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**CE on Principal Officials Accountability System**

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Following is the translation of the address by Chief Executive, Mr Tung Chee Hwa, today (April 17) at the Legislative Council on the introduction of the Principal Officials Accountability System.

Madam President and Honourable Members,

In the 2000 Policy Address, I proposed that we should examine the possibility of introducing a new Principal Officials Accountability System. In my 2001 Policy Address, I set out in greater detail the framework of the Accountability System being considered. In the last two years, we have listened closely to the views of the community through various channels. This includes attending a series of meetings in the Legislative Council and listening to the views of Honourable Members. We are heartened that the community has generally identified with the concept of introducing the Accountability System. I have decided to come in person to the Legislative Council to introduce to Honourable Members the plans of the HKSAR Government for introducing the Accountability System on 1 July 2002, and to seek Members' support for the associated expenditure and the resolution for the relevant legislation to be amended, so as to transfer relevant statutory powers and functions to the respective Directors of Bureaux under the Accountability System. Our hope is that the Accountability System can be implemented on schedule.

In the last two Policy Addresses, I have emphasised that the purpose of introducing the Accountability system is to enable Principal Officials of the HKSAR Government to assume responsibility for their policy portfolios, to share a common agenda and to have clear directions. We need to feel the pulse of the community, to understand community sentiments, and to strengthen liaison and communication with the Legislative Council, different sectors of the community and the general public. We need to improve the prioritising of the Government's agenda and to improve overall policy coordination, so that we would be in a position to provide better services to the community and the general public.

Now, let me set out the principal elements of the Accountability System.

Firstly, the upper echelon of the Government, including the Chief Secretary for Administration, Financial Secretary, Secretary for Justice and all Directors of Bureaux, will be covered by the Accountability System. These officials will no longer be civil servants, but will be appointed on contract terms as Principal Officials under the Accountability System. They may

serve for a term of five years, but not exceeding that of the Chief Executive who nominates them. They will cover the respective portfolios assigned to them by the Chief Executive, oversee the work of associated departments, formulate policies, explain policy decisions, market policy proposals and gain the support of the Legislative Council and the public. They will be accountable to the Chief Executive for the success or failure of their policy initiatives. Under the leadership of the Chief Executive, they will be accountable to the community. Where necessary, the Chief Executive may terminate their contracts.

Secondly, all Principal Officials under the Accountability System will be appointed to the Executive Council. This will strengthen the work of the Executive Council. The Principal Officials will participate directly in the Government's policy decision-making, in prioritising the policy agenda, and in harmonising the work which straddles across different departments. In overall terms, governance will be improved; decision-making will be quickened; responses to the demands of the community and the needs of the public will be more direct. In accordance with the provisions of the Basic Law, the Executive Council may continue to include other community leaders and Members of the Legislative Council.

Thirdly, the remuneration of Principal Officials under the Accountability System is comparable to the packages currently applicable.

Fourthly, various Policy Bureaux will be combined to facilitate better deployment of resources and closer coordination of policy portfolios. Through this re-organisation, the original sixteen Policy Bureaux will be revised to eleven. Including the three Secretaries of Departments, following the restructuring, there will be fourteen Principal Officials covered by the Accountability System. These are the Chief Secretary for Administration, Financial Secretary, Secretary for Justice, Secretary for Home Affairs, Secretary for Constitutional Affairs, Secretary for Housing, Planning & Lands, Secretary for Education, Secretary for the Environment, Health & Welfare, Secretary for Transport & Works, Secretary for Economic Development, Secretary for Commerce, Industry & Manpower, Secretary for Financial Affairs & the Treasury, Secretary for Security and Secretary for the Civil Service.

Fifthly, the terms and conditions of service of civil servants who presently fill the positions of Directors of Bureaux will remain unchanged. These positions will be re-titled Permanent Secretaries. Under the Accountability System, they will act as the interface between Directors of Bureaux and the civil service. Under the direction of the Directors of Bureaux, the Permanent Secretaries will be responsible for formulating and implementing policies, listening to the views of the public and the Legislative Council, explaining policies to these respective groups, responding to questions raised and gaining support from different quarters for Government policies.

In the process of formulating our proposals for the Accountability System, we realise that various concerns have been raised among certain quarters of the community - namely, that under the Accountability System power might be concentrated in the Chief Executive; that as there are Principal Officials and Permanent Secretaries under the Accountability System, this will result

in unnecessary duplication; that the Accountability System will affect the stability, permanence, professionalism, political neutrality and the uncorrupt nature of the civil service. Let me take the opportunity to address these concerns.

Firstly, in implementing the Accountability System, will power be concentrated in the hands of the Chief Executive? We all know that the Basic Law has clear provisions governing the powers of the Chief Executive. The Basic Law provides that the Chief Executive is the head of the HKSAR Government. He leads the Government and the civil service. According to the Basic Law, the powers of the officials of the HKSAR Government originate from the Chief Executive. It is for the Chief Executive to determine how he should delegate his authority according to his policy agenda. As the Basic Law has already conferred all necessary powers on the Chief Executive, there is no need for these powers to be strengthened by the new system; nor should such a question arise. In fact, in implementing the Accountability System, the Chief Executive will be devolving further his authority, not only to the three Secretaries of Departments, but also to the eleven Directors of Bureaux, so that in assuming responsibility for their respective portfolios, they will have the necessary authority to formulate, coordinate and implement policies.

In implementing the system, changes have to be made for each official under the Accountability System to be responsible for his policy portfolio. According to the design of the Accountability System, Directors of Bureaux are ultimately responsible to the Chief Executive. However, the Chief Executive will continue to rely on the Chief Secretary and Financial Secretary to oversee and coordinate the work of the respective policy bureaux and to coordinate work which straddles different policy bureaux. The two Secretaries of Departments will also coordinate the work in respect of important policy agendas and priorities determined by the Chief Executive and Executive Council. For example, in the last year or so, the Chief Secretary has covered Guangdong/Hong Kong cooperation and major infrastructure coordination. The Financial Secretary has covered discussions with the Mainland concerning the "Closer Economic Partnership Arrangement". These modus operandi will not be changed following the introduction of the Accountability System. Furthermore, the role of the Executive Council will be enhanced. The Chief Secretary for Administration will chair various Executive Council Sub-committees. These Executive Council Sub-committees will replace the policy groups under the Chief Secretary's Committee. Likewise, the Financial Secretary will chair relevant Executive Council Sub-committees.

As for the inter-relationship between the respective Policy Bureaux, this concerns primarily better use of resources and closer coordination between related policy portfolios. Some of the policy bureaux will be combined. For example, Housing, Planning and Lands will be amalgamated; Transport and Works will be placed under one roof. In putting forth this re-organization, we have reflected carefully on what would constitute the optimum organization. We cannot have, and do not have, a pre-set number of policy bureaux. We have to base our assessment on practical need and our cumulative experience in running the Government. The proposals we have put forth represent the most appropriate package.

To complement the introduction of the Accountability System, and to facilitate strengthening of the coordination role of the Executive Council in the decision-making process, the Executive Council Secretariat will be transferred to the Chief Executive's Office. The position of Information Coordinator will be re-titled as Director of the Chief Executive's Office. The Director will oversee the running of the Executive Council Secretariat and continue to perform the duties of the Information Coordinator.

In future, the Central Policy Unit will strengthen its capabilities in respect of conducting surveys on public opinion and long-term policy researches. This will ensure that in determining long-term policies, the HKSAR Government will have a broad base of support in the community.

All of these adjustments are directed to one single purpose i.e. to enable Principal Officials under the Accountability System to have a clear understanding of their respective responsibility, to strengthen solidarity, to enhance internal working relationship and to smoothen cooperation. The team will be able to set, coordinate and implement policies more effectively to meet the needs of the community and our expectations. They will also be able to meet proactively the challenges facing Hong Kong. I would also like to emphasise that the checks and balances designed for the HKSAR, including those in respect of the Chief Executive and the Executive Authorities, will not be diminished following introduction of the Accountability System. The Legislative Council will continue to play the same important role in holding the Government accountable.

In introducing the Accountability System, one of the fundamental aims is to enable Principal Officials to be responsive to the calls of the community in assuming personal responsibility for the success or failure of their policies. This is to be done on the basis of maintaining the stability and continuity of the Civil Service. There are increasing calls for senior civil servants to be held accountable for policy failures, including calls for some of them to step down. However, due to the permanence of the current system and established appointment and removal systems, the current civil service system is not compatible with these demands. Furthermore, following the return of Hong Kong to the motherland, and with the elected Chief Executive, a fully elected legislature, the increasingly progressive and aggressive media, Government operation and policy formulation are subject to increasing public scrutiny and pressure. In addition to expectation for Principal Officials to undertake their statutory duties, they have to cover political work within the community. However, the traditional roles which civil servants are expected to play under the current system run into conflict with the demands of the times.

If we adopt an approach of introducing the Accountability System within the civil service structure, we may achieve the ends of "accountability". But in the process, we may lose the permanent, professional and politically neutral civil service which has been established through years of experience and efforts. Thus, in these circumstances, it is appropriate for us to establish on top of the current civil service system a new Principal Officials Accountability System complemented by a suitable set of terms of employment.

Officials under the new Accountability System will not be civil servants. They will no longer be constrained by the civil service structure, and will be motivated by common perspectives, shared policy goals and a collective mission. The Accountability System will provide them with the environment to strengthen the communication and liaison with the public in implementing policies. They will have more latitude in strengthening their relationship with the Legislative Council and the media, so that they will be able to gain broader public support and assistance for their initiatives.

As I mentioned just now, in introducing the Accountability System, we must ensure the continuity and the stability of the civil service structure. Not only do we have to achieve this, but through the introduction of the Accountability System, we must preserve and enhance the distinctive qualities of the civil service system i.e. permanence, professionalism, political neutrality, and an uncorrupt administration. These are the qualities which I, and the Principal Officials under the Accountability System in future, would wish to preserve. I also believe that the community takes the same view. We wish to preserve these qualities, because they are essential to the good governance of the HKSAR. With the Accountability System, it will be possible for civil servants to focus on their important role of implementing policies and putting forth proposals, in the face of increasing political pressures and the need to be involved in more political work. Furthermore, we have emphasised the importance of retaining the D8 rank of Permanent Secretary as part of the civil service system. We have taken this view in order to preserve the integrity of the civil service system, to guarantee that we will continue to attract the best and the brightest to the civil service career, and to ensure that our community will benefit from having such talent to provide public service of the highest quality. In order to highlight the importance which we place on the civil service, we have determined that the Secretary for the Civil Service should be selected from among senior civil servants. This will guarantee that this Principal Official will have a full understanding and appreciation of the civil service structure and system. As the Secretary for the Civil Service will be a member of the Executive Council, he will be able to represent the expectations and interests of the Civil Service in the process of policy-making at the highest level of the Government. At the same time, he can also convey the considerations taken into account in respect of major decisions to civil service colleagues. This will facilitate full and effective implementation of policies adopted.

There has been quite a lot of attention on the financial implications of introducing the Accountability System. The HKSAR Government intends to make the introduction of the Accountability System cost-neutral within one year through internal redeployment of savings. Furthermore, the remuneration of the Second Term Chief Executive will remain basically at the present level, and will be adjusted necessarily according to the current mechanism. It will not be increased due to the introduction of Accountability System. I suggest that the remuneration package for the Third Term Chief Executive should be considered by an independent committee.

I believe that by introducing the Accountability System in responding to public demands, the HKSAR Government will bring about a new style of governance. There will be two prominent changes. Firstly, because officials

under the Accountability System will have to assume responsibility, they will place importance on public opinion; they will make further efforts to gauge public sentiments; they will be proactive in facing the public, and in gaining the trust and support from the public through delivering results. By so doing, the HKSAR Government will become more open, will be more prepared to listen to the voices of people, will be more ready and able to respond to public demands in a timely fashion, and will build a government which has stronger public support.

Secondly, through the establishment of the top echelon of the HKSAR Government under the Accountability System, our objectives will be more clearly defined and our directions more firmly set. In pushing forward our policy initiatives, we will be deploying our resources more effectively; we will be more sensitive in setting priorities; the working relationship between the Executive and the Legislature will be strengthened. Accordingly, we will all be able to serve the public more efficiently and more responsibly.

Thank you very much. I am now ready to answer some questions from Honourable Members about the Accountability System. As the Chief Security for Administration and the Secretary for Constitutional Affairs will be answering your questions in detail over the next few days, I will only answer some of your questions now.

End/Wednesday, April 17, 2002

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Floor (Cantonese)/ English/ Putonghwa

