

Executive Summary

The process of public finance management is how the government uses and distributes resources. Effective management of public finances is beneficial to the stability and sustainability of society. To support this, effective public participation can help to not only strengthen government policy legitimacy but also aid in building public trust in the government. Various governments and institutional organizations around the world value the importance of, and actively seek, public participation in aspects of public finance management. This includes topics as wide-ranging as the disclosure of financial information; strengthening of monitoring systems, and encouraging public suggestion on the partial allocation of governmental budget. As a consequence, by establishing and aligning resource allocation with public expectations (based upon citizens' requirements and needs), the conditions that lead to, and helps maintain, good governance are positively promoted.

In Hong Kong, the underlying principles of the Government's management of public finances are enshrined in the Basic Law. These principles include the Government, in determining its budget, striving to achieve fiscal balance (i.e. keep expenditure within projected Revenue, thereby avoiding deficits), and matching the growth rate of its Gross Domestic Product¹.

In recent years, the Hong Kong Government's coffers have been healthily growing. This can be seen in the fiscal surplus and reserve both reaching record highs in FY2017-18². Despite this, a local survey in 2018 noted that 50% of citizens polled were dissatisfied with the government's monetary strategy³. This is significantly higher than the findings collected in 2008 (12%). In addition, the disparity between the rich and poor of the city is still serious⁴.

Furthermore, in each of the past 10 years, the number of budget submissions

¹ The Basic Law. Article 107.

² The speech by the Financial Secretary on the 2018-19 Budget reported a record-high budget surplus of HK\$138 billion for FY2017-18. As a result, the Government's fiscal reserves surpassed the one-trillion-dollar mark for the first time (reaching HK\$1.092 trillion as of 31 March 2018).

³ HKU POP SITE. <https://www.hkupop.hku.hk/english/release/release1518.html>

⁴ After recurrent cash policy intervention, the poverty rate in 2017 (14.7%) was at the same level as 2016. Source: The Government of the Hong Kong Special Administrative Region. Press Release. Nov. 19, 2018. 'Analysis of poverty situation in Hong Kong in 2017 announced'.

collected from the public during the Budget consultation period has varied greatly; from about 1,000 to more than 6,000⁵.

Proper use of public assets and precise management of public finances are important to good governance. Indeed, public finance management is more than a process of calculations with figures and numbers. It affects: citizens' livelihoods and social development; younger generations; and reflects the government's beliefs on public policy. Chief Executive Carrie Lam has mentioned that the current-term Government values good governance and new fiscal philosophy⁶.

This research study aims at understanding the views and values of young people (aged 18-34) towards public participation in public finance management in Hong Kong. The study also makes reference to overseas' experiences and has sought views from local scholars and experts. It is also hoped that this study will provide practicable measures to: improve citizen participation in the realm of public finance management; motivate young people to be actively and positively involved in the community; and enlighten the HKSAR Government about good governance.

In conducting this research, data was collected through an on-site survey of 520 Hong Kong-based young people from October to November 2018. Five parallel discussion groups were also conducted with a total of 24 young people. In addition, five scholars and experts were interviewed during the same time period.

Main Discussion

⁵ The researcher enquired via email about the number of budget submissions the Government had collected from the public over each of the past ten years. The related bureau replied with data via email on Oct. 11, 2018.

⁶ The Chief Executive's 2017 Policy Address. Paragraph 1. Also refer to news.gov.hk, October 11, 2017, "Envisioning hope, happiness for HK".

- 1. The value of public participation in the public finance decision-making process was greatly recognized by the respondents. The allocation and use of public funds affect citizens' livelihood and social development. The public has a responsibility to pay attention to and monitor the issue.**

This research study showed that the majority of respondents were positive about the participation of the community in the decision-making process of public finance. Close to 60% (59.8%) of the 520 young people polled said that the greatest benefit of this arrangement was its potential to meet citizens' needs.

Interest about public participation in public finance management has been aroused globally. Some international organisations advocate that citizens should have the right to participate directly in open debates and discussions over the design and implementation of fiscal policies. There are also self-organized groups in other cities that seek to monitor the use of public finances of their respective governments.

Whatever policies are formulated and/or implemented, the distribution of public finances affects people's livelihood and social development. The public thereby considers it has a responsibility to pay attention to, monitor, and voice-out concerns when it comes to this area of public resource management.

- 2. More than 60% of respondents did not trust the ability of the HKSAR Government to manage public finances. Participants in the parallel discussion groups mentioned that the Government had failed to use the public resources to tackle deep-rooted social problems. There is a need to strike a balance between managing public finances prudently by keeping expenditure within the limits of revenues and improving public services.**

In FY2017-18, the Hong Kong Government's budget surplus reached HK\$138 billion. Hong Kong's fiscal reserves surpassed, for the first time, 1 trillion dollars (HK\$1.092 trillion as at 31 March 2018). Given the record-breaking budget surplus and fiscal reserves, it would seem there is ample financial room for the Government to improve public services.

According to this study, close to 63% (62.9%) of respondents did not trust in the Government's ability to manage public finances. In terms of the purpose of managing public finances, 33% (33.4%) thought that it should reduce the gap between the rich and poor, while 25% (24.6%) focused on ensuring the sustainable development of society. 37% (36.7%) responded that the Government was too conservative in using public money. Participants in the parallel discussion groups thought that only focusing on accumulating public assets was a waste of resources as it reflected that government officials were weak in managing public finances.

The problems Hong Kong faces today are closely related to the use and redistribution of public resources. At this stage Hong Kong has a strong and steady fiscal surplus and reserve. The Government needs to grasp this opportunity to strike a balance between managing public finances prudently, by keeping expenditure in line with revenue, and improving public services to tackle deep-rooted social problems.

3. In terms of public engagement, respondents had reservation about the performance of the HKSAR Government for its heeding stakeholders' views, and its reports on consultation exercises in public finance management.

3.1 Heeding the opinions of different stakeholders

This study showed that more than 80% of respondents thought that initiatives that could be taken by government officials to reach out for opinions (87.1%), or provide opportunities for citizens to propose ideas (83.1%) would help enhance the role of public participation in public finance management.

But when it came to listening to different stakeholder opinions, the Government's performance was an average rating of 4.22 only (on a scale of 0-10, where 5 indicates a pass).

On par with the increasing awareness of good governance amongst the public, there have been recent commensurate changes in the perception in the role of public opinion. Citizens expect that they should be having greater influence in the policy-making process, especially as the current-

term Government stresses the importance of effective governance.

Set against a background of obtaining more citizen engagement, the Government should make a greater effort, with concrete action, to show to the public that it has a determination to be open-minded to the opinions of different stakeholders.

3.2 Disseminating the collected consultation exercise results

As a platform for effective public participation, any public consultation should include an effective and transparent report by the government on the collected results. Good practices throughout the consultation exercise could help gain public support for government policy.

In this study respondents gave an average rating of 4.62 on the Government's performance in reporting the results collected during the public finance management consultation exercise. This rating also failed to meet the "pass" mark of 5.

The current timing between the public consultation on the Budget and the delivery of the Budget is very close to each other. This leaves little time for the Government to collate, assess and consider any amendments based on the public's responses. The Government should establish an official mechanism to effectively handle the collected opinions of any public consultation. This will enable the effectiveness of the consultation exercise.

4. Young people are creative and they care about Hong Kong's future prospects. The HKAR Government and the society need to joint force to provide with more opportunities, as well as eliminate the hindrance for those young people who valued the importance of their participation in public finance management.

Close to half (48.5%) of the respondents considered their participation in the process of public finance management important. Two of the main reasons are that: a) public assets belong to the community, and b) they are concerned about the development prospects of Hong Kong. However, 44% (44.1%) thought otherwise, with most of these saying that they either had limited personal influence or they lacked specific knowledge.

Those who considered participation important, were mostly worried that their opinions would be ignored by the government and they did not know of the appropriate channels for participation. Some participants of the parallel discussion groups worried their opinions would not be trusted due to their perceived inexperience.

Respondents have the desire to participate in social affairs, but hesitate due to fears about their opinions being undervalued. As such there is a gap between what youth expect and what they perceive to be reality. It is of great interest to study how the negative perceptions of the current younger generations will affect their participation in social-interest matters in future.

The relationship between citizens and the government is one of the major factors affecting the extent to which the citizens take part in public discussions. Various studies by the Youth I.D.E.A.S. in recent years have showed that the level of perceived trust between young people and the Government has been far from satisfactory⁷. Young people are creative with a caring heart for Hong Kong's positive and continuing development. The Government and wider society have to work together to provide young people with more platforms and opportunities for effective participation. Eliminating the hindrance they face will help to enable them to play a more active and concrete role in public life.

5. Information with meaningful interpretation and analytical function is crucial for effective public participation in decision-making process related to public finance management.

Accurate data with analytical information can help citizens understand the context in which the government needs to manage public finances. This study noted that 50% and 46% of respondents, respectively, took the view

⁷ The surveys by the Youth I.D.E.A.S. in 2015 and 2016 respectively noted that 63.6% and 66.4% of respondents did not trust the HKSAR Government. A survey conducted in 2017 noted that 70.8% of respondents perceived that the HKSAR Government did not trust young people. For details, please refer to *Who is Willing to Take up Positions in Public Affairs?* (September, 2015); *Young People's Views on the Roles and Functions of the Legislative Council* (May, 2016); and *Building Public Trust in the Government* (December, 2017). The 2015 and 2016 poll surveys had successfully interviewed 520 and 539 young people aged 18-34, respectively, over the telephone. The 2017 on-site survey had successfully interviewed 525 young people aged 15-34.

that: providing financial resources to civil organizations to conduct related research (49.8%); strengthening public education (46.0%) on fiscal issues, can facilitate public participation in the decision-making process as it relates to public finances.

Some participants of the parallel discussion groups expressed concern about their lack of public-finance knowledge left them confused or helpless when viewing the data. Continuous public education is indispensable to facilitate citizens' participation.

Currently we are overwhelmed by information; there is no lack in the quantity of data. What is lacking is high-quality information that people are able to analyse. It is fundamental to effective public participation to arrange continuous public education with clear messages to help citizens develop rational and objective viewpoints on public finances. Whether citizens can be provided with such meaningful information depends on the willingness of the government.

Besides, young people will bear the cost of public expenses in future. It is beneficial for their future participation in society (and also for their own individual financial management), if they can start learning the concepts and operations of public finances today.

- 6. More than 60% of respondents were not satisfied with the performance of the Legislative Council in monitoring the Government's usage of public assets. Both the Government and the Legislative Council have their roles and functions. The two parties should positively and responsibly perform their parts to garner support and confidence from the general public.**

This study noted that more than 60% (62.6%) of respondents were not satisfied with the Legislative Council's performance in monitoring the usage of public assets of the Government. Some participants of the parallel discussion groups lamented that the robotic and repetitive content given by government officials in response to questions raised by the lawmakers blocked effective communication between the Government and the Council.

The Legislative Council is a place for discussion with significance. It is thought provoking how legislators can more effectively play their role to

monitor the Government. For its part, the Government should show leadership in answering the lawmakers' questions. Only when the two sides are performing their roles properly, would they both be able to establish and develop more support and confidence from the public.

Recommendations

The intended aim of this study is to create a more open atmosphere and providing more opportunities to encourage more community involvement in public finance management. With the above findings and discussions, this study proposes the following recommendations:

- 1. Allocate 1% of the salaries tax for collecting ideas from public and that a corresponding amount be used to improve public services.**

With reference to overseas experience, we recommend the Government allocate 1% of the salaries tax for collecting ideas from the citizens and that a corresponding amount be used to improving public services or livelihood initiatives. The Hong Kong public would be invited to submit proposals and indicate their preferences. The results will be an important consideration of a committee set up to review the proposed ideas.

We believe this could make resource allocation more in line with citizens' needs, and help develop the HKSAR Government's image of being willing to embrace such elements as part of the public discussion.

- 2. Enhance the effectiveness of the budget consultation exercise and improving the accountability of the Government's Budget.**

- 2.1 The Government should start the budget consultation exercise shortly after the finish of the motion of thanks of the Chief Executive's policy address in the Legislative Council. The hope is to allow the Government more time to handle any and all opinions obtained during the consultation period.

- 2.2 The Government ought to update the public about the major areas of concern and the number of the submissions received during the

process.

2.3 To increase the accountability of the Budget, the Government should provide a mid-year budget report that is made available to the public.

3. Implement continuous public education on public finance with quality information.

3.1 The Government makes API (Announcements in the Public Interest) about the operation of public finances with clear financial messages and information.

3.2 Public organizations to work in partnership with the Government to cultivate an atmosphere of learning and discussing issues on public finance within the community.

3.3 Arrange mock budget exercises as part of the secondary school curriculum. Younger generations could then start to become familiar with basic public finance at an early-as-possible opportunity.