

**Tenth Meeting of
the Business Facilitation Advisory Committee**

Agenda Item 3 : Comparing the Hong Kong Public Service

Issue

The Efficiency Unit (EU) has commissioned a study: 'Benchmarking the Hong Kong Public Service 2008'.

Benchmarking the Hong Kong Public Service 2008

2. This is the first attempt to study the performance of the Hong Kong public service executive. The study compares Hong Kong's public service performance with those of 21 Asia Pacific and OECD economies. The consultant was asked to examine the existing international comparative studies conducted by the Institute for Management Development (IMD), World Economic Forum (WEF), World Bank and others and to extract indicators that were related to the public service. The intention was to aggregate the identified indicators into new indices that would, as far as possible, reflect objectively the performance of Hong Kong's public service compared with other regional and global economies. Indicators related to an economy's competitiveness, economic freedom or political arrangements etc. were NOT included in our exercise.

3. The consultant has aggregated 18 of the indicators into one Aggregate Public Service Administration Quality Indicator (APSAQI)¹. In 2008, Hong Kong ranked joint third overall, with Switzerland, after Singapore and Denmark. See Figure A (attached). Disaggregating the APSAQI into two groupings, Hong Kong ranks 7th under the Traditional Public Service Values Indicator, and 2nd for the Competitiveness and Regulation Indicator.

¹ APSAQI indicators – Government decisions are effectively implemented; Justice is fairly administered; Judiciary is independent; Public service is independent; Diversion of public funds due to corruption; Existence of bribery and corruption; Neutrality of government officials; Transparency of government policy; Wastefulness of public spending; Effectiveness of police; Regulation restrains companies' ability to compete; Legal and regulatory framework encourages competition; Public sector contracts are open to foreigners; Ease of doing business is supported by regulations; Intellectual property rights are enforced; Public and private sectors support technological developments; Bureaucracy hinders business; Burden of government regulation.

4. Regarding the individual indicators identified in the study, Hong Kong ranked 1st and 2nd in the following –

- (a) regulation intensity does not restrain the ability of companies to compete (1st);
- (b) the legal and regulatory framework encourages the competitiveness of enterprises (2nd);
- (c) complying with administrative requirements issued by government is not burdensome (2nd); and
- (d) ease of doing business is supported by regulations (2nd).

We performed less well in –

- (a) the educational system meets the needs of a competitive economy (11th); and
- (b) intellectual property rights are adequately enforced (14th).

5. Figure B (attached) shows how the surveyed economies performed in relation to the percentage of GDP spent on General Government Expenditure in 2007. Again, Hong Kong performs very well, after Singapore.

6. Apart from APSAQI, Hong Kong ranks 2nd for the World Bank Regulatory Quality Indicator.

7. On the few sectoral indicators that are included in this year's study i.e. health and education, Hong Kong also does well in health and some aspects of education (reading, mathematics and science) but less well in enrolment and whether the education system meets the needs of a competitive economy.

8. It should be noted that many of the international ranking studies from which we have drawn our data, especially the IMD, are based on the perceptions of those surveyed rather than hard facts. The Administration would like to gain further insight into the factors affecting the business sector's perception. This would help the Administration focus its efforts in devising improvement measures to promote Hong Kong's appeal to both international and local investors.

9. While there are data limitations² in studies of this kind, it remains of interest and benefit to identify the broad patterns emerging from the data. And, despite the limitations, having some data to inform debate is better than none.

Conclusion

10. In general, Hong Kong's public service compares well with other economies, particularly when considering the relatively low level of public expenditure in Hong Kong.

Way Forward

11. We intend to continue conducting the study in future, as this would provide us with invaluable information to track the performance of our public sector. We would consider further how we can improve the study by, for example, trying to identify suitable data involving citizens' views, including more indicators based on factual data and incorporating more sectoral indicators covering ICT, transportation etc, and what frequency/timing would be most appropriate.

Attendance

12. Mr Steve Barclay, Assistant Director, EU, will attend the meeting.

Efficiency Unit
Chief Secretary for Administration's Office
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² All of the international comparative studies have data limitations and caution must be exercised in drawing conclusions, particularly relating to margins of error and small changes year on year. For example, many of the indicators are predominantly based on the opinions of the business community, and often involve small samples of respondents. Also the indicators represent only limited elements of the public service, and are snapshots in time.

Figure A

Aggregate Public Service Administration Quality Indicator (APSAQI) 2008

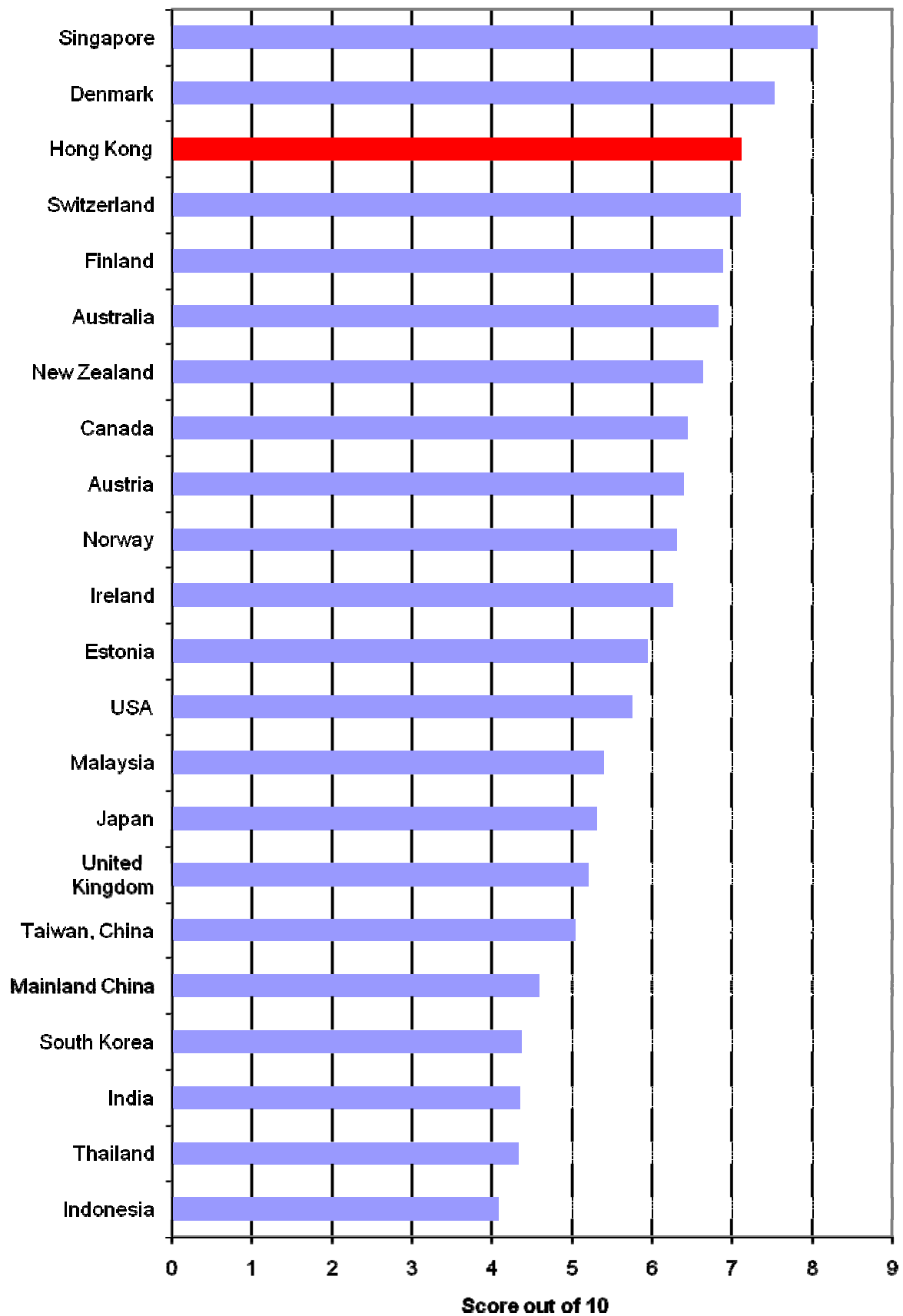


Figure B

Aggregate Public Service Administration Quality Indicator (APSAQI) (2008) and Percentage of GDP spent on General Government Expenditure (2007)

