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Budget oversight in territorial autonomies: A comparative analysis of Hong Kong and Macao

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Abstract

Traditionally, comparative budgeting scholars have focused on analysing budget oversight at the sovereign state level. Budget oversight at the territorial autonomy level remains largely under-investigated. Drawing on the Open Budget Survey methodology, this study is a pioneering attempt to compare the budget oversight institutions and practices in Hong Kong and Macao under the ‘one country, two systems’ model. This study finds that the varying practices of budget oversight of Hong Kong and Macao are the consequence of their different bases of opposition politics, including democratic opposition, the media and civil society. This study extends the research focus of existing comparative budgeting literature from sovereign states to territorial autonomies. Thus, it has important implications for budget oversight analysis and policy worldwide.

Points for practitioners

This article uses comparative studies of Hong Kong and Macao to illustrate how different bases of opposition politics have led to varying practices of budget oversight. For policymakers, the lesson from the comparative studies is that the rise of democratic opposition, the media and civil society will bring about pressures for budget oversight. More policy learning is necessary for policymakers across democracies and semi-democracies to share the experiences of handling the politics of budget oversight.

Keywords

budget oversight, Hong Kong, Macao, open budget survey, public budgeting, territorial autonomies

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Introduction

Currently, comparative research on public budget oversight is overwhelmingly focused on the sovereign state. Over the years, several researchers have developed comparative indices to examine the budget oversight operations of institutions worldwide (IBP, 2020; Santiso, 2009; Wehner, 2006). However, the nature and characteristics of budget oversight in sub-state jurisdictions, particularly in territorial autonomies with extensive fiscal powers, remain unclear.

Given the growing role of territorial autonomies in managing their own public finances, this study aims to address this hitherto underexplored research area through a comparative study of Hong Kong and Macao. The rest of this article is divided into five sections. The first section reviews the existing state-centric literature on budget oversight. The second provides a research background of the binary cases of Hong Kong and Macao, while the third sets out the research design of this study. The fourth section presents and discusses the research findings. Finally, the fifth section concludes the study by exploring future research directions for comparative budgeting studies at the territorial autonomy level.

Research context

Public budgeting is primarily concerned with the use of public resources, a process that necessitates a great degree of accountability. Therefore, budget oversight – or the institutions and activities designed to hold the government accountable to the legislature and the supreme audit institution (SAI) throughout the different stages of the budget cycle (Warner, 2018) – is commonly regarded as an important component of good governance. Recently, budget oversight has been promoted by international organisations, such as the United Nations (UN), the International Monetary Fund (IMF), and the Organisation for Economic Co-operation and Development (OECD), particularly during the COVID-19 pandemic (IMF, 2020; OECD, 2020; UN, 2017: 134–143). Over time, the importance of budget oversight, both theoretical and practical, has driven the global comparative budgeting scholarship to investigate and compare the budget oversight process across different states, using several systematic comparative tools and indices. However, all existing comparative indices adopt a state-centric perspective and study budget oversight only at the sovereign state level.

Wehner (2006) used a survey of budgeting procedures and developed an index to compare the legislative oversight of 36 democratic countries. He assessed the legislatures' oversight functions against six institutional benchmarks, namely, amendment powers, reversionary budgets, executive flexibility at the implementation stage, the timing of the budgets, legislative committee systems and budgetary information. Santiso (2009) devised a quantitative index to assess the political economy of budget oversight in 10 Latin American countries, based on the parameters of authentication, authorisation and accounting. The International Budget Partnership's (IBP's) comprehensive, fact-based comparative tool – the Open Budget Survey (OBS) – has been an effective instrument in assessing public budgeting quality since 2006. Based on a standard

questionnaire of 145 questions, the OBS measures three major dimensions of public budgeting practices worldwide: transparency, participation and oversight. As far as budget oversight is concerned, the OBS ‘examines the role that legislatures and supreme audit institutions play in the budget process and the extent to which they can provide robust oversight of the budget’ (IBP, 2021). In its latest report, the IBP (2019) found that only 30 out of the 117 countries surveyed attained adequate scores in both legislative and SAI oversight – a majority of legislatures presented rubber-stamp budgets without amendments and exercised limited monitoring in budget execution, while most SAIs were quite powerless in ensuring governmental responses to their audit recommendations (IBP, 2020: 60–63).

While the existing literature provides extensive comparative analyses of budget oversight at the sovereign state level, there are lacunae in budget oversight research at the sub-state jurisdiction level. To address these gaps, this study examines how budget oversight operates at the territorial autonomy level, where different degrees of fiscal autonomous powers have been granted by the centre. A survey of territorial autonomies worldwide showed that they may be granted either a certain degree of taxation and spending powers for specified areas, such as in the cases of the Åland Islands, Catalonia, Jammu & Kashmir, Norfolk Island and Quebec, or almost fully fledged fiscal autonomy, such as in Hong Kong, Macao, Puerto Rico and South Tyrol (Ghai and Woodman, 2013). There are, however, few systematic studies and little consensus regarding the budget oversight practices of territorial autonomies worldwide.

This study is a pioneering attempt to establish a more comprehensive understanding of public budgeting and budget oversight, not just at the level of the sovereign state, but also at the sub-state level, through a comparative study of Hong Kong and Macao. It endeavours to contribute to the existing comparative budgeting literature by broadening the research focus from sovereign states to territorial autonomies.

Research case background

Most-similar-system comparison of Hong Kong and Macao

This study adopts a ‘most-similar-system’ research design strategy by selecting Hong Kong and Macao, two territorial autonomies under the ‘one country, two systems’ (OCTS) model, as binary cases. Broadly speaking, Hong Kong and Macao are similar in many important dimensions, including their autonomist arrangements (the OCTS model), historical backgrounds (former Western colonies), socio-economic structures (wealthy global cities), population composition (predominantly Chinese societies with a proportion of non-Chinese minorities) and culture (hybrid East–West culture).

To use the words of comparative scholars (Hague and Harrop, 2013: 368; Peters, 2013: 39–44), the high degree of similarity between Hong Kong and Macao effectively controls for extraneous difference and helps identify the potential factors that shape the different trajectories of budget oversight. A ‘most-similar-system’ research approach is thus particularly suitable for the present exploratory comparative study of budget oversight at the territorial autonomy level.

Fiscal autonomy and oversight institutions in Hong Kong and Macao

After Britain and Portugal handed over their sovereignty to China in 1997 and 1999, respectively, both Hong Kong and Macao have operated as territorial autonomies, officially termed Special Administrative Regions (SARs) under the OCTS model. Both the Hong Kong and Macao SAR governments were constitutionally granted fully fledged fiscal autonomy, including the autonomous power to formulate budgets, maintain independent taxation systems, retain all financial revenues exclusively for their own spending and manage and control their own fiscal reserves.¹ In practice, the offices of financial secretaries in Hong Kong and the secretaries for economy and finance in Macao are, respectively, the central budgeting agencies of the two SARs, practically exercising all fiscal autonomous powers, including compiling the budget, overseeing budget execution and managing fiscal reserves.

Owing to their similar fiscal autonomous systems, *prima facie*, both Hong Kong and Macao operate similar budget oversight institutions under the SARs' Basic Laws. In terms of legislative oversight, both the Legislative Council in Hong Kong² and the Legislative Assembly in Macao³ underwent partial democratisation in the final decades of their colonial rule, with such a partially democratic composition codified into the Basic Laws after the handover. The legislatures in both Hong Kong and Macao are empowered by their Basic Laws to examine and approve government budgets. In terms of SAI oversight, both the Audit Commission in Hong Kong and the Commission of Audit in Macao are empowered by the Basic Laws to 'function independently'.

Notwithstanding these powers, the legislatures and SAIs in Hong Kong and Macao are not constitutionally designed to act as fully fledged oversight institutions such as in Western democracies.⁴ Their powers and functions to monitor government budgets have been constitutionally constrained by certain provisions of the Basic Laws, for example: members of both legislatures are prohibited from introducing any bills related to 'public expenditure'; and the Basic Laws also define both directors of audit as principal officials who are nominated by and accountable to the chief executives for Beijing's appointments (rather than to the legislatures). Such constitutional constraints reflect Beijing's preferences for putting in place 'executive-dominant governments' in Hong Kong and Macao (Chou, 2013). Tables 1 and 2 summarise the similar sets of budget oversight institutions that have been put in place for the Hong Kong and Macao SARs as part of their fiscal autonomous regimes under the OCTS model.

Research design

Instead of following the methodology and comparative tools of Wehner (2006) and Santiso (2009), this study adopted the standard OBS methodology to compare the state of budget oversight in Hong Kong and Macao. This research design was used for two major reasons. First, the OBS methodology is the most comprehensive measurement tool to have been developed so far, covering not only budget oversight, but also budget transparency and participation. For many years, how to measure budget

Table 1. Fiscal autonomy of Hong Kong and Macao.

	Hong Kong	Macao
<i>Devolution of fiscal autonomous powers</i>		
Formulating budgets	Hong Kong SAR Basic Law Article 62(4): 'The Government of the Hong Kong Special Administrative Region shall exercise the following powers and functions ... (4) To draw up and introduce budgets and final accounts....'	Macao SAR Basic Law Article 64(4): 'The Government of the Macao Special Administrative Region shall exercise the following powers and functions ... To draw up and introduce budgets and final accounts....'
Spending	Hong Kong SAR Basic Law Article 106: 'Hong Kong Special Administrative Region shall have independent finances. The Hong Kong Special Administrative Region shall use its financial revenues exclusively for its own purposes, and they shall not be handed over to the Central People's Government.'	Macao SAR Basic Law Article 104: 'The Macao Special Administrative Region shall have independent finances. All the financial revenues of the Macao Special Administrative Region shall be managed and controlled by the Region itself and shall not be handed over to the Central People's Government.'
Taxation	Hong Kong SAR Basic Law Article 106: 'The Central People's Government shall not levy taxes in the Hong Kong Special Administrative Region.' Hong Kong SAR Basic Law Article 108: 'The Hong Kong Special Administrative Region shall practise an independent taxation system.'	Macao SAR Basic Law Article 104: 'The Central People's Government shall not levy taxes in the Macao Special Administrative Region.' Macao SAR Basic Law Article 106: 'The Macao Special Administrative Region shall practise an independent taxation system.'
Managing reserves	Hong Kong SAR Basic Law Article 113: 'The Exchange Fund of the Hong Kong Special Administrative Region shall be managed and controlled by the government of the Region, primarily for regulating the exchange value of the Hong Kong dollar.'	Macao SAR Basic Law Article 109: 'The foreign exchange reserve of the Macao Special Administrative Region shall be managed and controlled by the Government of the Macao Special Administrative Region according to law.'
<i>Exercise of fiscal autonomous powers</i>		
Central budgeting agency	The Office of Financial Secretaries, among its other duties, oversees the government budgeting of the Hong Kong SAR, including laying before the Legislative Council each year the annual estimates of government revenue and expenditure.	The Office of Secretaries for Economy and Finance, among its other duties, plans, coordinates and oversees public budgeting activities of the Macao SAR.

Table 2. Budget oversight institutions of Hong Kong and Macao.

	Hong Kong	Macao
<i>Legislative oversight</i>		
Powers and functions	Hong Kong SAR Basic Law Article 73(2) and (3): 'The Legislative Council of the Hong Kong Special Administrative Region shall exercise the following powers and functions ... (2) To examine and approve budgets introduced by the government; (3) To approve taxation and public expenditure....'	Macao SAR Basic Law Article 71(2) and (3): 'The Legislative Council of the Macao Special Administrative Region shall exercise the following powers and functions ... (2) To examine and approve budgets introduced by the government; and examine the report on audit introduced by the government; (3) To decide on taxation according to government motions and approve debts to be undertaken by the government....'
<i>Constraints</i>		
Constraints	Hong Kong SAR Basic Law Article 74: 'Bills which do not relate to public expenditure or political structure or the operation of the government may be introduced individually or jointly by members of the Council.'	Macao SAR Basic Law Article 75: 'Bills which do not relate to public expenditure or political structure or the operation of the government may be introduced individually or jointly by members of the Council.'
<i>SAI oversight</i>		
Powers and functions	Hong Kong SAR Basic Law Article 58: 'A Commission of Audit shall be established in the Hong Kong Special Administrative Region. It shall function independently and be accountable to the Chief Executive.'	Macao SAR Basic Law Article 60: 'A Commission of Audit shall be established in the Macao Special Administrative Region. It shall function independently, and its Director shall be accountable to the Chief Executive.'
Constraints	Hong Kong SAR Basic Law Article 48(5): 'The Chief Executive of the Hong Kong Special Administrative Region shall exercise the following powers and functions ... (5) To nominate and to report to the Central People's Government for appointment the following principal officials: Secretaries and Deputy Secretaries of Departments, Directors of Bureaux, Commissioner Against Corruption, Director of Audit, Commissioner of Police, Director of Immigration and Commissioner of Customs and Excise; and to recommend to the Central People's Government the removal of the above-mentioned officials....'	Macao SAR Basic Law Article 50(6): 'The Chief Executive of the Macao Special Administrative Region shall exercise the following powers and functions ... (6) To nominate and to report to the Central People's Government for appointment the following principal officials: Secretaries of Departments, Commissioner against Corruptions, Director of Audit, the leading members of the Police and the customs and excise; and to recommend to the Central People's Government the removal of the above-mentioned officials....'

transparency and oversight, which are ‘fundamentally important, but elusive’ (Heald, 2012: 30), has always been a methodological challenge to comparative budgeting scholars. In recent years, the OBS methodology has emerged to fill this gap, with a cross-country data set and an OBS-based scholarly literature being rapidly developed (de Renzio and Masud, 2011; Seifert et al., 2013). Therefore, by applying the OBS methodology, this study has much greater theoretical potential and applicability for public budgeting studies. Second, the OBS methodology has been extensively applied to different contexts, both geographically (117 countries) and temporally (from 2006 to 2019). In applying the OBS methodology to Hong Kong and Macao, this study may potentially be extended by future researchers to explore territorial autonomies worldwide and merged with the existing sovereign state-centric OBS database, thereby generating comparative budgeting observational data sets for multi-level jurisdictions.

This study adopted the latest version of the OBS standard questionnaire (IBP, 2019), comprising 145 questions covering three dimensions: budget transparency (109 questions), budget participation (18 questions) and budget oversight (18 questions). For the purpose of this study, only OBS questions 107–124, the 18 questions directly related to budget oversight, were used to measure the evolution of legislative and SAI oversight in Hong Kong and Macao over the decades. These questions assess the role and effectiveness of budget oversight institutions by a number of yardsticks, such as the scope of legislative authority to amend government budgets, the availability of a specialised finance committee to examine government budgets, the power of the government to reallocate funds between administrative units, the role of legislative committees in examining the SAI audit reports, the appointment and removal of the SAI head, the power of the SAI to undertake independent audits, and the frequency with which the SAI officials testify in legislative committee hearings (IBP, 2019: 117–134).

This study surveyed the post-handover state of budget oversight from the first budgets for the Hong Kong and Macao SARs (1998–99 and 2000, respectively) up to fiscal year 2019.⁵ Following the OBS methodology, all 18 questions on budget oversight were answered by choosing one out of five responses: (a) ‘the standard is fully met’; (b) ‘the basic elements of the standard have been met or largely met’; (c) ‘minimal efforts have been made to attain the relevant standard’; (d) ‘the standard is not met at all’; and (e) ‘the standard is not applicable’. Three different scores – namely, ‘composite budget oversight’ (OBS questions 107–124), ‘legislative oversight’ (OBS questions 107–117) and ‘SAI oversight’ (OBS questions 118–124) – were quantified for each fiscal year by averaging the relevant numeric scores, that is, 100 for (a), 67 for (b), 33 for (c) and 0 for (d), with (e) being excluded from the calculation (IBP, 2019: 6–7).

Research findings and discussion

Research findings: Similar oversight institutions, different oversight practices

The findings indicate that Hong Kong’s ‘composite budget oversight’ scores (averaging 28.6) were consistently well above Macao’s (averaging 13.7) throughout the

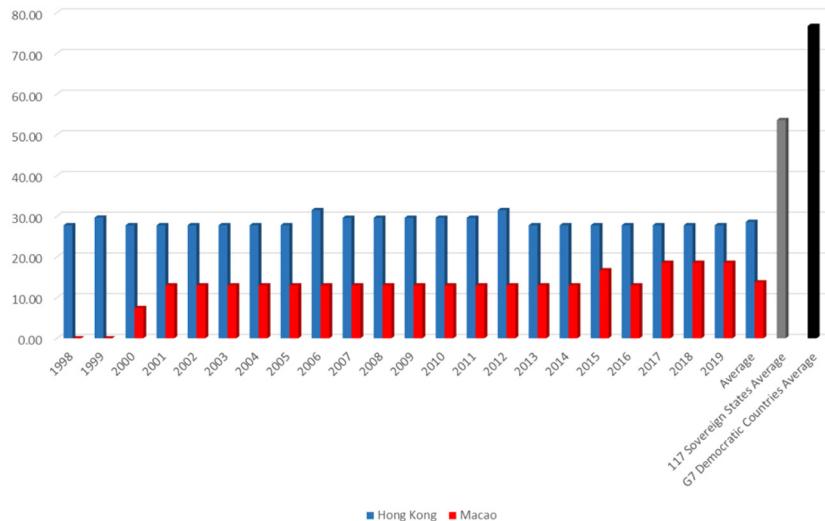


Figure 1. Post-handover composite budget oversight scores for Hong Kong and Macao.

Note: Each fiscal year's score was quantified by averaging the scores attained by Hong Kong and Macao on questions 107–124 (all OBS questions on budget oversight), the highest possible score being 100. The 'G7 democratic countries average' and '117 sovereign states average' were calculated based on the 2019 OBS data set (IBP, 2020).

post-handover period (OBS questions 107–124) (see Figure 1). This empirical pattern implies that the Hong Kong government is subject to much more stringent budget oversight practices than Macao, despite similar budget oversight institutions under the Basic Laws of the two SARs. Unsurprisingly, both Hong Kong and Macao lag considerably behind the G7 democratic countries, whose scores average 76.7. Such a large difference reflects the nature of Hong Kong's and Macao's hybrid political regimes, where the powers of their legislatures and SAIs are constrained by their semi-democratic, executive-dominant governments.

Deconstructing the overall scores into 'legislative oversight' (OBS questions 107–117) and 'SAI oversight' (OBS questions 118–124) scores indicates similar empirical patterns, with Hong Kong consistently attaining higher scores than Macao throughout the post-handover period, particularly with regard to 'legislative oversight': Hong Kong averaged 29 and 27.8 on 'legislative oversight' and 'SAI oversight', respectively; Macao's corresponding average scores were much lower, at 9.4 and 22.3, respectively (see Figures 2 and 3). This finding implies that Hong Kong's Legislative Council and Audit Commission are relatively more effective than Macao's Legislative Assembly and Commission of Audit in monitoring government budgets. However, when viewed in a global context, the legislatures and SAIs of both Hong Kong and Macao are considerably weaker than their G7 counterparts, which attain much higher average scores of 73.2 and 82.3 in the corresponding categories.

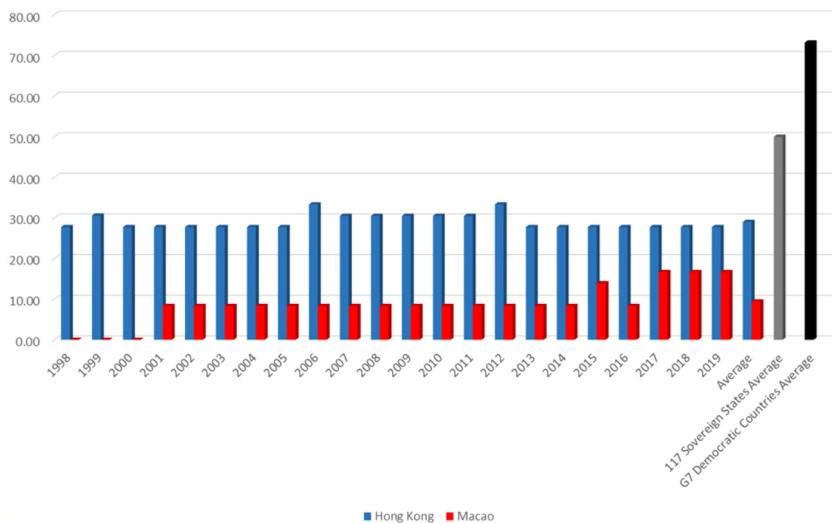


Figure 2. Post-handover legislative oversight sub-scores for Hong Kong and Macao.

Note: Each fiscal year's score was quantified by averaging the scores attained by Hong Kong and Macao on questions 107–117 (OBS questions on legislative oversight), the highest possible score being 100. The 'G7 democratic countries average' and '117 sovereign states average' were calculated based on the 2019 OBS data set (IBP, 2020).

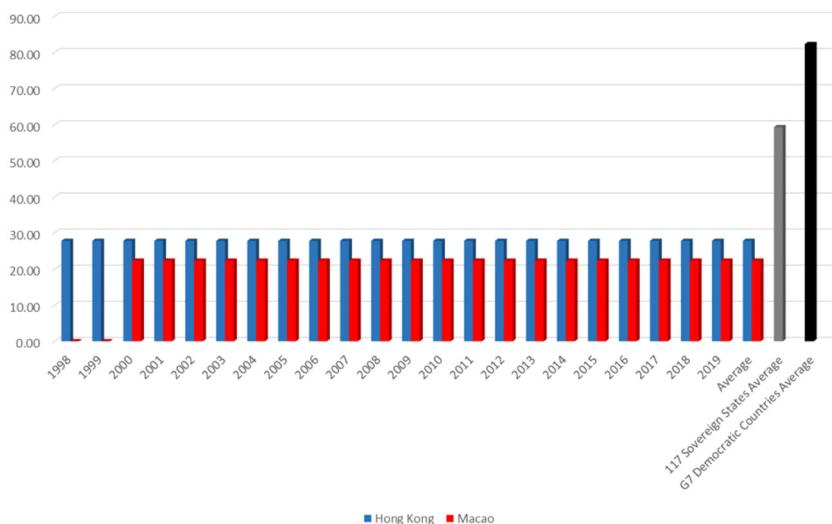


Figure 3. Post-handover SAI oversight sub-scores for Hong Kong and Macao.

Note: Each fiscal year's score was quantified by averaging the scores attained by Hong Kong and Macao on questions 118–124 (OBS questions on SAI oversight), the highest possible score being 100. The 'G7 democratic countries average' and '117 sovereign states average' were calculated based on the 2019 OBS data set (IBP, 2020).

In Figure 2, it is worth noting that Macao's scores on 'composite budget oversight', 'legislative oversight' and 'SAI oversight' have all substantially improved since the handover of sovereignty in 1999, in particular, the 'legislative oversight' sub-scores have almost doubled since 2017. The overall improvement in budget oversight in Macao is related to the gradual enhancement of the oversight role of the Macao Legislative Assembly since the handover (Yu, 2011), while the increase in the 'legislative oversight' sub-scores since 2017 is especially attributable to the legislative oversight reforms introduced in the aftermath of the corruption scandals associated with the Secretary for Transport and Public Works, Ao Man-long (Zheng and Wan, 2014: 146). Ao was arrested by the Macau Commission Against Corruption in 2006 and subsequently convicted on several charges of bribe-taking, abuse of power and money laundering.⁶ This corruption case led to widespread demand within Macao society for a more transparent public budgeting process (Zheng and Wan, 2014: 147), subsequently leading to the establishment of a new standing committee, the *Gōnggòng cáizhèng shiwù gēn jìn wěiyuánhui* (Follow-up Committee for Public Finance Affairs), in the Legislative Assembly in 2013⁷ and the enactment of the *Yìsuàn gāngyào fǎ* (Framework Law of Budget) in 2017.⁸ Such institutional reforms had contributed to marked improvement in the oversight role of Macao's Legislative Assembly. Notwithstanding such improvements, Macao's 'legislative oversight' score remains significantly lower than that of Hong Kong.

Discussion: Why and how the base of opposition politics matters

Why did the Hong Kong and Macao SAR governments experience different degrees of legislative and SAI monitoring despite having seemingly similar budget oversight institutions under the OCTS model? The most plausible explanation for this is the base of opposition politics: government budgets in Hong Kong are subject to much more stringent budget oversight practices than in Macao, owing to the fact that the former's budget oversight institutions are subject to stronger scrutiny from opposition politics than the latter. In other words, the varying practices of budget oversight of Hong Kong and Macao are the consequence of their different bases of opposition politics. For empirical analysis, in this study, the bases of opposition politics in Hong Kong and Macao are observed along three dimensions, namely, the democratic opposition, the media and civil society.

Democratic opposition. Since the introduction of direct elections to the legislature in 1991, Hong Kong's pro-democracy camp has continuously maintained a greater popular support base compared with the pro-regime camp, giving it an edge in geographical constituency elections (Ma, 2012). Despite Macao's earlier introduction of direct election to the legislature in 1976, its pro-democracy camp is relatively weaker in terms of resources, networks and organisation, making it too vulnerable to compete with the pro-regime camp in the electoral arena (Chan and Cheng, 2020; Zheng and Wan, 2014: 131). Consequently, since the handover, Hong Kong democrats have consistently occupied one-third of legislative seats, while their counterparts in Macao are numerically much

Table 3. Partisan distribution of Hong Kong's Legislative Council and Macao's Legislative Assembly.

Year	Pro-regime camp		Pro-democracy camp		Total	
	N	%	N	%	N	%
<i>Hong Kong</i>						
2000	40	66.7%	20	33.3%	60	100%
2004	35	58.3%	25	41.7%	60	100%
2008	37	61.7%	23	38.3%	60	100%
2012	43	61.4%	27	38.6%	70	100%
2016	40	57.1%	30	42.9%	70	100%
<i>Macao</i>						
2001	25	92.6%	2	7.40%	27	100%
2005	26	89.7%	3	10.3%	29	100%
2009	25	86.2%	4	13.8%	29	100%
2013	29	87.9%	4	12.1%	33	100%
2017	28	84.8%	5	15.2%	33	100%

Source: Adapted from Ma (2020) for Hong Kong and Lo (2020: 128) for Macao.

smaller and have generally secured fewer than one-fifth of the legislative seats (see Table 3).⁹

With a relatively stronger minority position, Hong Kong's pro-democracy camp can make better use of legislative rules to pressurise the Hong Kong SAR government's budgetary proceedings through filibustering, raising questions and proposing amendments. Hence, the pro-regime camp must always be fully mobilised to counter their scrutiny, which makes their budget oversight practices more stringent (Ma, 2012). In the 2019–2020 Budget Bill deliberations, for example, the Hong Kong democrats proposed a total of 156 bill amendments and 7109 written questions.¹⁰ Also, on many occasions, the pro-regime camp is as vocal as their pro-democracy counterparts in scrutinising government budgets, particularly during successive years of budget surplus (Fong, 2019). Conversely, Macao's pro-democracy camp is constrained by its numerical disadvantage compared with the pro-regime camp and is therefore unable to strongly challenge the Macao SAR government (Lo, 2020: 127). Thus, Macao's 2019 Budget Bill was easily passed unanimously by all legislators, including the democrats.¹¹ Therefore, it is not unexpected that the average time taken to pass government budgets in Hong Kong is much greater than that in Macao (see Figure 4). The Finance Committee of the Hong Kong Legislative Council is also more active than the Follow-up Committee for Public Finance Affairs of Macao's Legislative Assembly (see Figure 5).

Media. Despite the gradual erosion of press freedom after the handover, Hong Kong's media is still far more active than their Macao counterparts in terms of monitoring the government. The stronger watchdog role of Hong Kong's media is attributable not simply to its

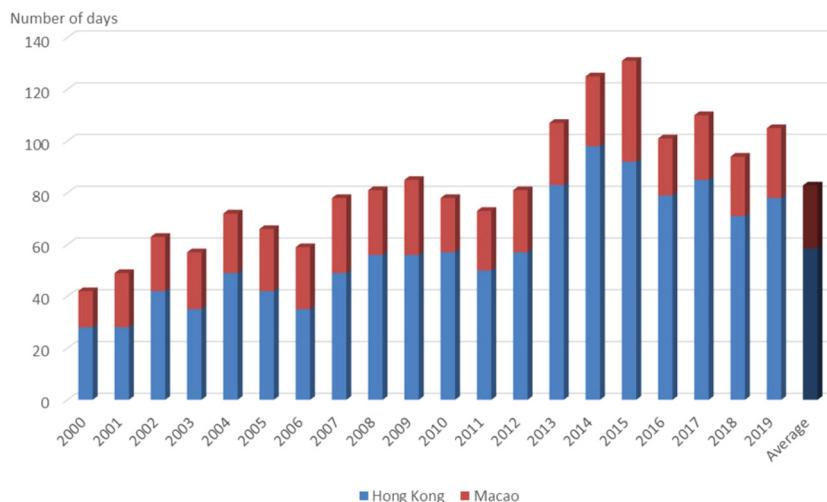


Figure 4. Time required for passage of government budgets in Hong Kong's Legislative Council and Macao's Legislative Assembly.

Note: The y-axis denotes the number of calendar days required for the passage of the budget bills in the respective fiscal years, calculated by deducting the third reading dates from the first reading dates. Source: Author's own analysis based on the available information from the official websites of Hong Kong's Legislative Council (see: https://www.legco.gov.hk/database_leg_pro/chinese/bills/bills.htm) and Macao's Legislative Assembly (see: <https://www.al.gov.mo/zh/law>).

larger scale (see Table 4), but also to the more assertive media culture and environment. Notwithstanding the growing pressures of self-censorship in Hong Kong, surveys of professional journalists reveal that most of them see monitoring the government as an important media function and that the liberal-democratic ideal remains the foundation of journalism (Chan and Lee, 2012). Macao's media firms are relatively more structurally dependent on the political establishment for annual government subsidies to sustain their operations. Thus, the media culture in Macao tends to be more compliant with a lack of investigative reporting on government performance (Lo, 2020: 70). Except for a few pro-democracy Internet news media such as Macau Concealers and All About Macau, all mainstream media firms in Macao are pro-regime and rarely feature negative reports on the political establishment (Lo, 2020: 113; Zheng and Wan, 2014: 147).

Given the aforementioned context, governments budgets and audit reports are more extensively covered by the Hong Kong media compared to the Macao media (see Figures 6 and 7), with pro-regime media in Hong Kong, such as the *Oriental Daily*, usually joining pro-democracy media, such as the *Apple Daily*, in critically appraising the government's budgetary activities. For example, on the release of the Audit Commission's value-for-money reports on 17 April 2019, all local newspapers, ranging from pro-democracy to pro-regime, had negative headlines in the following days, criticising the mismanagement of resources by several government departments, such as the Transport, Civil Aid Service and Labour Departments.¹²

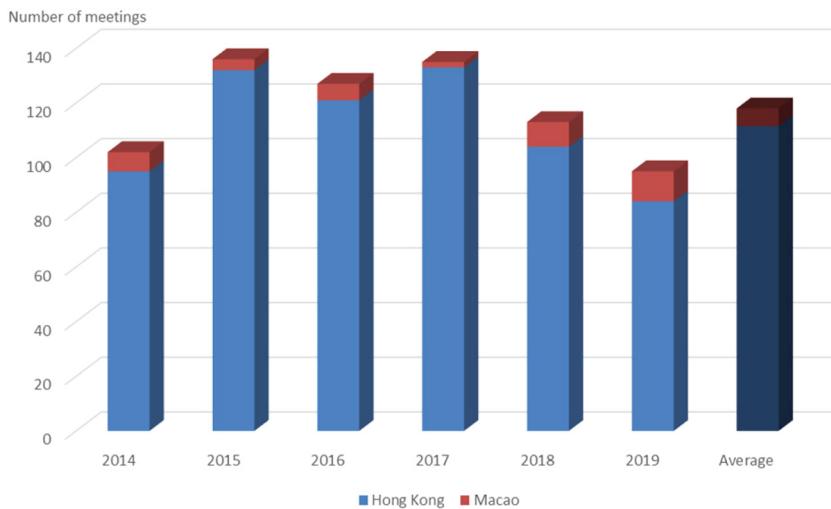


Figure 5. Number of meetings held by the Finance Committee of Hong Kong's Legislative Council and Follow-up Committee for Public Finance Affairs of Macao's Legislative Assembly.

Note: For Hong Kong, the y-axis denotes the total number of meetings of the entire Finance Committee, the Establishment Subcommittee and the Public Works Subcommittee.

Source: Author's own analysis based on available information from the official websites of Hong Kong's Legislative Council (see: <https://www.legco.gov.hk/general/english/fc/fc1620.htm>) and Macao's Legislative Assembly (see: <https://www.al.gov.mo/zh/public-finances>).

Table 4. Mass media in Hong Kong and Macao.

	2012	2013	2014	2015	2016	2017	2018	2019
<i>Hong Kong</i>								
Newspapers in Chinese	25	28	29	26	28	37	50	53
Newspapers in English and other languages	26	27	27	27	26	31	30	29
Television and radio stations	27	29	29	28	26	23	22	20
<i>Macao</i>								
Newspapers in Chinese	10	10	11	11	13	13	13	13
Newspapers in Portuguese and other languages	6	6	6	6	6	6	5	5
Television and radio stations	10	10	10	9	10	11	11	9

Source: Author's own analysis based on the information available on the official website of the Hong Kong Yearbook (see: <https://www.yearbook.gov.hk>) and Macao Yearbook of Statistics (see: <https://www.dsec.gov.mo/en-US/Home/Publication/YearbookOfStatistics>).

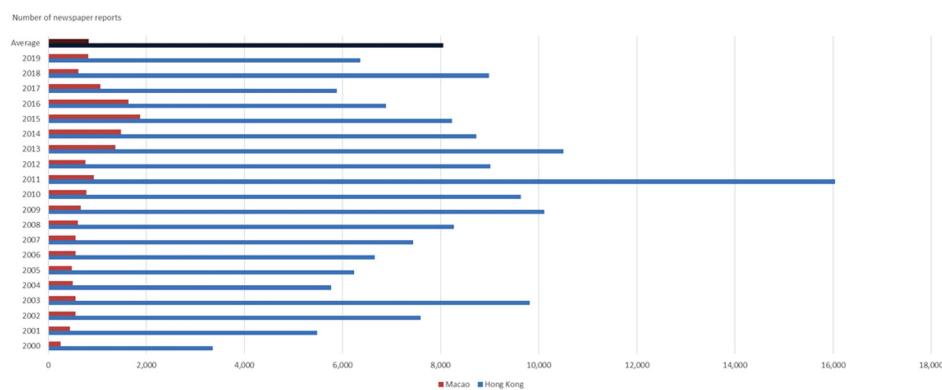


Figure 6. Number of news reports on the government budgets of Hong Kong and Macao.

Source: Data retrieved from the WiseNews Search Engine, using the keyword ‘Yùsuàn àn’ (‘budget’).

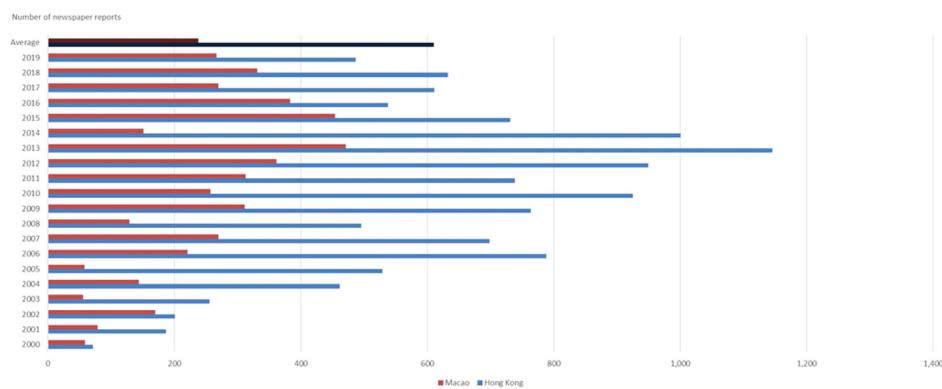


Figure 7. Number of news reports on the audit reports of Hong Kong and Macao.

Source: Data retrieved from the WiseNews Search Engine, using the keyword ‘Shēnji bào gào’ (‘audit report’).

Civil society. Hong Kong’s civil society organisations are more active in challenging government policies, including those related to public budgeting, than their counterparts in Macao. Since coming of age in the 1970s, Hong Kong’s civil society has developed a culture of pressurising the government through protests, petitions and signature campaigns (Chan, 2012). Contrarily, government–society relations in Macao are more harmonious, owing to a different power balance between pro-regime and independent civil society groups. On the one hand, there are several powerful, broad-based, pro-regime groups that readily mobilise popular support for the Macao SAR government, such as the Macao Chamber of Commerce,

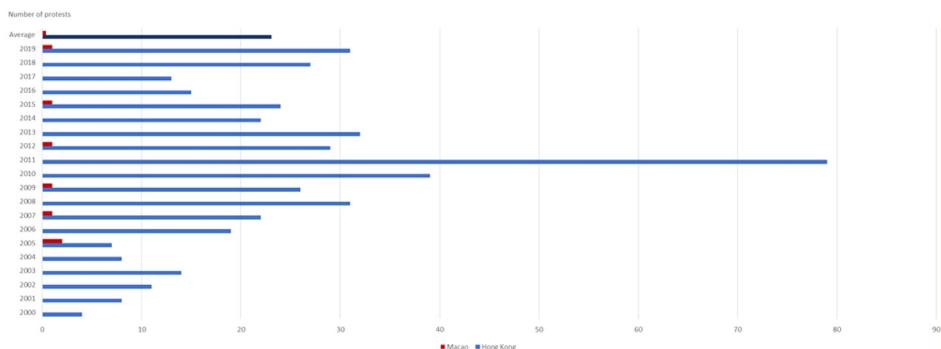


Figure 8. Number of budget protests in Hong Kong and Macao.

Source: Author's own analysis based on data retrieved from the WiseNews Search Engine, using the keyword 'Yùsuàn àn' ('budget') to search all budget-related news reports, followed by manual coding of protest events if related to government budgets. Protest events reported by different newspapers were counted only once.

Macao Federation of Trade Unions, General Union of Neighbourhood Associations and Women's General Association, as well as the recently founded Jiangmen Communal Society, Fujian Association and Federation of Zhuhai Society. On the other hand, a stronger apolitical culture and smaller middle/professional class in Macao effectively leave limited room for developing independent civil society groups (Lo, 2020: 128–129, 266–267; Ping, 2011).

Given the different trajectories of a 'vibrant civil society' in Hong Kong and a 'suppressed civil society' in Macao (Chan and Cheng, 2020), the former's government budgets are subject to a higher degree of scrutiny from civil society than the latter's, as demonstrated by the disparate numbers of budget protests in the two SARs (see Figure 8).

To summarise, the stronger base of opposition politics in Hong Kong helps sustain the modus operandi of its legislative and SAI oversight institutions, and explains why Hong Kong and Macao are subject to different budget oversight practices, despite having similar *prima facie* budget oversight institutions under the OCTS model. However, it must be noted that Hong Kong's relatively stronger base of opposition politics does not fundamentally alter the constitutional constraints imposed by the Basic Law on its legislative and SAI oversights. Notwithstanding their stronger influence, Hong Kong's pro-democracy camp, civil society and media remain impotent in creating a real policy impact on government budgets when faced with an executive-dominant government, a pro-regime majority and procedural constraints on legislators. In other words, the difference in budget oversight practices between Hong Kong and Macao is a matter of degree, not of kind.

Epilogue

At the time of writing, Hong Kong is experiencing dramatic political changes. In the aftermath of the 2019–20 Anti-Extradition Bill Movement, Beijing made several political

moves through the National People's Congress Standing Committee that swiftly transformed the OCTS model in Hong Kong. These included the enactment of the National Security Law (in June 2020), the postponement of the Legislative Council's general election by a whole year (in July 2020), the disqualification of four pro-democracy legislators (in November 2020) and the restructuring of the electoral system of the Legislative Council (in March 2021). Consequently, the opposition base in Hong Kong, which has steered the political scene since the transitional period of the 1970s to the 1990s, has been significantly changed.¹³

The future of Hong Kong's opposition politics is beyond the scope of this study and an area for further empirical research. Future scholars may study how the uncertain and evolving dynamics of opposition politics in Hong Kong eventually shape budget oversight institutions and practices in the territory. Yet, it is important to note that public budgeting often operates as a function of the larger political system, including the dynamics of opposition politics; over recent decades, budget oversight in Hong Kong and Macao has been no exception to this rule and is likely to continue similarly in the future.

Conclusions

This study is a pioneering attempt to study budget oversight at the territorial autonomy level. Applying the OBS methodology, this comparative case study of Hong Kong and Macao goes beyond the mainstream public budgeting literature by reorienting the research focus from sovereign states to territorial autonomies. Limited by its nature as binary case studies, the findings of this study – on how the base of opposition politics has affected budget oversight practices – cannot be straightforwardly generalised to other territorial autonomies. Still, this study successfully applies the comparative tools of the OBS to the context of territorial autonomies, highlighting how budget oversight of Hong Kong and Macao has been structured by their semi-democratic regimes, and laying the foundation for future expansion of such frameworks to a larger number of cases.

Generally speaking, when compared with territorial autonomies worldwide, Hong Kong and Macao have been privileged with full fiscal autonomous powers (e.g. deciding on their own budgets, maintaining their own separate taxation systems and keeping all budgetary resources for their own use), while other territorial autonomies documented by scholars thus far, such as Åland, Catalonia and Scotland, operate under different degrees of central control (e.g. intra-state transfer systems and state-wide taxation regimes). Yet, other territorial autonomies normally have a higher degree of democratisation than both Hong Kong and Macao.¹⁴ Whether and how the budget oversight of territorial autonomies worldwide is structured by their different parameters of fiscal autonomy and varying degrees of democratisation are certainly theoretically and practically significant topics for future comparative budgeting studies.

Since the 2000s, critics within the social science community have challenged state-centrism and the 'methodological nationalism' that entails the adoption of the nation state as the default unit of analysis (Wimmer and Glick Schiller, 2002). Political scientists from the fields of comparative politics and international relations have also questioned the

state-centric approach (Orenstein and Schmitz, 2006), and made attempts to study multi-level territorial politics across sub-state, state and supra-state jurisdictions (Hepburn and Detterbeck, 2018).

Thus far, this intellectual trend has not percolated to the field of comparative budgeting, with studies on sub-state jurisdictions remaining secondary and those on territorial autonomies almost absent. Comparative political scholars have highlighted the need to adopt ‘methodological pluralism’ (Giraud and Maggetti, 2015; Guiraudon, 2020); comparative budgeting scholars should also heed this call.

Disclaimer

This study seeks to offer scholarly, objective analyses of actors, events, forces, and trends relating to Hong Kong and Macao’s public budgeting. It does not express the author’s personal position on the constitutional development of Hong Kong and Macao. It also does not reflect the official position of the Education University of Hong Kong.

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Notes

1. For the full text of the Hong Kong SAR Basic Law, see: <https://www.basiclaw.gov.hk>; for the full text of the Macao SAR Basic Law, see: <https://bo.io.gov.mo/bo/i/1999/leibasica> (available in Chinese and Portuguese only).
2. The partial democratisation of Hong Kong’s Legislative Council began in 1991, when 18 directly elected seats were added to the 60-member legislature. Direct election elements have been gradually increased to nearly 60% since 2012 (including the five new quasi-directly elected, functional constituencies of ‘super district councillors’). For an account, see Ma (2012).
3. The partial democratisation of Macao’s Legislative Council began in 1976, with about one-third of directly elected seats added to the 17-member legislature. Direct election elements have been gradually increased to more than 40% since 2013. For an account, see Yu (2011).
4. For general accounts of budgetary and legislative politics of Hong Kong and Macao, see Fong (2015, 2021) and Yu (2011), respectively.
5. Hong Kong’s annual budget covers the period between 1 April and 31 March, while the annual budget of Macao covers the period from 1 January to 31 December.
6. For an account of the corruption case of Ao Man-long, see Lo (2020: 70–75).

7. For the official descriptions of the Follow-up Committee for Public Finance Affairs, see: <https://www.al.gov.mo/zh/public-finances> (available in Chinese only).
8. The Framework Law of Budget provides more stringent regulations for the budgeting activities of the Macao SAR government, such as imposing restrictions on virement of designated funds, strengthening the role of the Legislative Assembly over the monitoring of public works projects and mandating a mid-term budget execution report submission to the Legislative Assembly. For the full text of the Framework Law of Budget, see: https://bo.io.gov.mo/bo/i/2017/35/lei15_cn.asp (available in Chinese and Portuguese only).
9. It is worth noting that the stronger democratic opposition in Hong Kong than in Macao is, in turn, a result of the higher degree of democratisation of the Hong Kong Legislative Council than the Macao Legislative Assembly. According to the empirical analysis of Fong (2019), the percentage of seats chosen by popular election in the Hong Kong Legislative Council was increased from 31% in 1991–1995 to 57.14% since 2016, while that of the Macao Assembly largely remained at the level of 35–42.42% from 1975 to present. The higher level of democratisation of Hong Kong's legislature has certainly provided its democratic opposition with relatively greater room to thrive than their counterparts in Macao (for details, see Fong, 2019).
10. For a record of the budget amendments proposed by Hong Kong's democrats on the 2019–2020 budget, see: https://www.legco.gov.hk/yr18-19/english/pre_rul/pre20190506-ref-e.pdf; for a record of written questions raised by them, see: https://www.legco.gov.hk/yr18-19/english/fc/fc/minutes/sfc_rpt.pdf
11. For a record of deliberation on Macao's 2019 Budget Bill, see: <https://www.al.gov.mo/zh/law/2018/358> (available in Chinese and Portuguese only).
12. According to WiseNews Search Engine, there were a total of 71 Chinese news reports on 18 April 2019, the date following the release of the value-for-money reports by the Audit Commission. For full texts of the audit reports, see: https://www.aud.gov.hk/eng/pubpr_arpt/rpt_72.htm
13. For a timeline of the 2020 political events, see Reuters Staff (2021). For an account of the evolution of Hong Kong's autonomy in recent years, see Fong (2020).
14. Ghai and Woodman (2013) surveyed the constitutional systems, including fiscal arrangements, of 13 territorial autonomies worldwide, namely, Åland, Bosnia-Herzegovina, Bougainville, Catalonia, Hong Kong, Kashmir, Macao, Norfolk Island, Puerto Rico, Quebec, Scotland, South Tyrol and Zanzibar. While the accounts are constitutionally/legally oriented and brief on contents, they offer an important basic understanding of the public budgeting systems of territorial autonomies worldwide.

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