

資源增值計劃通訊

EPP NEWSLETTER

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CE's 1998 Policy Address — launching of EPP

In his 1998 Policy Address on 7 October 1998, the Chief Executive has pledged that the public sector has a duty to ensure that the community gets maximum value from the available resources, and must direct these resources to achieving the best possible results. In announcing the formal launching of the Enhanced Productivity Programme, the Chief Executive said -

"Driven by the Chief Secretary for Administration, the public sector will undertake an Enhanced Productivity Programme. We will set targets and require departments and agencies regularly to review their baseline expenditure to ensure that it is directed to Government's main priorities. In the next few months we will require departments and agencies to put forward proposals for new or improved services without giving them additional financial resources. Managers will be required to deliver productivity gains amounting to 5% of their operating expenditure between now and the year 2002."

Communication on EPP

In a matter of three months, thanks to the encouragement from the Chief Executive, the drive and support of the Chief Secretary for Administration and the Financial Secretary, the personal involvement of Bureau Secretaries and Heads of Departments, EPP is in full swing. To ensure that EPP reaches all levels of colleagues, we have arranged a series of briefings to ensure wider understanding of EPP and to keep managers and staff informed of its development. Major briefing sessions are set out below-

October - December 1998

Date	Event
7 Oct 98	CS's personal letter to Policy Secretaries and HoDs on EPP
7 Oct 98	CE's 1998 Policy Address
7 Oct 98	Meeting with Central Consultative Councils Staff Side
9 Oct 98	Briefing to LegCo Financial Services Panel
12 Oct 98	Issue of FBCM 16/98 on EPP to Policy Secretaries and Controlling Officers
14 Oct 98	S for Tsy's personal letter to Policy Secretaries and HoDs on EPP
16 Oct 98	CS's and Atg FS's joint briefing to Policy Secretaries and HoDs at HoDs meeting
22 Oct 98	Meeting with the Central Consultative Councils Staff Side
26 Oct to 5 Dec 98	EPP Ambassador Visits to about 60 departments
30 Oct 98	Group briefing for Deputy Secretaries of Policy Bureaux
3 Nov 98	S for Tsy's letter to General Managers of Trading Fund departments on EPP
4 Nov 98	Group briefing for departments under SPEL and S for W
9 Nov 98	Group briefing for disciplinary services departments (including ICAC)
10 Nov 98	Group briefing for RMUs
10 Nov 98	Meetings with General Managers of Trading Fund departments
16 Nov 98	Issue of FBCM 18/98 on further details of EPP
19 Nov 98	Meeting with five pilot departments for one-line vote
2 Dec 98	Group briefing for Departmental Secretaries
4 Dec 98	Briefing for Finance Committee on one-line vote for selected departments in 1999-2000 Estimates
21 Dec 98	Briefing for LegCo Panel on Public Service on the short term phase and mid-term phase of EPP

There will be continued and enhanced communication on EPP ahead.

Message from Chief Secretary for Administration

January 1999

Dear Colleagues,

The Chief Executive announced in his 1998 Policy Address that I would lead an Enhanced Productivity Programme (EPP) to achieve a lasting improvement in civil service productivity.

You may ask, why do we need to launch EPP? Is the SAR Government contemplating cut-backs and belt-tightening? Do senior managers consider that there is fat to be trimmed and waste to be eliminated in the public sector?

The reality is we are facing an economy that is forecast to shrink by five per cent this year. Our well-tested budgetary principle allows Government expenditure to grow no more than the growth in the economy. It is therefore obvious that the amount of resources available for meeting the growing demands placed on the public sector is going to be extremely limited. We need to make every public dollar go further. We must demonstrate to the community that we have the ability to provide the needed public services in a more efficient manner and at a lesser cost. But we will re-invest every dollar saved.

The Chief Executive has set a target of productivity enhancement amounting to 5% of operating expenditure by 2002. I believe that with our good track record of public sector efficiency and your drive and dedication, this is achievable. Indeed, we should not rest with a mere 5%; we should all aim higher in pressing for greater productivity in the years ahead. As the Chief Executive and myself have assured the community on previous occasions, we will not accept any deterioration in the quality of public services as a result of EPP. Instead, we shall be looking vigorously into service rationalisation, process re-engineering and work practices to achieve the necessary productivity gains.

EPP is a shared endeavour involving policy bureaux, departments and the centre. The programme has the full commitment from the Chief Executive, myself and the Financial Secretary. The Secretary for the Civil Service and the Secretary for the Treasury have also pledged to provide a suitable enabling environment to bureaux and departments in their drive for greater productivity.

But all that is not enough. To make EPP a success, we need the support and commitment of every civil servant and every employee in the subvented sector. I also look to the top and middle management of bureaux, departments and agencies to display strong leadership, motivating their staff and responding positively to challenges.

I look forward to working with you in the successful implementation of EPP. I am confident that we will deliver the pledged productivity gains in the short-term as well as secure sustained improvement in the public service.

I take this opportunity to wish you all a very productive and rewarding 1999!



A stylized, handwritten signature in blue ink, belonging to Mrs Anson Chan. The signature is fluid and cursive, with the first letter being a large, prominent 'A'.

Mrs Anson Chan
Chief Secretary for Administration

What the LegCo Members have said on EPP...

During the Motion of Thanks debate on the 1998 Policy Address, various LegCo Members have expressed their views on EPP. They are all very supportive of the Government's initiative. Some are of the view that we have not gone far enough with a 5% productivity gain in four years. Below are extracts of some LegCo Members' views. Let's listen to what they have said

Hon Ronald Arculli

High time for the whole civil service and the subvented sector take quick action to cut wastage and cost, and to increase productivity and efficiency. EPP should also apply to non-government public spending like the USD, RSD, Housing Department and Trading Funds.

Golden opportunity to achieve a larger than 5% productivity gain and a drastic re-think of the way the public sector operates.

Hon Emily Lau

Every Hong Kong person is now in straitened circumstances. It is hoped that the civil service can reduce "fat" and tide over these difficult times with the community.

Strongly support the Government's initiative to increase productivity by 5%. There are people in the civil service who are not pulling their weight. I support the Government to adopt severe measures to handle these people.

Hon Ho Mun-ka

The Civil Service Bureau must have a mechanism to gauge the real "increase in productivity". There should not be deterioration in service standard because of the savings.

Departments should clearly set out in their annual reports the content and implementation of their productivity gains programme so that the public can monitor the effectiveness of these measures.

Hon Choy So-yuk

To enhance productivity of the civil service, the Government must review the long existing problem of mismatch of human resource allocation in departments, i.e. some departments are bloated whilst others are understaffed. Heads of departments should save cost as much as they could so that more resources could be redirected to measures which could revive the economy.

Government should take this opportunity to review the existing bureaucracy and apply more speedily electronic means to government processes.

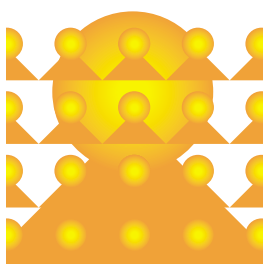
Hon Eric Li

All along, I am proud of the high credibility and efficiency of the civil service and its strong corporate spirit. On this occasion, the positive and firm move to streamline the bureaucratic structure and to tackle the adjustment in civil service pay and benefits, in spite of difficulties, is a good sign of self-discipline and an attempt to further strengthen the present system. This is worthy of our respect and support.

Human Resource Corner

Editor's Note: This "Human Resource Corner" is contributed by CSB. In this corner, CSB will discuss and update us on various human resource issues related to the implementation of EPP.

One of the policy initiatives of the Civil Service Bureau announced in October 1998 has been to modernise the appointments system to provide an enabling environment to meet



changing service needs. Towards this end, we have developed proposals to provide greater flexibility to Heads of Departments to engage short-term staff to be remunerated at non directorate equivalent level on non-civil service contract terms for a period up to three years. The existing system whereby employment of contract staff requires consultation with CSB on a case by case basis has been found to be too inflexible.

The decision on whether to recruit short term staff on non civil service contracts is to be made by individual Heads of Departments having regard to the nature of the service needs and deployment of resources. The proposals will not affect civil servants nor will they prevent Heads of Departments from recruiting civil servants on appropriate terms if they consider the service needs so justified.

Details of the proposals are being circulated to the staff sides of the four Central Staff Consultative Councils. We aim to formally promulgate details in a CSB circular in January 1999.

Implementation of EPP initiatives will be

facilitated with staff support. The CSB attaches great importance in keeping the staff sides informed of our initiatives. Similarly we encourage Heads of Departments to make active use of the Departmental Consultative Committees or other communicative channels to brief and consult staff on productivity enhancement measures.

The Director of General Grades has been in liaison with Heads of Departments on their departmental plans in relation to clerical and other support services. This is to facilitate the formulation of a co-ordinated manpower plan of the grade management in support of departmental initiatives. Other Heads of Grades with posts in different departments are requested to take the same proactive approach.

A letter from our colleague

Director of Accounting Services, Mr. Brian Dagnall, has written to Secretary for Treasury with his response to the EPP initiatives. Mr. Dagnall has rightly pointed out that we need to critically examine our working procedures and to factor in the risk element during our examination. We find it worth sharing with you his letter which is abstracted as follows -

"An exercise such as EPP will have a much better chance of success if the concept of risk-taking is also dealt with at the same time. As civil servants are fundamentally risk-averse, many of our processes are unnecessarily protective. Many can be simplified or even eliminated. The only way Bureau Secretaries can convince Heads of Departments that significant savings can be made is by making it clear that they have a risk appetite and would welcome simpler processes in order to obtain savings.

In response to CS's letter dated 7 October on EPP, we have identified 16 proposals for enhanced productivity. Against each one, we identify the potential savings as well as the risks we would need to face for achieving these savings. I believe that if these risks and potential problems

can be spelt out clearly, it is relatively easy for a Bureau Secretary to indicate the risks he or she is prepared to take.

As an example, a few years ago, I had to renew our cash transportation contract with a security company. In those days when a guard arrived, he counted the cash in front of our staff, signed for it and then it became his responsibility. After considerable persuasion, the then DAS agreed to use sealed bags and to stop the counting exercise and take the risk that losses would occur. In fact losses did occur, usually between \$20,000 to \$100,000 each year. But Government's saving on the contract price is over \$5 million a year, since security guards can now do the collection in shorter time.

I believe that bringing out into the open this concept of acceptance of risk is vital if we are to achieve the long-term productivity improvements envisaged, not just the initial 5%."



We wish to Clarify

MISUNDERSTANDING NO. 1

There is no incentive for departments to save as all efficiency savings are clawed back by FB.

FB'S RESPONSE

In recent years, bureaux and departments have been allowed to keep almost all of their efficiency savings during the annual RAE. Only "windfall" savings are clawed back to the centre for re-allocation. Take the 1998 RAE as an example, bureaux and departments quoted a total of about \$375m full year savings but none of them (except one which returned "windfall" saving) obtained an additional allocation less than what they said they could save.

MISUNDERSTANDING NO. 2

Departments are penalised for not using up their approved budget.

FB'S RESPONSE

Since the 1998 baseline exercise, we have permanently removed the underspending factor adjustment to cash-limited subheads. From now on, there should be no fear that your cash-limited subhead provision in a given year will be reduced simply because you spent less than the approved provision in previous year.



MISUNDERSTANDING NO. 3

Redeployment between PE and DE/OC is a new measure under EPP.

FB'S RESPONSE

Redeployment is always possible. FC No. 12/95 issued in 1995 has laid down the procedures to be followed if Controlling Officers want to redeploy recurrent resources under their control.

EPP Logo



Do you like our new EPP logo? Can you guess the meaning behind it? At the centre of the logo is an artistic image of a measuring cup, a cup which not only gauges the \$water\$ level but also our efficiency and performance. The arrow shooting up represents our increase in productivity. The tip of the arrow is not just the initial 5%. Let's all aim high!

Answers to Frequently Asked Questions

Target Savings

Q.1 *What exactly is the target of the short-term phase of EPP in terms of time-frame and percentage reduction? How is it calculated? Do we need to submit a schedule of savings to comply with the short-term target? Shall we do it annually for the three years or shall we come up with an overall plan for the whole period?*

A. *FB will calculate the respective amounts of EPP savings under each head of expenditure for 2000-01, 2001-02 and 2002-03 in the 1999 baseline-plus exercise. We plan to express the savings adjustments in dollar terms and fix them for the three-year period to facilitate departmental planning. We would advise that plans be drawn up to live within the reduced baseline throughout the period. We have provided indicative figures based on the 1998-99 Estimates to all bureaux with breakdown of departments and agencies under their purview. We will provide more details in due course.*

Q.2 Instead of following the 1%, 3%, 5% pattern, can we have 0% cut in the first year? Alternatively, can we deliver the productivity savings of 5% in one go in 2002-03?

A. As a norm, we will apply 1%, 3%, 5% to the respective baselines. We are however prepared to consider alterations to the deductions for individual years with the ultimate target of a cumulative 5% by 2002-03 upon Controlling Officer's request. We are unlikely to accept the delivery of 5% in one go in 2002-03 because it will be more prudent financially to have reduction adjustments spread over three years.

Q.3 When should Controlling Officers discuss with FB if they intend to alter the percentage of deductions for a particular year?

A. The Controlling Officers should discuss with FB as soon as we commence the 1999 baseline-plus exercise, i.e. around April/May 1999.

Q.4 We note that the 5% savings will need to be returned to the centre. What about those additional savings identified by departments? Will departments still be subject to any approval to redeploy the additional savings to fund new initiatives, like a mini RAE?

A. Any savings over and above the 5% could be retained by the departments concerned. Departments are free to deploy these savings to areas which they consider appropriate, but subject to NAMS control.

Q.5 Certain departments may have genuine difficulties complying with the 5% reduction. Will FB allow an average 5% reduction amongst departments under the purview of the same policy bureau?

A. In principle we will expect each Controlling Officer to contribute 5% savings within their baseline expenditure by 2002-03. However, we will defer to the Policy Secretaries to decide on the actual arrangements.

Q.6 Will the deduction from the baseline be made evenly between PE and DE/OC?

A. Not necessarily. FB will rely on the advice of Controlling Officers on how the EPP savings should be split between PE and DE/OC.

Q.7 What adjustments will be made to NAMS ceiling and directorate establishment following the deductions in PE?

A.7 Following the deductions in PE, Controlling Officers need to advise FB their planned establishment within the reduced PE. FB will then calculate the revised NAMS and FASCAM.

Q.8 Can "windfall" savings which have not yet been reflected in the baseline be used to meet the 5% target?

A. In principle, no. These "windfall" savings are normally resulted from cessation of a clearly-defined time-limited project or service, as in the case of NAPCO, or savings pledged in support of previous investments. These savings will not be counted towards the 5%.

Q.9 EPP is unfair to departments which are lean and fit. Can those departments which are already over-stretched be exempted from the baseline reduction?

A. We do not dispute that some departments are more efficient than others and a uniform 5% target across the board may be seen as "rough justice". However, we believe that a 5% reduction is achievable in all departments through process re-engineering, outsourcing, use of technology and service rationalisation. We would no doubt look for bigger cost savings in those departments with greater scope for efficiency. This applies to both government departments and government-subvented organisations.

Efficiency Dividend

Q.10 Are there any instruction on the use of the "efficiency dividend" by departments?

*A. Departments may use the dividend which will take the form of recurrent resources to fund new or improved services which the Policy Secretaries and Controlling Officers consider to be of priority.
The dividend earned could be used to fund recurrent or capital items.*

Q.11 Will FB inform all departments of the total productivity gains identified after the Budget Speech?

A. Yes.

RAE

Q.12 How will the coming few RAEs be affected by EPP? Are we expected to submit bids as usual?

A. We are actively considering how to synchronise the RAE process with the EPP. But generally we expect the 1999 RAE to be conducted in a more focused manner. That is to say, relatively minor resource bids to meet incremental requirements would not be encouraged. We will promulgate the 1999 RAE process around April/May 1999.

Q.13 Will Controlling Officers have the first call on their own EPP savings in subsequent RAEs? Can we earmark the savings for capital projects?

A. The 5% returned to the centre will enable Star Chamber to continue to have the means to fund some of the government initiatives which are in line with the priorities of the day. In order to allow Star Chamber to have maximum flexibility in prioritising government initiatives, Controlling Officers will not have first call on their own EPP savings.

Others

Q.14. Why do we need EPP when we have just announced TMP? Do they go hand-in-hand?

A. EPP and Target-based Management Process (TMP) are all part of our effort to improve the management and delivery of public services. TMP serves to clarify objectives and priorities, focus on results and ensure delivery of outcomes for the community. EPP is a drive for greater productivity across the Government and Government-subvented sector.

Q.15 What is the role of policy secretary and RMU in EPP?

A. Controlling Officers will play a key role in the implementation of EPP. Policy secretaries and RMUs will of course assist in all aspects. The priority task of the policy secretaries and RMUs is to ensure that the Controlling Officers' EPP proposals will not undermine the Policy Objectives and Key Result Areas under their purview.

Q.16 What is "invest to save" fund? When will we be able to know more details about it as it may increase our ability to deliver productivity savings in 1999-2000? What are the criteria for applying for the fund?

A. The "invest to save" fund is not a statutory fund. It is an administrative arrangement to meet front-end expenditure required to achieve certain major productivity gains. We are still working out the details and will announce the arrangement once we are ready to do so.

Q.17 Will the Government stop implementing EPP or at least the short-term phase if there are signs of economic upturn?

A. EPP is not merely a response to economic downturn. It is part of our long-term effort to improve the management and delivery of public services. The public sector should always strive for the improvement and productivity gains.

Editor's Note

We have pleasure in announcing the launching of the EPP Newsletter. One of the key determinants of the success of EPP is effective communication. The EPP Newsletter is designed exactly with that in mind. We hope that in a more reader-friendly language and a less official layout, this Newsletter will provide you with a refreshing way to reflect on EPP. Our plan is to publish the Newsletter at an interval of three to four months. In this debut of the EPP Newsletter, we have a Message from the Chief Secretary for Administration, we are sharing with you what we have done in communicating about EPP and we have tried to provide answers to questions frequently raised with us in the course of those communication sessions. But more importantly, we hope you will make use of the Newsletter as an additional channel for you to give us your feedback, be it positive or negative. We look forward to hearing from you.

comments and criticism you may have on EPP. We will ensure that your comments will be heard by our senior officers.

We also welcome anonymous views.

We could be reached :

By Letter Finance Bureau
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(please mark "Attn: EPP newsletter team" in the subject field)

By Internet info@fb.gcn.gov.hk



We need your feedback and comments to ensure that EPP can be implemented smoothly. Please feel free to send us whatever

Editorial Board : Finance Bureau
Special Thanks to : Mr Amos Wong & Miss Yolanda Fung