping strategies of public service managers in institutional reforms such as privatization. This author has also found that in the earlier stage of public sector reform in Hong Kong, there was more concern for institutional reconfiguration triggered by political and bureaucratic motives than for efficiency *per se* (Cheung 1996a).

When it comes to explanations of the actual reforms, especially in unique cultural and national settings, things are less simple than what the prescriptive literature depicts. Indeed, the same NPM-like measures might be pursued by different governments for wholly dissimilar reasons as part of their different agendas, or sometimes NPM was used to provide an 'efficiency' rhetoric to give new legitimacy to public bureaucratic power (Cheung 1996a, 1996b, 1997). Generalization of NPM's emergence, by putting all administrative reforms under the NPM banner or assuming them as articulating the same NPM ethos, does not help to unveil diverse trajectories of administrative reform from country to country. To the extent that national administrative reforms take their own distinct paths, driven by unique internal and external factors, their consequences and impact on governance may also vary, despite being under the influence of the global impact of the NPM movement.

International influence

Undoubtedly, NPM is already a global trend whose impact on national policy agenda-setting should not be discarded casually. The claim for the internationalization of policy stems from the argument that either through similarities in social and economic conditions and problems, which call for similar responses, or the existence of a new world-wide dominant ideology, doctrine or culture, which either permeates national boundaries or becomes adopted by various countries as a result of policy coercion, diffusion and transfer (Ikenberry 1990, Bennett 1991, Harrop 1992). In the case of NPM, Aucoin (1990), for example, has suggested that the internationalization of public management paralleled the internationalization of public and private sector economies. However, the policy idea may be international in origin, but the actual policy-making process is always local. Any diffusion, transfer or learning of 'international' NPM policy has still to be distilled by national politics. The relevant processes are subject to mediation by national or local policy actors who carry the legacy and constraints of past policies and institutional arrangements (as indicated by the policy succession and path dependency literature), and whose reform agenda has to be firmly grounded in national, domestic and organizational politics.

OECD experience

The OECD, where most of the new ideas and practices originated, considered the globalization of public management principles and practices to be part of a broader globalization process (OECD 1996). It was assumed that the globalized economic and informational contexts have facilitated an international exchange of ideas and policy options, so that "governments can draw on experimentation in other countries in the process of defining their own policy responses" (*ibid.*). Even with some common stories on the emergence of NPM measures, not all OECD countries had moved to adopt NPM principles to the same extent during the 1980s, and marked differences existed even within the same 'family groups' of countries (Castles 1990; Hood 1990; Cheung 1997). For example, Anglo-Saxon countries tended to favour reforming their public services, but continental European countries emphasized decentralization. Privatization was extensive in the UK since the 1980s but only occurred on a large scale in Germany in the 1990s when the east German state economy was privatized following reunification. Other countries like France, Australia and New Zealand did not make privatization the key to their public sector reform programme. In the US, where state-owned industries did not exist, the emphasis was on de-regulation. In the UK and some European countries, re-regulation became prominent after privatization (Majone 1994). Even the OECD recognized that there existed important variations in reform objectives among OECD countries, with some setting a reduction in the size of the public sector as a major objective and others focusing on improving the performance and strengthening the role of their public services (OECD 1995).

Motives and opportunities in NPM reform

Exploring these national variations in public management reforms during the 1980s, Hood (1996a, 1996b) concluded that some generalized explanations of NPM could not stand. Rather contrary to conventional belief, the degree of emphasis laid on NPM did not seem to be always related vigorously to fiscal stress and government overload, to New Right political ascendancy, or to the degree of economic internationalization (Hood 1996a). He identified four distinct NPM-reform types within OECD countries, based on variations in 'motive' and 'opportunity' (*ibid.*):

Figure 1   Different NPM reform types (Hood 1996a)

High opportunity **The Swedish way** *High motive*	*High opportunity* **The Japanese way** *Low motive*
Low opportunity **The German way** *High motive*	*Low opportunity* **The American way** *Low motive*

In explaining policy reversals such as NPM in relation to the previous Progressive Public Administration (PPA), Hood (1994) argued that such policy reversals could be a result of *external* pressures (like new ideas, interests and changes in social habitat) as well as *internal* institutional dynamics. In terms of new ideas that constitute the climate of policy change, there was the power and packaging of the NPM ideas (Aucoin 1990). In terms of shift of interests, there was 'bureau-shaping' behaviour at work (Dunleavy 1991) and the rise of a 'new class' (Yeatman 1987). In terms of habitat change, the policy reversal occurred in a post-industrial sociotechnical context (Osborne and Gaebler 1993; Taylor and Williams 1991). In terms of policy self-destruction, there was auto-value degradation in ageing institutions (Painter 1990). Different combinations of various internal and external factors would yield diverse configurations of public sector reforms. In the case of NPM he observed that

"The two most developed sets of explanations of the shift to NPM in the literature of political science and public administration focus on changes in 'habitat' ... and on changes in interests. But self-destruction ... seemed to be tied with the development of the new NPM interest coalition, because one of the major puzzles about the shift (like the Reformation in Northern Europe) is why the old PPA's structures collapsed so easily in the face of a relatively inchoate alternative. If a mixture of self-destruction, changing habitat and changing interests lay behind PPA's demise, it would suggest a similar pattern to that identified for privatization and tax reform ..." (Hood 1994: 141).

National variations in such external and internal factors would have led to different reform styles and strategies to cope with the specific pressures or problems encountered by the reformers, resulting in diverse configurations of public sector reforms.

The Politics of Public Sector Reform

Reform as politicians-bureaucrats 'bargain'

In his latest review of public service reform explanations, Hood (2002) argues that the politics of public service reforms can be better understood in terms of public service bargain (PSB) between politicians and bureaucrats. He distinguishes between trustee-oriented PSBs and agency-oriented PSBs. Such distinction differentiates between autonomous and agent bureaucracies, with the trustee bargains allowing for greater trust and independence to public servants from political masters while agency bargains range from top-down directed relationships and principal-agent type of delegated relationships. Different PSBs also entail different notions of accountability, or what Hood depicts as blame-shifting. Both politicians and bureaucrats are constantly engaged in a process of PSB and blame-shifting. NPM reformers largely present their doctrines as a cure to the problem of 'cheating' by bureaucratic agents on particular PSB (Hood 2002: 325). In a situation where political masters try to impose a more effective monitoring and oversight regime over the bureaucracy, and where at the same time public managers try to find their own ways of 'cheating' on the blame game, PSB becomes a tug of war and NPM reform then becomes an outcome of political struggle.

Political vs. managerial discourse of reform

Such an approach to studying NPM reforms underscores a political discourse (as opposed to a managerial discourse) of reform, which this author previously argued would put domestic politicians-bureaucrats politics at the centre of explanations of NPM practices in various countries instead of international convergence of administrative reforms (Cheung 1996b).

"A managerial discourse would have overemphasized the 'rational' policy outcomes of NPM reforms as management reforms. ... a political discourse would try to identify institutional forces which constitute the reform configuration and its dynamics. Whereas the managerialist interpretation of NPM would have assumed NPM reforms as measures to contain or eliminate bureaucracy, a political interpretation would not necessarily see NPM as a bureaucracy-bashing offensive, but alternatively as a strategy to save the government bureaucracy and to repackage it through reinvention — a managerial solution to deal with a political question" (ibid.: 46).

"Following the lines of argument in a political discourse, it can be suggested that senior bureaucrats would be prepared to see their role transformed into that of autonomous public managers, to secure new grounds of institutional re-legitimation reinforced by the NPM logic which is gaining dominance in public management ideology worldwide" (ibid.: 48).

To bureaucrats who embrace reforms, NPM enables them to secure a good PSB and leads to their re-empowerment. The NPM agenda-setting is therefore not simply a result of electoral demands for change or politicians' strategic attempts at political management. It is at the same time bureaucratic agenda-setting aimed at re-legitimation and re-empowerment.

The political nexus triad (PNT)

The politics of administrative reform, of which NPM is the latest such expression, has been addressed by Moon and Ingraham (1998) within the context of a tri-partite framework between politics, bureaucracy and society, depicted as a 'political nexus triad' (PNT). This is defined as an interactive power structure that is formed by the processes of politicization in which politicians, bureaucrats and citizens communicate with each other and attempt to protect and increase their political and administrative power (p. 78). To them, administrative reform is

> "a product of the politicization process, in which the three PNT actors communicate and bargain their political interest regarding government performance (function) and the administrative system (structure)" (ibid).

Three sources and patterns of politicization are identified, following Hojnacki (1996): internal-driven politicization, politician-driven politicization and society-driven politicization. Internal-driven politicization from within the government bureaucracy is related to organizational survival and strategic paths in dealing with the dual principals of politicians and civil society. Politician-driven politicization occurs when politicians, whether elected in democratic countries or partisans in communist countries, try to introduce complex mechanisms for administrative procedure and oversight, through which they can control the behaviour of bureaucratic agencies. This is somewhat similar to Hood's PSB notion. Finally, society-driven politicization results from citizen demand for political participation through both institutionalized and non-institutionalized channels.

Moon and Ingraham (1998: 92) conclude that

> "due to the different natures of politicization, each country has developed a distinctive pattern of PNT that is closely associated with the determination of the main AR [administrative reform] actors and the AR scope".

They find there is a party-dominant PNT for China, a bureaucracy-led PNT for Japan and a president-led PNT for South Korea. They also regard civil society as an important player in PNT, which may be problematic in the Asian context given the underdevelopment, if not the suppression by an authoritarian state, of civil society in many Asian societies. An analysis premised on the participation of civil society elements presupposes a strong enough societal force for administrative change impacting on the government. In the Western NPM literature, apart from party politics and ideological shifts, popular/electoral sentiments and pressure from the private sector are often regarded as providing part of the impetus for reform (the social habitat factors according to Hood [1996a]). However, such 'societal' factors did not

seem to feature prominently in the analytical literature.

In Asia, the growth of a strong free market and an autonomous civil society to form the pillars of governance, along with the state, is wholly novel in many countries (Cheung and Scott 2003).

> "The paternalistic and centralizing traditions of Asian administration also mean that central agencies are reluctant to devolve power, particularly to non-state institutions or those institutions that the state fails to reach and control in some way. Even within public sector reform, despite all the rhetoric borrowed from NPM about devolution, partnership and power-sharing, actual decentralization and power-shedding are of only limited significance" (Cheung and Scott, 2003: 13).

It could be thus argued that PNT in Asia is significant more in terms of the inconspicuousness than the intervention of either an active civil society or influential private economic sector. Indeed, because of the close intermingling between the state and economy, and between the state and society, with the state being the dominating force, it is impossible to talk of economic reform without state reform, or of state-society partnerships when the society is still largely dependent on or subservient to state power. To reform the state and state/society and state/economy relationships through the agent of the state constitutes 'the paradox of reform' in many Asian countries. In a sense "the answer must also lie in the problem" (*ibid.*: 17).

We now analyze the public sector reform trajectories of Singapore and Hong Kong using the conceptual perspectives discussed above. Before doing so, the historical and institutional context of the two city states are set out[2].

The Two City States: Institutional Similarities and Differences

Both Singapore and Hong Kong are post-colonial polities, the latter much more recent than the former. Both are formerly governed by Britain and have inherited many British legacies whether in terms of their civil service system, the judicial system, or administrative and budgetary practices. Both are among the 'Four Little Dragons' (or 'Four Tigers' as some put them) in recognition of their rapid economic growth since the 1970s. Their impressive economic development and affluence constitute part of the story behind what the World Bank (1993) described as the East Asian Miracle. For a long time, the two cities have found close affinity in background and socio-economic progress, and yet have engaged in keen, if friendly, competition in becoming the economic and financial hub of the region.

Unlike Singapore, however, Hong Kong has remained an 'administrative state' after becoming a special administrative region.[3] Although a new ministerial system of political appointments has been introduced since July 2002, the overall governmental system remains to rest on a non-party-political administration. Under the law, the Chief Executive as head of government is prohibited from belonging to any political party[4] although parties are allowed to contest seats of the Legislative Council. Singapore has a typical parliamentary system following the British Westminster model although ever since independence, there has been one-party rule by the Peo-

ple's Action Party (PAP). Nevertheless, the PAP has cultivated close link with the civil service bureaucracy.

In terms of economic philosophy and policy, again the two city states seem to be on divergent roads. Hong Kong has long cherished its non-interventionist policy, making it an 'exceptional' case to the East Asian developmental model, whereas Singapore, like the other Asian dragons (South Korea and Taiwan), has pursued a *dirigiste* approach to industrial development and economic growth (Wade 1990). The Hong Kong-exceptionalism argument has, however, been subject to questioning (see Schiffer [1983]'s alternative articulation of the Hong Kong growth model, in which the government's hands were still seen in regulatory policies and social service provision). After the transfer of sovereignty, the new government is also seen as increasingly deviating from the colonial government's non-interventionist philosophy (Cheung 2000). For a while, the government's role was described as a 'proactive market enabler' (Leung 2002: paras. 42–43).[5]

The respective administrative reform trajectories of Singapore and Hong Kong, closely tied to their internal political and policy dynamics, have exhibited both similarities and differences.

Singapore: A Model of Civil Service Excellence

Administrative reforms in historical perspective

Singapore's administrative reform can be traced back to its post-colonial efforts to rebuild a new civil service. The impetus for change came from the change in status from colony to self-government, producing a concerted effort for reform at a time when it was not yet fashionable elsewhere (Halligan and Turner 1995: 133). The various reform measures included institutional reforms to improve quality, efficiency and representativeness of the civil service, as well as attitudinal means to lift civil servants out of their 'colonial mentality'. Another important reform focused on the combating of corruption.

Table 1 Decades of reform in Singapore's public service in retrospect

Period	Theme	Major thrusts
1960s	Survival	● Changing mindset of public officers to that of independence ● Nation-building ● Economic survival
1970s	Efficiency	● Drive for efficiency and effectiveness ● Increasing selectivity in foreign investments ● Efficiency through statutory boards and corporations
1980s	People	● Drive for productivity ● Drive for talent ● Move to higher value-added investments
1990s	Change	● Future unknown and uncertain ● Live with the world as Singapore finds it ● 'Public Service for the 21st Century' (PS21)

Source: Commonwealth Secretariat (1998: 14).

According to the Commonwealth Secretariat (1998: 14), Singapore's several decades of reform in its public services can in retrospect be looked at under several stages each addressing a particular need or theme (Table 1).

Without delving into the many details of Singapore's administrative reform, three notable reform areas are examined here to help mark its reform trajectory — namely civil service pay reform, PS21, and reform of government boards and corporations.

Attracting the best into the civil service

Apart from establishing Singapore as an attractive place for investment, the PAP government has also sought to get the best into the civil service. This is in line with the meritocratic ethos of the PAP leaders, which Vogel described as 'macho-meritocracy':

> "For the first generation of Singapore leaders, the pillar of good government was not a separation of powers but a strong central meritocracy. Good government is achieved by selecting outstanding undergraduates to go abroad to leading universities on state scholarships, and bonding them to ensure they will return and serve in Singapore.... In Singapore, meritocracy is more than a procedure for selecting talent. It creates an aura of special awe for the top leaders and provides a basis for discrediting less meritocratic opposition almost regardless of the content of its arguments. This special awe enabled the first generation of meritocratic, impeccably honest heroes to establish what might be called a 'macho-meritocracy'" (Vogel 1989: 1053).

The government's concern about attracting the best into the civil service can be vividly observed in its management of civil service remuneration. Until the 1960s, the Singapore civil service wage system comprised basic pay and cost-of-living and other allowances which were replaced by a variable allowance after the 1953 Ritson Commission on Salaries. Upon the recommendation of the 1969 Harvey Commission, the variable allowance was consolidated into a basic salary. In 1972, the National Wage Council (NWC) was set up to assist in the formulation of general guidelines on wage policy and to recommend necessary adjustments to wage structure in line with long-term economic development. NWC adjustments effected in the civil service were consolidated into basic salaries every five years or so, with the first consolidation in 1977 and the second one in 1982. In the 1980s, NWC proposed that a flexible wage system be adopted throughout the country in order better to respond to changing economic circumstances, essentially to keep up with the general rising wage trend. This was well ahead of the world trend in civil service reform towards flexibility pay arrangements. As a result, the civil service wage system was restructured to comprise a basic salary and variable payments and variable awards determined with reference to national economic performance.

For over a decade from 1959 until 1971, due to economic difficulties, the government could not afford any pay rise for civil servants. There was no threat of a brain drain at that time to the private sector anyway. As the economy grew, the need to keep the government's competitive edge in recruitment became more apparent, and

periodic pay rises were awarded. Major salary reviews only took place irregularly, in 1982, 1989 and 1994. Since then, a system of annual review by the Public Service Division[6] has been instituted. The 1994 White Paper on *Competitive Salaries for Competent and Honest Government* linked salaries of ministers and top civil servants to "two-thirds the average principal earned income of the top four individuals from each of the six professions: bankers, accountants, engineers, lawyers, local manufacturing companies and MNCs [multi-national corporations]" (Prime Minister's Office 1994: 12). It was clear that the government was not prepared to allow the civil service to lose its best talent to the private sector, particular in times of economic boom. In addition, while there was a move since the 1970s to replace the civil service pension scheme with the central provident fund scheme, the Administrative Service, the Foreign Service, the Intelligence Service, the Police and the Armed Forces remain immune from this change for reasons of maintaining state stability.

Public Service 21

In May 1995, the Permanent Secretaries of the Singapore government decided to launch PS21, in order to nurture an attitude of service excellence in meeting the needs of the public with high standards of quality, courtesy and responsiveness, and to foster an environment which induces and welcomes continuous change for greater efficiency and effectiveness by employing modern management tools and techniques while paying attention to the morale and welfare of civil servants (PS21 Office, undated). The emphasis on efficiency and quality in the civil service was not new. Since the 1970s, there have been steady drives for efficiency and productivity. In 1990, a Service Improvement Unit was established under the Prime Minister's Office.

Like many public management reforms elsewhere, PS21 has its share of rhetoric on improving work attitudes and inculcating in public servants a sense of service excellence. However, given the more strategic goals of the government within the broad frame of governance, PS21 has embraced objectives that are somewhat beyond, if not in sharp contrast to, a typical NPM agenda. Though with similar emphasis as NPM on learning from successful private sector companies and indeed encompassing service-orientation devices and specific devolutionary management measures, such as budgetary devolution and turning government departments into 'autonomous agencies' similar to the British 'Next Steps' agencies, Singapore's public sector reforms, including PS21, are ultimately about government leadership rather than managerialism *per se.* The prime mover of PS21, Lim Siong Guan, writing in 1998 as permanent secretary to the Prime Minister's Office (and head of the civil service), pointed to five key features of PS21 (Lim 1998: 128–31):

- potential rather than performance;
- process rather than results;
- coordinated vision rather than coordinated action;
- most for input rather than least for output; and
- leadership rather than management.

The crux of public sector reform is promoting innovation and creativity, re-warding potential, and facilitating change, vision and commitment. It is not about denigrating the public sector or deferring to the private sector for performance and results. Quite on the contrary, PS21 seeks to re-strengthen the public service so as to make it first class with superior leadership (*ibid.*: 130). Such motive is also vivid in the 1994 White Paper on civil service salaries discussed above. Not only that, the civil service is expected to provide leadership talent for statutory boards and corpo-rations. All top public sector jobs, including the chairmanship, CEO and directorship positions in 'government-linked corporations' (GLCs), as well as ambassadorships, are now in principle open to the assignment of Administrative Service officers (Lim 1996). As a result, the 'administrative' corps of the meritocratic bureaucracy is to be further strengthened in providing leadership and direction to the state, leading in the country's political project of nation-building and economic development.

Reforming government boards and corporations

Economic development in Singapore since independence has been long spear-headed by the many statutory boards and government corporations. In the early days of independence, the government took an active state-directed industrialization policy. Various statutory boards were created for industrial promotion, industrial training, port development, telecommunication, public utilities, public housing and social security. New ones were set up in the 1970s and 1980s to cover finance and banking, productivity, research and development, urban renewal, tourism, broad-casting, trade development, mass rapid transit, construction and civil aviation.

By the mid-1980s, prior to the launch of privatization in 1987, there were 505 GLCs, including those under ministries and statutory boards (Public Sector Divest-ment Committee 1987: 19, Table 2.1). Singapore, however, did not go into privatiza-tion because of any recognition that public enterprises were inefficient, loss-making or contributing to government deficits and debts. Low (1991: 104–7) identified eco-nomic, political and corporate strains that provided the impetus to privatization. Economically, there was concern about a strong public enterprise sector crowding out local private enterprises and causing contractionary impact on liquidity. Politi-cally, the government had to deal with restless local entrepreneurs who felt eco-nomic privileges were largely split between GLCs and multi-national corporations. There was also concern about corporate governance and it was thought that priva-tization would help to enhance transparency and accountability. Hence privatiza-tion was aimed at strengthening the overall capacity of the state in economic management and development (Cheung 2002a: 84). In practice, there has been more corporatization than privatization.

Hong Kong: From Civil Service Empowerment to Civil Service Crisis

Administrative reforms in historical perspective

Hong Kong's administrative reforms began in the colonial era. Apart from being attempts to modernize and open up the administration in the aftermath of the 1967

riots which revealed sentiments of public alienation and demands for more responsive public services, Hong Kong's administrative reforms also were often used as substitutes for political and constitutional reforms to cope with a perennial legitimacy crisis (Cheung 1999). Major administrative reforms during the post-war decades are summarized in Table 2 below. The subsequent discussion then focuses on civil service reforms and public sector reforms, as well as the latest government restructuring.

Table 2 Major administrative changes since the Second World War

Reform Phase	Reform Content	Results
The Young Plan*(1946–52)	Constitutional reform to create a popularly elected municipal council	*Aborted,* because of opposition from appointed Legislative Councillors and from the Foreign Office in London. Instead, more elected seats were added to the Urban Council which, however, remained dominated by a majority of official and appointed members
Local government reforms (1966–1971) CDO scheme (1968)	To devolve some central powers to local authorities in relation to service provision and delivery	Urban Council reform plan *aborted.* 1971 White Paper: autonomy but reduced powers for a reorganized Urban Council. Instead, CDO scheme created to enable government to reach out to local communities and to strengthen political linkage.
McKinsey reform (1974)	To streamline central government machinery	*Implemented,* but McKinsey's proposals were modified to cope with conservatism within the bureaucracy.
Anti-corruption reform (1974)	To break up corruption syndicates in departments	Commission of Inquiry led to the establishment of ICAC.
District Administration Scheme (1980)	To promote local public participation and improve government responsiveness at local level	*Implemented,* with the establishment of partially-elected district boards** and inter-departmental district management committees.
Public Sector Reform (1989)	To re-rationalize policy management and delivery in public sector; 'recentralization' by administrative elite seeking a new regime of control over the public sector in light of political and managerial challenges.	Public Sector Reform *introduced* top down. Measures included: strengthening resource and policy control powers of central policy agencies, devolution of human and financial resource management, setting up of trading funds, inter-departmental charging and contracting out.

Note: CDO = City District Officer; ICAC = Independent Commission Against Corruption
* Named after the then governor Mark Young.
** The proportion of directly-elected elements were gradually increased on district boards and all appointed seats were abolished in 1994. However, after the establishment of the special administrative region, appointed seats were reinstated in 1999.

Modernization of colonial administration

Since the 1970s, there had been concurrent reforms in both the political and

administrative spheres. Because of political constraints on the pace of constitutional reform,[7] such reform had moved very slowly. The reform mostly took the form of improving the consultative and advisory mechanisms (for example the district administration scheme and the setting up of district boards of an advisory nature in the early 1980s), short of venturing into full-fledged democracy. The first phase of administrative reform began in the mid-1970s upon the recommendation of the McKinsey consultants whom the colonial government had commissioned to review the government machinery. New quasi-ministerial branches were set up in Government Secretariat to provide policy coordination and to remove colonial wrappings from government administration as far as practicable.

The size of the civil service was expanded in line with rapid expansion in the range of government functions, public services and infrastructural development. Government departments and quasi-governmental organizations proliferated, so had professional and specialist grades in the civil service. The fight against corruption also became an important mission with the establishment of the Independent Commission Against Corruption (ICAC) in 1974. This new institutional design eventually became a world-renowned model which was emulated by other countries such as Australia.[8] The 1970s and 1980s were a period of administrative reform and expansion clearly in favour of the bureaucracy's growth. Indeed, with improvements in salaries and conditions of service, and helped by anti-corruption efforts, the civil service was able to attain an image as an efficient, clean and well-paid workforce able to attract the best calibre.

Public sector reform in 1990s

The second phase of administrative reform came with the 1989 public sector reform programme, which in terms of rhetoric and open objectives sounded like any NPM agenda (Cheung 1992; 1996a). Apart from managerial initiatives such as budgetary devolution, contracting out and the establishment of self-accounting trading funds, and customer-oriented initiatives such as performance pledges, this reform was also significant in reconstituting the centre of policy management, with the policy secretaries (the equivalents of ministers) given the powers and resources to become proper policy managers, able to hold various executive agencies — departments, trading funds, non-departmental public bodies and public corporations — under their respective jurisdiction accountable for performance and policy outcomes. The enhanced role of policy secretaries seemed to follow the NPM logic of redefining the principal-agent relationship between central policy agencies and line organizations, building in new and more effective notions of accountability. It also pushed further the process of 'ministerialization' of these top civil servants who doubled as ministers a la Hong Kong style.

Hong Kong's public sector reform did not emerge in a background analogous to a typical NPM-setting — such as government oversize, macroeconomic and fiscal crises, New Right ideology, or party-political incumbency in favour of cutbacks (Cheung 1996a; 1997). Whereas NPM articulated a general strategy of state load-shedding and contraction as a solution to government overload, which was per-

ceived as one of the main culprits of governance failure in Western welfare states (Lane and Ersson 1987: 3–5), such considerations were not prominent in Hong Kong. On the contrary, Hong Kong had enjoyed a healthy fiscal position and steady economic growth, with the civil service and the public sector generally held in high regard. The significance of NPM-like reforms laid not so much in an efficiency agenda, but more in a programme of institutional reconfiguration.

Hong Kong does not have a politics-bureaucracy bargain *per se,* which Hood's PSB explanations can capture, but its public sector reforms sought to reformulate government-centre/departments relationships as well as to provide a new buffer of managerialism to shield top bureaucrats, who doubled as ministerial officials, from societal politicization and the challenge to their power by newly emerging electoral and legislative politics in the final years of decolonization (Cheung 1996a, 1996b). The bargain sought by NPM bureaucrat-reformers was to exchange political accountability for greater managerial autonomy, a process that was not too dissimilar to the implicit constitutional deals between politicians and civil servants in late 19th century Britain (Schaffer 1973: 252) and other Westminster-model countries, Scandinavian parliamentary democracies, and in parts of the public service in the French and German traditions (Hood 2002: 318). Hong Kong's public sector reform as a bargain was then very much in favour of the bureaucracy which was able to gain new managerial legitimacy and autonomy. It was a reform that used managerial solutions to solve potentially 'political' questions which could not be dealt with through proper political and constitutional reforms.

Until the end of British colonial rule, NPM reforms were not implemented because of the state suffering from any genuine crisis of efficiency as in those Western countries which opted for NPM and privatization in the 1980s and 1990s. Whereas NPM is used in Singapore to strengthen civil service supremacy, NPM in pre-1997 Hong Kong was equally employed to re-empower the civil service mandarinate in face of rising political difficulties.

Post-1997 civil service reform

The same strategy to use managerial means (administrative reform) to counter political challenge was observed again in the 1999 civil service reform (Civil Service Bureau 1999). The background to that reform was widespread public dismay with the performance of the civil service after the 1997 transfer of sovereignty and the establishment of a new special administrative region. The civil service-directed government under the new Chief Executive Tung Chee-hwa failed not only in coming up with effective solutions to tackle economic recession and rising unemployment. It was also perceived to be incapable of efficiency and self-correction because of its institutional rigidities. The high salaries and super-stable employment terms of the civil service were questioned, while repeated audit reports had exposed civil service inefficiencies and sleaziness.

Civil-service ministerial officials could only repeat their previous strategy by launching a new round of reforms in an 'efficiency enhancement programme' (that forced departments to achieve savings of 5% over three years) and the civil service

reform that put contract employment and performance-related pay on the government's agenda. Once again, managerial means were used to face political crises (Cheung 2001). These reforms had, however, backfired by attracting vocal civil service protests in 1999 and 2000. A pay cut legislation in July 2002 also triggered the largest ever protest by civil servants and public sector employees, underscoring the growing tension between government leaders and the staff side.[9]

In December 2001, the government commissioned the three civil service pay advisory bodies[10] to conduct a two-phase review of civil service pay policy and system. The review task force published its Phase 1 report in September 2002 (Task Force on Review of Civil Service Pay Policy and System 2002), in which an immediate comprehensive pay level survey was recommended, together with proposals to study the feasibility of introducing performance-related pay, flexible pay structures such as pay ranges and a 'clean wage' policy.[11] The long term objective is to further decentralize pay administration responsibilities to departments. Though fiscal constraint was not recognized as the motive for the review, the Task Force did emphasize the government's affordability as a very important factor in pay adjustments.[12]

The government's determination to review or 'modernize' the civil service pay system and other management practices, and the staff side's strong reaction to such

Table 3 Pre-1997 and post-1997 economic, political and institutional settings of public sector reforms in Hong Kong

	Until 1997	*After 1997*
Economic setting	• High-growth • Government in good fiscal shape — cost does not matter	• Prolonged recession • Government in fiscal stress — cost does matter
Political setting	• Government by bureaucrats • Increasing political challenge to bureaucratic power from electoral and legislative politics • Rising public expectations of public services	• From government by bureaucrats to government by politically-appointed ministers (from July 2002) • Continuing political challenge from legislature and political parties; erosion of bureaucratic monopoly of governmental power by the new ministerial system • Public dismay with civil service performance • Public resentment towards the high pay and better conditions of civil servants
Institutional setting	• Process of ministerialization of top bureaucrats • Strengthening the government policy centre (policy branches [13]) in terms of policy oversight and resource allocation over departments	• Redefinition of ministers-bureaucrats relationship after July 2002. A new form of ministerial government taking shape • Strengthening the ministers. Amalgamation of policy bureau and subordinate departments to form a new executive organization

a move, suspecting it to be a pretext for salary cuts, clearly demonstrate the chang-
ing status of the civil service in the order of priority on the new government leader-
ship's agenda. Under the British administration, the civil service formed the nucleus
of colonial rule and was given maximum protection in rewards and benefits. Such
a pro-civil service tradition seems to become eroded because of changing public
sentiments and the coming to power of a new administration which relies mostly on
the Chinese central government's blessing in Beijing to rule the special administra-
tive region and which seems eager to shift the blame for mis-government to the civil
service. Whatever previous public service bargain (PSB) there existed, it appeared
to have been eroded or 'cheated'. Instead of relying on bureaucratic excellence as the
remedy to new political challenges, Chief Executive Tung Chee-hwa has opted for a
political solution after the bureaucratic solution failed during his first term, by intro-
ducing a new ministerial system of political appointments in July 2002, hence sealing
the declining fate of the bureaucracy. The differences in economic, political and
institutional settings of public sector reforms can be depicted in Table 3.

Renegotiating the politics-bureaucracy 'bargain'

As a result of his bitter experience in working with his ministerial-bureaucrats
headed by the previous Chief Secretary for Administration Anson Chan (who occu-
pied the position of head of civil service under the administrative system inherited
from British colonial times), and in order to strengthen his policy command by
allowing him to pick and choose his own ministers from inside and outside the civil
service for his second term of office, the Chinese central government gave its bless-
ing to Tung in introducing the new ministerial system (Cheung 2002b; Burns 2002).
The new ministerial system means not only a constitutional reconfiguration of the
government structure, but also more significantly the removal of policymaking
powers from the top civil service bureaucrats who until then used to run the govern-
ment.

However, the bureaucrats do not seem to have happily consented to the result of
such a deal which saw their powers transferred to new ministers some of whom have
limited public service experience previously, and their career ending at most as
permanent secretaries of various bureaus (the equivalents of ministries). Since the
new ministers are not elected politicians as in many other governmental systems,
but are only executive appointees of a Chief Executive who is neither popularly
elected,[14] their political legitimacy is very much in question. This also would affect
their relationship with their civil-service counterparts in the PSB.

The new ministerial team, however, is keen to tame the civil service not only
politically, but also managerially in terms of downsizing and reorganizing it in order
to produce a leaner and more cost-effective bureaucracy. The former Financial
Secretary Antony Leung, a Tung protege, for example, repeatedly spoke of cutting
civil service cost and turning over public service functions to the private sector,
since taking over the financial portfolio as an outsider from the banking sector.
While the present cabinet consists of both outsiders and insiders (meaning those
ministers elevated from the civil service upon severing their bureaucratic links),

Leung's public sector reform objectives once dominated the government's new rein-vention agenda. His famous slogans were the "3Rs + 1M" (i.e. reprioritizing, reor-ganizing, reengineering and market-friendly). Although he resigned in disgrace in July 2003 in the aftermath of the massive anti-government protests on 1 July,[15] the government's reform thinking has remained largely intact.

On the face of it, the current reforms can still be considered as moving along the path of the 1989 public sector reform started in the first place by the bureaucracy. However, the nature of reforms is being transformed. Streamlining and downsizing the bureaucracy managerially cannot now be really divorced from downsizing bu-reaucratic power politically. It is still early to speculate on how the bureaucrats would strategically respond to this latest political challenge, or whether after rounds of rivalries and struggles, the two sides — ministers and bureaucrats — would settle to a new stable PSB. For the purpose of the present discussion at least, it can be observed that Hong Kong's administrative reform trajectory has entered a wholly new phase, with a political agenda not entertained before.

Corporatization and privatization

Until the 1960s, government activities were carried out by departments. Most public utilities, including electricity, gas and public transport, were operated by private companies under government franchise. The only exceptions were the rail-way, airport and water which were managed by government departments. Statu-tory boards and authorities, similar to those in Singapore, began to emerge in the late 1960s and proliferated in the 1970s, followed by corporatizations in the 1980s. Major ones included the Housing Authority, the Productivity Council, the Consumer Council, the Mass Transit Railway Corporation (MTRC) and the Land Development Corporation. In 1981 the Railway Department was corporatized to become the Kowloon-Canton Railway Corporation. In 1990 a new Hospital Authority was set up to bring all government and subvented hospitals within one unified institutional framework. In the mid-1990s, a new Authority Authority was established to operate the new Chek Lap Kok airport which opened in 1998. These corporatized bodies remain under government control. Another attempt to corporatize the government broadcasting department along the BBC (British Broadcasting Corporation) model, however, failed mainly because of China's objection.

Corporatization and privatization were part of the 1989 public sector reform objectives. However, due to the limited number of public enterprises, privatization in essence took the form of contracting out of public services, a notable example being the phased transfer of public housing management and maintenance services to private property management companies from early 2000. As a result of increas-ing fiscal constraints and the need to enhance cost-effectiveness, contracting out and out-sourcing have become preferred means of service delivery, even in social ser-vices. In late 2000, the government floated 20% of the MTRC's shares on the market, with the aim to increase private share to 49%. The Water Supplies Department is being considered for some form of private sector participation, and trading funds like the Post Office would likely be corporatized. It is also contemplated by the new

government to involve private-sector finance in major infrastructural projects. It is clear that privatization — whether as contracting out or sale of government assets — is driven more by fiscal motives to reduce public expenditure and generate income than a general failure of the public sector. Corporatizations in the late 1980s and early 1990s primarily served institutional purposes to nurture an enlargement of the public sector instead of downsizing it.

Redefining Bureaucratic Power: Singaporean and Hong Kong Trajectories Compared

The Singaporean and Hong Kong trajectories in public sector reforms can be analyzed along several themes.

NPM motives and opportunities

In terms of motives and incentives to reform, it can be observed that despite both having a long history of administrative modernization in previous decades, at the start of public sector reforms in the early 1990s, both polities did not suffer any economic or fiscal crisis, nor did they face any political or societal pressure to undertake major institutional changes. Arguably there was a more vocal and active civil society in Hong Kong than Singapore, but public demands in Hong Kong had focused on political reforms such as opening up the government and representative institutions rather than reforming public sector management *per se*. Hence, for the 1990s as a whole, the two polities had both experienced reforms by the bureaucracy for the benefit of the bureaucracy and such reforms took place in a high-growth economy which would not cause redistributive politics to creep onto the reform agenda. The NPM agenda there was different from the OECD paradigm. Reforms were conceived not within the context of denigrating civil service competence, but in terms of enhancing its preeminence within the paradigm of East Asian miracle. Both Singapore and Hong Kong somewhat shared the characteristics of what Hood (1996a) described as the 'Japanese way' of reform (high opportunity, low motive). There was neither a collapse of the old public administration regime as Hood (1996a) observed in Western countries. On the contrary, both administrative states remained powerful and strong. The international impact of NPM was felt more in terms of policy 'bandwagoning' or fashion-following than adopting similar solutions to solve similar problems as in other developed economies.

After the 1997 Asian financial crisis, and as the global recession continues, both previously thriving economies have encountered increasing economic and fiscal difficulties. In Singapore, the PAP-civil service governing coalition still persists and there is one mind in pursuing public sector reforms for more overt managerial and economic objectives. Hong Kong, unlike Singapore, has political in addition to economic motives in its move to streamline and downsize the public sector, both to please a public increasingly skeptical of civil service efficiency and to facilitate reframing the public service bargain. There are also divergent interests between the political leadership and the bureaucracy. By now the economic habitat of the two

city states is more akin to that witnessed in OECD public sector reforms, but again Singapore still displays a pro-civil service reform mindset though Hong Kong is beginning to have a more mixed agenda in face of growing public dissatisfaction of civil service performance and the rise of a civil-service-skeptic political leadership. Vickers (2001) further observed that the administrative class of the Hong Kong civil service — which used to supply top quasi-ministerial mandarins — had become more 'colonial' and paternalistic again after the 1997 handover, suggesting the creeping in of a more Asian kind of administrative culture and traditional Chinese bureaucratic values.

The political nexus triad

Within the PNT, there is no evidence of a clear shift in public sector reform as a result of society-driven politicization, although arguably in light of the current economic recession there is a louder voice from the business sector in Hong Kong for cutting down public expenditure and the public sector. But throughout the 1990s public sector reforms were principally driven internally by the government bureaucracy which either saw these reforms as ways to perfect bureaucratic competencies and maintain its dominant governing position, or sought to adopt reform rhetoric and skills that seemed to prove popular and effective within the global NPM practice. In both Singapore and Hong Kong, such bureaucratic reform agenda appeared to suit the political agenda of the times — a PAP government in Singapore that worked to reposition the city state in face of growing international competition, hence requiring a more forward-looking and proactive management style from the civil service; and a departing colonial administration in Hong Kong that was eager to adopt a more managerial and customer-oriented style of government in order to meet rising public expectations that would not be satisfied otherwise for lack of opportunities for constitutional reforms.

The bureaucracy-led PNT has remained unchanged in Singapore in the post-Asian crisis era. In Hong Kong, without downplaying the enthusiasm of some senior civil servants who continue to push for a self-reforming process,[16] it has become clear that a politician-driven politicization is fast taking shape, spearheaded by former Financial Secretary Antony Leung and some pro-business Executive Councillors. The two politicizations no doubt share some common objectives, but they are underpinned by divergent reform agendas — one to sustain bureaucratic power and the other to curb it. As a result, public sector reform in Hong Kong is expected to encounter more institutional conflicts and a more unstable PSB than in Singapore.

The public service bargain

PSB in Singapore has not experienced any transformation throughout the process of public sector reform. The reform is not about politicians seeking to better control bureaucrats or the latter seeking to 'cheat' on the former. The relations between the two institutional actors are stable within the political tradition of Singapore's one-party administrative state (Chan 1975, 1993) that has lasted until today from the time of independence. In Hong Kong, there was originally a lopsided

PSB in the sense that the colonial administrative state was rule by civil servants until the rise of electoral politics in the 1990s that began to cause stress on civil-service bureaucratic power. After five years of power rivalry between the Chief Executive and his top mandarins, which saw the original assumptions of PSB increasingly questioned and disrupted, a new PSB is in formation but has yet to demonstrate its mutual acceptance by political ministers and the bureaucracy. NPM-type reforms may help to strengthen the ministers' policy and resource controls over the bureaucracy, but the NPM ethos of managerial autonomy may reversely give the latter strong ideological grounds to resist political control. Public policy and public service framework agreements, and civil service reform packages, will become as much a design for management reforms as a settlement to realize a workable PSB. Questions remain, however, as to whether the political executive under Tung Chee-hwa — whose authority and power have been much eroded by the 1 July 2003 protests which forced two of his trusted ministers to resign for 'personal reasons' and his government to withdraw the controversial national security legislation — is

Table 4   NPM in the West and in Singapore/Hong Kong contrasted

	West	*Singapore/Hong Kong*
Nature of state	Political state	Administrative state
Previous public administration regime	Old public administration regime being challenged and collapsing	No such challenge to or collapse of previous public administration regime (except the latest developments in Hong Kong)
Economic and fiscal habitat	Economic stagnation and fiscal crisis	Economic boom and fiscal stability (until most recently)
Civil service reforms	Downsizing and denigrating the civil service in favour of private production	Civil service empowerment, to retain first class status in society
Privatization and corporatization	As means to shed the loading of the state because of perceived public sector failure	Public sector bodies remain doing well. Privatization and corporation used to pursue non-efficiency-related agenda
Public service bargain	Politicians and bureaucrats engaging in process of PSB and blame-shifting	Politicians-bureaucrats coalition in Singapore; and bureaucrats domination in Hong Kong
Political nexus triad	Politics-driven reform	Bureaucrats-driven reform (though arguably Singapore began in the 1960s with politicians-driven reform)
NPM reform paradigm	Public-sector denigrating in many Western countries (though New Labour government in UK has reemphasized the value of public service)	Public sector empowerment (though Hong Kong is experiencing paradigm reversal most lately)

united and strong enough to 'tame' the senior bureaucrats who have been entrenched in the system over the past several decades.

Comparison with Western NPM experience

Whether in terms of socio-economic habitat or institutional dynamics, the Singapore/Hong Kong experience so far seems to differ significantly from the Western NPM experience. Major differences are highlighted in Table 4.

Conclusion

To conclude, the Singapore-Hong Kong model of NPM reform in the 1990s is typical of reforms by bureaucrats for bureaucrats through bureaucrats. The bureaucracy-led reform trajectory followed an agenda that sought to enhance public bureaucracy power and competence rather than to denigrate them. The two city states' administrative-state configuration, sustained by bureaucratic paternalism (helped by both previous colonial trajectories and the Asian administrative culture) and institutional legacies, has ensured that a bureaucrats-driven PNT in reform is almost unavoidable. At the politics-bureaucrats interface, the PSB has been relatively stable and is not seen to be upset by NPM reforms, although most recently the Hong Kong PSB is beginning to undergo readjustment. To that extent, despite any similarities in reform rhetoric and measures, the agenda-setting process and the domestic politics of NPM have taken very different shape from those of OECD reformer countries.

The NPM logic implies a market-dominant reform ideology. This is arguably ambivalent in the Singapore-Hong Kong model. The Singaporean developmental state has always taken active steps of economic intervention, to foster a state-led industrialization. In face of the present globalization challenge, there is little evidence of a decline in state leadership. Instead, through various reform packages on social and economic fronts, the PAP political leadership, in alliance with a reinventing civil service, continues to pursue what Wade (1990) called a 'governed market' strategy. In Hong Kong, despite the long-cherished respect for a free market, the bureaucratic administration had in fact been an engine of social policy reforms and economic regulation and intervention in the 1970s and 1980s. A regulatory state co-existed with a free market. The same dialectical construct is seen in operation under the new regime of the special administrative region. While on the one hand advocating small government, privatization and contracting out, Tung's government is on the other hand eager to step into the economy and to pursue various policies to meet the rising demands of various politically-organized socio-economic interests, within a post-1997 environment of new interventionism (Cheung 2000).[17] In either city state, there is lip service to the market, but the state practice follows a separate political logic, thereby constituting a paradox in administrative reform that is not entirely absent from OECD reforms (Wright 1997).

Notes

1 The author acknowledges the financial support given by the Governance in Asia Research Centre of the City University of Hong Kong to enable him to present the original version of this article to the Second Asian Forum on Public Management, held in Meiji University, Tokyo, during 18–19 November 2002.

2 Hong Kong as a highly autonomous 'special administrative region' of China with its own constitution, the Basic Law, enjoys its own trade, excise and judicial jurisdictions. Apart from foreign and defence affairs which are under the control of the Chinese central government, Hong Kong operates as a separate entity and can enter into bilateral international agreements in the name of 'Hong Kong, China'.

3 While Hong Kong has all along been a typical administrative state ruled by bureaucrats, it was also argued by some (Chan 1975) that Singapore, under the long-time rule of a PAP-bureaucrats machinery, was equally an administrative state despite the appearance of party government.

4 Under the Chief Executive Election Ordinance of 2000, if the Chief Executive is a member of a political party, he or she has to resign from the party upon election to office.

5 The then new Financial Secretary Antony Leung envisaged the government's role to include: first, maintaining an institutional framework conducive to market development; second, providing that infrastructure in which the private sector will not invest; third, providing an appropriate environment and the resources required to raise the quality of human capital; fourth, securing more favourable market access for local enterprises through multilateral and bilateral economic and trade negotiations and participation in relevant economic and trade organizations; and fifth, considering the need to take appropriate measures to secure projects beneficial to the economy as a whole when the private sector is not ready to invest in them (Leung 2002: para. 42).

6 The Public Service Division was established in 1983 as a division in the Ministry of Finance in order to centralize civil service management. In June 1994, it was transferred to the Prime Minister's Office.

7 It was well known at the time that China was against Britain transferring power to a popularly-elected legislature in the name of 'representative government', along the Westminster model of democracy. When Britain signed the Sino-British Joint Declaration in 1984, it sought to introduce drastic constitutional reforms through the Green Paper on Representative Government. Reform measures were eventually toned down or aborted because of China's opposition.

8 The State of Queensland in Australia set up an anti-corruption organization with exactly the same name as the ICAC in Hong Kong.

9 Arguing that there was never before any downward adjustment of civil service salaries, and that there lacked a secure statutory ground for the pay cut which was made necessary in light of negative findings of the annual pay trend survey of private firms, the government decided to legislate such pay cut so as to prevent any possible judicial challenge.

10 On directorate staff, non-directorate civilian staff and disciplined services respectively.

11 That is, to incorporate all allowances and benefits into base salaries.

12 The government ran at an estimated operating deficit of HK$78 billion in 2003–04, despite enjoying fiscal reserve of over HK$300 billion. In late October 2002, Standard & Poor's, the ratings agency, downgraded Hong Kong's long-term local-currency credit rating in light of the government's inability to control public expenditure. Achieving fiscal balance was the medium-term objective of former Financial Secretary Antony Leung.

13 Policy 'branches' were renamed 'bureaus' in line with the new Basic Law nomenclature

upon the establishment of the special administrative region on 1 July 1997.

14 Under Hong Kong's Basic Law, the Chief Executive is elected by an 800-person election committee — an electoral college comprised of members elected by various functional and political constituencies with limited franchise. Pro-democracy parties and civil society groups have always criticized such election method as a 'small circle' election.

15 Over his controversial car-purchase ahead of his March 2003 Budget that proposed an increase in car registration tax. This was dubbed 'car-gate' by the local press.

16 For example, the present Chief Secretary Donald Tsang who as Director of Administration in the Government Secretariat oversaw public sector reform in the early 1990s, and those officials in the Efficiency Unit that is placed under the Chief Secretary's Office.

17 The latest example of state intervention is the government's decision to stop land sales and the discontinuation of the Home Ownership Scheme (introduced since the md-1970s) in order to boost the private property market.

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