CEPU's Call for Papers to Gather Academic and Policy Insights for Reference related to Hong Kong's Five-Year Plan

IMPROVING GOVERNANCE MECHANISMS UNDER AN EXECUTIVE-LED SYSTEM

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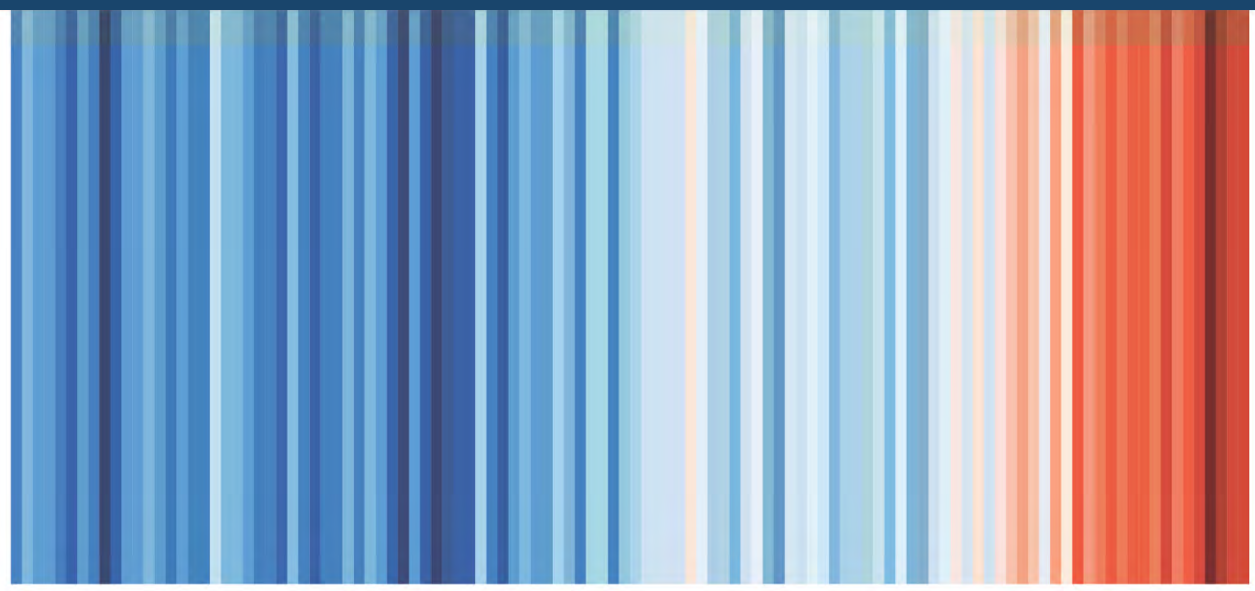

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CONTENT

As Hong Kong prepares its first Five-Year Plan, the central question is not only what policies to pursue, but whether its governance system is equipped to originate important new initiatives and deliver coordinated, long-term development outcomes under an executive-led framework.

I. Introduction

This paper responds to the Chief Executive's Policy Unit (CEPU)'s call for research under Item 6 on improving institutions and governance mechanisms to align with the National 15th Five-Year Plan. It argues that *stronger governance is foundational to Hong Kong's ability to deliver high-quality, competitive, long-term development under an executive-led system*.

The National 15th Five-Year Plan presents opportunities for Hong Kong to strengthen its roles as an international financial centre, shipping and trade hub, and innovation and technology centre, while deepening integration with the Greater Bay Area (GBA). If approached strategically, these priorities can also reinforce Hong Kong's position as a talent hub, as skills and professional capabilities are closely linked to emerging economic activity. Achieving these objectives, however, requires more than sector-specific policies. It requires governance systems that coordinate across domains, align public and private actors, and translate strategy into implementation.

Yet, coordination alone is insufficient. As climate and other systemic risks intensify, the ability of cities to translate strategy into credible, investable programmes is becoming a defining factor of competitiveness. Where governance systems are well-organised and capable of delivering coordinated responses, they create the conditions for investment, innovation, and sustained economic activity. Governance is therefore not only an administrative question, but a determinant of long-term economic resilience.

Global and national development, including the climate transition, provides a useful lens through which to examine these challenges. As a cross-cutting domain spanning energy, buildings, transport, technology/AI, finance, talent, and ecological systems, it highlights both opportunities and institutional constraints. Addressing such challenges requires coordinated action across Bureaux, Departments, regulators, and market participants, making it a practical test case for strengthening competitiveness.

While Hong Kong has a highly capable public administration, its policy approach has traditionally relied on sector-based initiatives and incremental adjustments. This has delivered important outcomes, but is less suited to complex, system-wide transitions that require sustained coordination and alignment across policy domains.

At the same time, Hong Kong's close institutional and economic links with the Chinese Mainland position it to pilot new forms of cross-boundary cooperation within the GBA, including in green infrastructure, sustainable urban development, and biodiversity conservation. Climate and sustainability transitions are therefore not standalone agendas, but integral to national development and Hong Kong's future competitiveness. *"Green" development can serve as a strategic organising framework through which Hong Kong articulates missions aligned with national priorities while advancing local economic, environmental, and social objectives.*

This paper draws on an ongoing but as yet incomplete HKUST research project that is developing a 5-Pillar Model of Climate Governance to analyse how policies are formulated, coordinated, financed, implemented, monitored, and refreshed. While developed for the climate transition, the model provides a broader framework for governing complex, cross-sector transformations and can be applied to other policy domains.

The analysis combines case studies, expert interviews, stakeholder workshops and focus groups, and a review of policy and regulatory documents. It captures both formal institutional arrangements and how governance operates in practice, particularly in areas requiring cross-Bureau and cross-Department coordination and public-private collaboration. The project is ongoing, with an initial recommendation report to be published by end-3Q2026, focusing on how policy coordination can be strengthened through top-led, mission-driven approaches.

Governance arrangements are best understood through application. For this paper, four areas are used as illustrative cases: retrofitting existing buildings, nature-positive development, green aviation and maritime systems, and green and transition finance. Two of these (international finance and maritime development) align directly with CEPU priorities, while the others demonstrate how mission-oriented governance operates across both locally rooted and globally connected systems.

This paper argues that meeting these challenges will require the HKSAR Government to move beyond an initiative-based approach, articulate clear missions, and play a more active role in shaping the conditions for coordinated action. Government must act as a systems architect, designing institutional, financial, and policy frameworks that align markets and stakeholders with long-term goals. This requires sustained leadership at the most senior levels. Cross-sector transformation cannot be left to individual Bureaux or Departments with limited authority to coordinate across domains. Without clear top-level direction, opportunities risk fragmentation or delay within existing structures. Executive-led government must therefore be operationalised through consistent, high-level leadership that sets direction, resolves trade-offs, and drives system-wide alignment.

II. Mission-Oriented Green Development: Implications for Hong Kong's Five-Year Plan

Mission-Oriented Green Development in the Mainland Context

The concept of "green" development in the Chinese Mainland is best understood not as a discrete policy domain, but as part of a broader shift toward mission-oriented governance. Environmental objectives – decarbonisation, biodiversity conservation, pollution control, and circular economy – are embedded within wider priorities of technological upgrading, industrial transformation, energy security, and long-term economic resilience. *These are treated as interdependent components of a coordinated development transition rather than separate agendas.*

This mission-oriented approach is characterised by four features:

- Integrative, aligning energy, industry, infrastructure, finance, and ecology under a unified direction;
- Directional, providing a long-term trajectory that guides policy, regulation, and investment;
- System-wide, requiring coordination across government, enterprises, finance, and research; and
- Market-shaping, using policy to create industries, technologies, and financing opportunities.

This points to the need to move beyond project-based approaches toward more integrated, portfolio-based strategies. Rather than advancing isolated initiatives, interconnected programmes can be organised as coherent investment portfolios. This enables risks and returns to be assessed at the system level, strengthens the credibility of long-term development pathways, and improves the conditions for mobilising capital at scale.

Governance Implications for Hong Kong

Hong Kong has recognised the importance of high-quality development, innovation and technology, and integration with national strategies. However, these priorities continue to be advanced largely along sectoral lines. Finance, innovation, infrastructure, and industry are often pursued in parallel rather than as parts of a unified transformation pathway.[1]

Current coordination relies primarily on administrative mechanisms, including preparatory groups and Bureau-led processes. While necessary, these are not designed to originate or drive complex cross-sector initiatives. *Many policy proposals continue to emerge within individual Bureaux and reflect existing areas of responsibility. As a result, ideas that cut across multiple domains may struggle to find institutional sponsorship, even where they carry significant strategic value. Existing processes are more effective at aligning ongoing initiatives than at identifying and advancing new cross-sector proposals that require shared ownership and sustained leadership.*

This distinction is critical. Alignment across policy domains does not automatically translate into integration at the level of outcomes. Without a mission-oriented approach, there is a risk that the Hong Kong Five-Year Plan becomes a collection of initiatives rather than a coherent strategy capable of driving transformation.

Beyond providing clearer strategic direction, a mission-oriented approach can also improve administrative efficiency. Under an initiative-based system, Bureaux and Departments may pursue parallel programmes with limited integration, leading to duplication, fragmented resource allocation, and slower implementation where coordination is required. *A mission-*

oriented framework, by contrast, aligns objectives, resources, and responsibilities around shared outcomes. This reduces duplication, improves sequencing of policy and investment, and enables trade-offs to be resolved more efficiently at the system level.

From Sectoral Alignment to Mission Integration

Moving toward a mission-oriented approach requires a shift in how the development transition is conceived and implemented. Rather than treating "green" as one policy area among many, it should serve as a strategic organising framework to define missions that integrate economic, financial, environmental, technological, and talent objectives. These missions should reflect Hong Kong's own capabilities while aligning with national priorities.

Mobilising Public and Private Assets

Hong Kong already possesses a substantial asset base that can be mobilised to support mission-driven development.

On the public side, government-owned infrastructure, buildings, transport systems, and ecological assets can serve as early deployment platforms for energy efficiency, electrification, climate resilience, and nature-based solutions (NbS). Strategic use of these assets can create demand, de-risk investment, and establish performance benchmarks that catalyse market participation.

On the private side, Hong Kong's capital markets, financial institutions, property developers, utilities, technology providers, and professional services form a powerful ecosystem for scaling solutions. However, mobilising this ecosystem requires more than policy signals. *It requires structured engagement around clearly defined missions, where risks and returns are understood, performance is measurable, and value can be shared.* This will involve new forms of public-private collaboration, including performance-based contracting, project aggregation, blended finance, and regulatory frameworks that support long-term investment.

Missions as a Bridge Between Policy and Market Action

Missions provide a bridge between public policy and private action. They align government, regulators, financiers, industry and even philanthropists where relevant around shared objectives, translating the high-level goal of decarbonisation and resilience into programmes that can be implemented, financed, and monitored.

A mission-driven approach also enables Hong Kong to build capabilities while contributing to national development. By using its assets as testing grounds and its markets as platforms for scaling, Hong Kong can develop expertise in urban retrofitting, sustainable infrastructure, transition technologies, and green finance, strengthening its role within the GBA and internationally.

Toward Mission-Oriented Governance: Institutional Implications

The challenge is therefore one of institutional design. *Moving toward mission-oriented governance requires alignment between strategy, implementation, and market development, supported by effective coordination mechanisms and feedback loops.*

Crucially, this cannot be achieved through administrative coordination alone. Complex, cross-sector initiatives require *clear direction from senior leadership*, with designated teams and experienced officials tasked to lead development and implementation under appropriate oversight. This helps ensure that cross-cutting priorities are advanced coherently and do not become fragmented within departmental structures.

In this sense, *mission-oriented governance is not only about what to do, but how government is organised to do it. It requires leadership, authority, and institutional arrangements that can integrate across sectors, mobilise markets, and sustain long-term transformation.*

The climate transition illustrates these requirements clearly. Spanning energy, buildings, transport (including shipping and aviation), finance, and ecological systems, it highlights both the opportunities and the constraints of existing governance arrangements.

III. A Governance Framework for Mission-Oriented Transition: The 5-Pillar Model

Hong Kong's challenge is not a lack of policy ambition or administrative capability, but how strategic priorities are translated into coordinated action. While current policy statements set out a wide range of initiatives across sectors, these are typically presented as parallel efforts rather than as part of clearly defined missions with shared outcomes and integrated delivery pathways. This makes it more difficult to align incentives, mobilise capital at scale, and coordinate implementation across government and the private sector.

From Initiative-Based to Mission-Oriented Governance

To address this, this paper adapts the 5-Pillar Model of Climate Governance being developed at HKUST. While originally designed for the climate transition, it provides a practical framework for operationalising mission-oriented governance more broadly by aligning strategy, institutions, financing, implementation, and engagement.

The model is structured around five core pillars:

1. Long-term vision, targets, and missions;
2. High-level political leadership and coordination;
3. Integration across policy sectors ("mainstreaming");
4. Financing structure and market development; and
5. Transparency, accountability and stakeholder engagement.

Together, these pillars describe the core functions required for government to act as a *systems architect*, aligning policy, markets, and institutions to deliver cross-sector outcomes. The model does not replace existing policies but provides a governance architecture through which they can be prioritised, coordinated, and delivered as coherent missions.

Pillar 1: Long-term Vision, Targets, and Missions

Mission-oriented governance begins with clarity of direction. Beyond long-term goals, this requires defining missions that translate strategic intent into actionable programmes.

For Hong Kong, missions should be:

1. **Outcome-oriented**, focused on real-world transformation (e.g. large-scale retrofitting, zero-emission transport systems, nature-positive development etc);
2. **Time-bound and measurable**, with clear milestones; and
3. **Linked to asset deployment**, particularly public infrastructure and buildings, to enable scale.

Missions align policy tools, financing mechanisms, and stakeholders, bridging strategy and implementation.

Pillar 2: High-Level Leadership and Coordination

Mission-oriented transitions require sustained leadership at the highest levels of government. In Hong Kong's system, where responsibilities are distributed across Bureaux and Departments, this is essential to ensure alignment across domains.

High-level leadership is needed to:

1. Set cross-sector priorities;
2. Resolve trade-offs;

3. Align policy, resources and implementation; and
4. Maintaining momentum over time.

Crucially, this goes beyond coordination. *Major policy shifts require clear top-level direction from the Chief Executive, Chief Secretary or Financial Secretary, with designated units and experienced officials, with the standing and ability, tasked to drive policy development and implementation under senior supervision. This ensures missions are embedded in departmental plans, resource allocation, and performance systems, and prevents fragmentation across institutional boundaries.*

Pillar 3: Integration Across Policy Sectors (Mainstreaming)

As highlighted in Section II, a central challenge for Hong Kong is the persistence of sector-based approaches. Mission-oriented governance requires integration across energy, buildings, transport, finance, biodiversity, innovation and technology, and talent. This involves:

1. Embedding mission objectives across multiple policy domains;
2. Aligning regulatory frameworks and standards; and
3. Coordinating public investment and infrastructure planning.

Integration does not remove institutional boundaries but ensures they operate coherently toward shared outcomes.

Pillar 4: Financing Structures and Market Development

Mission-oriented governance depends on mobilising capital at scale. This requires creating bankable pipelines, risk-sharing mechanisms, and credible revenue models.

Hong Kong's role as an international financial centre provides strong foundations, but unlocking this potential for the development transition requires:

1. Using public assets and programmes to create investment opportunities and de-risk early-stage projects;
2. Aggregating smaller projects to achieve scale;
3. Aligning regulatory frameworks with real economy needs; and
4. Strengthening collaboration between government and private sector asset owners, business, industry and financial institutions.

Finance is not a standalone function, but an integral part of the governance architecture that connects policy intent with implementation, which requires close coordination between policy Bureaux, Departments, and financial regulators.

Capital does not respond to policy intent alone, but to the credibility of governance systems. Investors assess not only individual projects, but the institutional capacity to design, coordinate, and deliver investment pipelines and portfolios over time. Strengthening governance, including coordination, transparency, and execution capability, directly affects the cost and availability of capital. In this sense, governance quality becomes a critical determinant of whether capital can be mobilised at scale.

Pillar 5: Transparency, Accountability, and Stakeholder Engagement

Mission-oriented governance requires continuous feedback and adaptation. This depends on robust systems for:

1. Monitoring progress against targets and missions;
2. Transparent and consistent reporting; and
3. Structured stakeholder engagement across policy design and implementation.

In Hong Kong, where many assets are privately owned, engagement is critical. It helps identify barriers, build trust, and co-develop scalable solutions. Structured engagement should therefore be understood not as an adjunct to policymaking, but as a core governance capability that must be systematically embedded in decision-making processes.

From Initiative to Mission-Oriented Governance

The 5-Pillar Model highlights that the transition ahead is not about adding more initiatives, but about organising them within a coherent governance framework. It enables Hong Kong to build on its strengths in policy delivery while enhancing its ability to coordinate across sectors, mobilise resources, and deliver measurable outcomes.

The following section applies this framework to a set of illustrative missions, demonstrating how mission-oriented governance can be operationalised in practice.

IV. From Framework to Practice: Missions for Integrated Transition

This section presents four illustrative missions, mainly drawn from ongoing HKUST research, to demonstrate how mission-oriented approaches can be applied in Hong Kong. These examples are not isolated case studies – they show how environmental objectives, technological innovation, financing mechanisms, infrastructure systems, and societal outcomes can be aligned within mission-driven programmes.

The following missions also illustrate how the 5-Pillar Model operates in practice. While not presented pillar-by-pillar, each case highlights the importance of clear mission definition, coordinated leadership, cross-sector integration, financing structures, and stakeholder engagement in delivering system-wide outcomes.

Mission 1: Retrofitting Hong Kong's Existing Building Stock by 2050 to Achieve Carbon Neutrality, Enhance Urban Liveability, and Strengthen Economic Value

Current Policy Approach

Improving the environmental performance of Hong Kong's buildings has long been a policy priority. Over the past two decades, the HKSAR Government has focused primarily on new developments, using tools such as gross floor area concessions to incentivise higher environmental standards. This has been complemented by support for institutional development, including the creation of the Hong Kong Green Building Council and the Construction Industry Council, which have played important roles in promoting green infrastructure and building standards, professional training, and industry capability.

These efforts have yielded important results. New buildings in Hong Kong increasingly meet higher energy and environmental standards using local and international standards (such as BEAM Plus and LEED), and the broader ecosystem of professionals, developers, and service providers has matured significantly.

The Structural Gap

However, the centre of gravity must now shift. Most of Hong Kong's building stock already exists, and much of it is ageing. Current decarbonisation thinking has placed significant emphasis on the future import of clean energy as a pathway to reducing emissions from buildings.[2] While this approach can lower the carbon intensity of energy supply, it does not address the efficiency and performance of the buildings themselves. Relying primarily on clean power risks overlooking a major opportunity to reduce energy demand from buildings, lower operating costs, enhance asset values, and improve the city's competitiveness as well as urban liveability.

Existing institutional arrangements have been effective in delivering new green buildings and infrastructure, where the developer and development are clear, and incentives are aligned. By contrast, retrofitting existing buildings involves fragmented ownership, split incentives, and the need to coordinate across multiple policy and financing domains over time. These characteristics make it significantly more complex to deliver through traditional, initiative-based approaches.

Reframing the Mission

From a mission-oriented perspective, existing buildings should be treated as a strategic asset class central to Hong Kong's transition. An integrated approach that links energy, buildings, finance, and urban development for the people's well-being would reposition retrofitting as a driver of competitiveness and wellbeing, rather than a compliance exercise.

The challenge of retrofitting existing buildings has been well documented. Recent research, including the CEPU-commissioned study, 'Energy Efficiency Retrofitting of Existing Buildings for Carbon Neutrality in Hong Kong: Policy Recommendations and Guidelines for Overcoming Challenges'[3] and HKUST's study on 'Financing the Retrofitting of Hong Kong's Existing Buildings: Unlocking Energy Efficiency for Climate and Economic Goals',[4] have identified a range of technical, financial, and market barriers, including fragmented ownership structures, high upfront capital costs, split incentives between owners and occupants, and limited aggregation of projects. These analyses provide a strong foundation for understanding the problem. However, less attention has been given to the governance dimension, namely, how to organise policy, finance, and stakeholders into a coherent system capable of delivering retrofits at scale.

Governance and Financing Implications

Delivering such a mission is inherently a governance challenge. It requires coordination across multiple policy domains, including energy, buildings regulation, works, finance, and urban development. It requires alignment between public and private incentives, particularly in a context where most buildings are privately owned. It also requires the development of financing mechanisms and delivery models that can operate at scale over a sustained period.

A critical starting point is the use of public assets to catalyse the market, which will also attract external companies to focus on Hong Kong.[5] Hong Kong has a substantial portfolio of government-owned buildings and infrastructure, as well as publicly funded institutions such as university campuses. *These assets can be used to create a pipeline of retrofit projects, providing early demand, demonstrating technical and financial models, and establishing performance benchmarks.*

For example, a programme to retrofit public sector buildings and infrastructure and university campuses could be structured to aggregate projects and deploy standardised performance-based contracts. Financing could be mobilised through a combination of public funding, green bonds, and blended finance mechanisms, potentially even involving philanthropic capital. Initiatives such as issuing bonds to retrofit university buildings, supported by partnerships with institutions such as the Hong Kong Jockey Club and other philanthropic organisations, could serve as demonstrative models for scaling. Given the established role of philanthropy in supporting university infrastructure, such blended models may well be both feasible and scalable.

Such an approach would help to address one of the central constraints in retrofitting – the mobilisation of upfront capital expenditure. By using public projects to de-risk investments and create credible revenue streams (for example through energy savings), the HKSAR Government could help to crowd in private capital and build confidence among asset owners.

Recent fiscal developments further illustrate the HKSAR Government's capacity to mobilise resources at scale. The announcement of a HK$150 billion transfer from the Exchange Fund to the Capital Works Reserve Fund to support the Northern Metropolis and other major infrastructure projects reflects a willingness to deploy substantial public capital to drive development.[6] At this scale, the strategic question is how such public funding can be used not only to finance works directly, but to shape markets by crowding in private capital through mechanisms such as demand aggregation and risk-sharing.

From a mission-oriented perspective, such funding decisions also present an opportunity to deploy public capital more strategically to catalyse broader market development. Beyond direct expenditure, there is scope to utilise green and social bonds, blended finance structures, and other instruments to support mission-driven programmes, including building

retrofits. By structuring financing to mobilise both public and private capital, the HKSAR Government can extend the impact of its fiscal resources, develop new markets, and enable solutions to scale beyond publicly funded projects.

At the same time, private sector participation will be essential for scaling. Property developers, building owners, energy service companies, financial institutions, and professional service providers all have a role to play. Structured engagement around the retrofit mission can help align incentives, develop standardised contracting models, and facilitate the aggregation of smaller projects into investable portfolios. The Policy Address 2025 has already signalled that the HKSAR Government will "drive the market to accelerate carbon reduction in existing buildings".[7]

Sequencing is also critical. A mission of this scale cannot be delivered through a single intervention. It requires a phased approach, beginning with public sector leadership and pilot programmes, followed by the development of market infrastructure and financing mechanisms, and ultimately scaling across the private building stock.

Strategic Value for Hong Kong

The broader implications of this mission extend beyond carbon reduction. A large-scale retrofit programme can stimulate economic activity, create new professional and technical capabilities, enhance property values, attract overseas capital and technology, and improve the wellbeing of residents through better indoor environments and more resilient buildings.

In this sense, retrofitting is not only an environmental necessity, but a strategic opportunity. It provides a clear example of how Hong Kong can use mission-oriented governance to integrate policy, finance, infrastructure, and stakeholder engagement into a coherent programme of action, demonstrating how the city can both align with national priorities and strengthen its own long-term development trajectory.

Mission 2: Achieving Nature-Positive Development by 2035 through Integrated Planning, Financing, and Long-Term Ecological Stewardship

Current Policy Approach

Biodiversity conservation has become an increasingly important component of Hong Kong's environmental policy. The first Biodiversity Strategy and Action Plan (BSAP1) established a foundation for protecting habitats, enhancing conservation awareness, and strengthening institutional coordination. Building on this, the second BSAP (BSAP2), extending to 2035,[8] provides a more comprehensive policy framework, with an explicit emphasis on mainstreaming biodiversity considerations across policy domains and fostering collaborative partnerships between the public and private sectors.

These developments reflect significant progress. In particular, the emphasis on mainstreaming and partnership-based implementation aligns with the broader shift toward integrating environmental objectives into economic and infrastructure planning. At the same time, the publication of the 'Hong Kong Nature-based Solutions Design Guidelines: A Framework for Practitioners' by the Civil Engineering and Development Department (CEDD) and Agriculture, Fisheries and Conservation Department (AFCD) in February 2026, represents an important step in embedding ecological considerations into the design and delivery of public works, with implications for both public and private sector development.[9]

Together, these policy and technical advances create a strong foundation for advancing biodiversity objectives in Hong Kong. They are particularly relevant in the context of the Northern Metropolis and other major development areas, where land use decisions, infrastructure investments, and ecological systems intersect directly.

The Structural Gap
However, the challenge now lies in moving from policy articulation and project-level implementation to a more integrated, long-term approach. While the guidelines address design and construction considerations, and BSAP2 sets out strategic objectives and partnership approaches, less attention has been given to the governance and financing of long-term ecological outcomes.

At present, conservation efforts are often funded through time-limited public expenditure, with AFCD entering management contracts with non-governmental organisations to maintain designated sites. While this approach has enabled important conservation work to be supported through periodic allocations from the public purse, it was not designed to sustain system-wide ecological stewardship at increasing scale.

This challenge becomes more evident when viewed alongside current development practices. Substantial public resources are already being deployed through infrastructure and development projects, particularly under the Northern Metropolis programme. CEDD manages significant capital works budgets and has pledged to incorporate nature-based approaches into project design. However, once projects are completed, funding for ongoing ecological management is not always systematically secured. This creates a structural gap between upfront capital investment and long-term stewardship.

Reframing Nature as a Managed Asset System
From a mission-oriented perspective, biodiversity should not be treated as a constraint on development or as a set of isolated conservation projects. Rather, it should be understood as a system of natural assets that must be planned, financed, and managed over the long term alongside urban and infrastructure development.

This framing is particularly relevant in the Northern Metropolis, where development pressures and ecological value coexist in proximity. *A nature-positive development approach would integrate ecological considerations into land-use planning, infrastructure design, and financing structures from the outset, ensuring that conservation and development objectives are pursued in a coordinated manner.*

Governance and Financing Implications
Delivering such a mission requires addressing a fundamental issue: how to secure long-term financing and stewardship for ecologically sensitive areas.

A mission-oriented approach provides a pathway to bridge the current gap by integrating ecological objectives into both the design and financing of development. This means ensuring that natural assets are not treated as one-off project components, but as systems requiring sustained management over time.

There is also growing interest from philanthropic organisations and impact investors in supporting projects with demonstrable ecological value, although further work is needed to develop robust methodologies for measuring and verifying such value. This creates an opportunity to design blended finance models that combine public funding, private capital, and philanthropic contributions to support long-term conservation outcomes. By structuring these models around clearly defined missions and measurable performance indicators, Hong Kong can establish scalable and credible pathways for financing nature-based solutions.

Moreover, emerging dialogue between private sector financiers, AFCD, and CEDD provides a valuable platform for co-learning.[10] From a governance perspective, these interactions should be elevated and recognised as part of a broader institutional learning process. This would enable the HKSAR Government to test and refine new funding models, build

confidence among stakeholders, and progressively develop a more integrated system for financing and managing natural assets over the long term.

Strategic Value for Hong Kong
The implications of such an approach extend beyond biodiversity conservation. Integrating nature into urban development can enhance climate resilience, improve environmental quality, and contribute to the wellbeing of residents. It can also position Hong Kong as a leader in nature-positive urban development within the GBA and internationally.

In this sense, biodiversity is not a peripheral concern, but a core component of high-quality development. A mission-oriented approach provides a way to move beyond project-based interventions toward a more integrated system of ecological governance, one that aligns development, conservation, and long-term stewardship while strengthening Hong Kong's capabilities in nature finance.

Mission 3: Positioning Hong Kong as a Green Aviation Hub and Sustainable Maritime and Port System within the Global Low-Carbon Transport Transition

Current Policy Approach
Hong Kong has long been a leading international hub for both aviation and maritime activities. Across the 2023, 2004 and 2025 Policy Addresses, the HKSAR Government has emphasised strengthening these roles through infrastructure development, industry support, and deeper integration with the GBA, while beginning to address decarbonisation.

In aviation, policy has focused on consolidating Hong Kong's role as a global cargo and connectivity hub, alongside early steps to support sustainable aviation fuel (SAF) supply chains and blending capabilities. In the maritime sector, efforts to strengthen Hong Kong's position as an international maritime centre have increasingly been complemented by initiatives on green fuel bunkering and the development of green shipping corridors, including "sister port" collaborations with Mainland and international partners.

The Structural Gap
These policy directions reflect strong activity and growing recognition of global decarbonisation trends. However, they remain largely framed as sector-specific initiatives rather than as part of an integrated strategy linking aviation, maritime, energy, and finance.

Aviation and maritime transport also differ fundamentally from the two other cases (existing buildings, and biodiversity) in that they are inherently international systems. Hong Kong operates within global regulatory frameworks shaped by the International Civil Aviation Organization (ICAO) and International Maritime Organization (IMO), and its policy space is influenced by evolving international rules. While these frameworks continue to develop, the direction is clear: both sectors are transitioning toward lower-carbon systems.

A central challenge is not simply technological readiness, but the lack of demand certainty to support investment at scale in new fuels such as SAF and green maritime fuels. Supply remains limited and costly, and voluntary uptake alone is unlikely to generate the scale required. In addition, price volatility and policy uncertainty in emerging fuel markets create further barriers to investment, reinforcing the need for risk-sharing mechanisms and financial structures that can support scaling. This highlights the importance of policy design, particularly mechanisms that create demand visibility, enable aggregation, and provide clear market signals across the value chain.

The transition also highlights the growing interdependence between fuel systems and carbon markets. Pricing, risk management, and investment decisions increasingly depend on the interaction between fuel costs, carbon pricing, and regulatory frameworks, reinforcing the need for integrated approaches to market development.

Reframing Hong Kong as a System Integrator in Global Transport Decarbonisation
From a mission-oriented perspective, *Hong Kong's aviation and maritime sectors should be understood not only as transport systems, but as platforms for positioning the city within the emerging global low-carbon transport system.*

Internationally, regulatory frameworks are beginning to crystallise, including SAF mandates and other demand-generation mechanisms. These signal increasing future demand but also illustrate that policy design matters. Different approaches, whether supplier obligations, blending mandates, or demand-side mechanisms, have distinct implications for price formation, investment incentives, and the pace of scaling.

For Hong Kong, the strategic question is how to position itself within this evolving landscape. This involves shaping demand, facilitating aggregation, and linking regional supply with global markets. *Being an early mover is therefore less about adopting specific technologies and more about building system readiness, developing infrastructure, regulatory frameworks, and partnerships that enable participation in emerging fuel ecosystems.* The deployment of new fuel technologies is closely linked to the development of supporting infrastructure, standards, and market frameworks, underscoring the need for coordinated system-level planning.

Hong Kong has a distinct advantage in this regard. The Chinese Mainland is emerging as a major producer of new fuels and related technologies, while Hong Kong investors are already active in these value chains. By aligning with Mainland production capabilities and international demand, Hong Kong can act as a key node linking supply, finance, and global transport systems.

At the same time, *Hong Kong's port system should be understood more broadly as a multi-functional urban and economic system. Beyond cargo handling, it supports local transport, tourism, recreation, and ecological habitats. A sustainable maritime and port system must therefore integrate economic performance with environmental quality and public value.*

Governance and Financing Implications
Delivering this mission requires coordinated governance across multiple Bureaux and Departments, alongside structured engagement with industry stakeholders, including airlines, shipping companies, terminal operators, fuel suppliers, and financial institutions.

Electrification of port operations and local vessels is a key component of this transition. While Hong Kong does not have a centralised port authority, progress can be advanced through coordinated policy and engagement with private operators. Electrification offers benefits beyond emissions reduction, including improved air quality, public health, and the attractiveness of Hong Kong's coastal environment.

More broadly, financing the transition requires linking infrastructure development with market creation. Investment will be needed in fuel supply chains, storage and bunkering infrastructure, and electrification systems. This creates opportunities to mobilise private capital through green finance instruments, blended finance structures, and cross-border investment aligned with GBA development.

Strategic Value for Hong Kong
The implications of this mission extend beyond emissions reduction. *A well-designed, green aviation and maritime system can enhance Hong Kong's competitiveness as a global hub, strengthen its role within the GBA, and create new opportunities in green fuels, logistics innovation, and sustainable infrastructure.*

Despite being a major centre of demand for aviation and maritime transport, Asia still lacks fully developed market frameworks for emerging low-carbon fuels. This presents a strategic opportunity for Hong Kong to play a leading role in regional market development.

More fundamentally, this transition highlights a broader governance challenge. Infrastructure development, fuel transition, and electrification require substantial capital investment, but scaling depends on credible demand signals, coordinated policy frameworks, and well-structured project pipelines. Without these conditions, private capital is likely to remain cautious.

For Hong Kong, this is not only a constraint but a strategic opportunity. As an international financial centre, its ability to structure, mobilise, and deploy capital in support of such transitions will be central to its future competitiveness.

Mission 4: Strengthening Hong Kong's Role as a Green and Transition Finance Platform to Support Integrated Development Missions Locally and Across the Asia-Pacific Region

Hong Kong is one of the world's leading international financial centres. *The challenge is not the availability of capital, but how to structure demand, pipelines, and risk allocation so that capital can be deployed at scale.* The question, therefore, is *how Hong Kong can more directly mobilise capital for large-scale, mission-driven transitions.* Experience across sectors such as buildings, biodiversity, aviation, and maritime systems shows that this depends on clear demand signals, investable project pipelines, and effective risk-sharing mechanisms.

Current Policy Approach
Hong Kong has established itself as a major hub for green and sustainable finance. In recent years, the HKSAR Government has actively promoted green bond issuance, supported the development of sustainable finance taxonomies, and encouraged financial institutions to incorporate environmental, social, and governance (ESG) considerations into their activities. Hong Kong has also emerged as one of the largest issuers of green bonds in Asia, reflecting both strong market capacity and policy support.

Institutionally, Hong Kong has also demonstrated the ability to coordinate across regulators through mechanisms such as the Green and Sustainable Finance Cross-Agency Steering Group (CASG). Since its establishment in 2020, CASG has played an important role in aligning regulatory approaches, advancing taxonomy development, and providing clearer market guidance. This experience shows that Hong Kong already possesses the institutional capacity to convene multiple authorities around shared objectives and deliver coordinated outcomes.

These developments have positioned Hong Kong as an important platform for green finance, particularly in mobilising capital for infrastructure and corporate financing. At the same time, Hong Kong's financial system continues to perform its traditional role of facilitating capital flows, supporting market intermediation, and providing a wide range of financial services to global and regional markets.

Increasingly, however, there is recognition that finance must also support the broader development transition. This includes financing decarbonisation, nature-positive development, infrastructure transformation, and emerging low carbon industries, both within Hong Kong, the Chinese Mainland and across the Asia-Pacific region.

Hong Kong as a Platform for Cross-Border Climate Finance and Carbon Markets

Hong Kong is well positioned to play a strategic role in emerging cross-border climate finance and carbon market mechanisms. Under Article 6 of the Paris Agreement, new frameworks are being developed to enable international cooperation on emissions reduction through carbon credit trading and project-based financing.

These mechanisms highlight a broader point: the development of new climate-related markets depends not only on financial instruments, but on the underlying institutional frameworks that ensure environmental integrity, transparency, and cross-border coordination. This includes standards, verification systems, registry infrastructure, and legal arrangements that enable transactions across jurisdictions.

As an international financial centre with a well-established legal system and deep connectivity to both the Chinese Mainland and global markets, Hong Kong is uniquely positioned to act as a platform linking policy frameworks, financial markets, and project pipelines. This includes the potential to connect capital from global investors with mitigation and adaptation projects in the Asia-Pacific region and beyond.

Such a role would also allow Hong Kong to serve as a testing ground for new market mechanisms, enabling pilot initiatives to be developed, risks to be managed, and implementation experience to be accumulated. Over time, this can contribute to capability building in areas such as carbon markets, climate finance, and international regulatory coordination, strengthening Hong Kong's long-term role in the global transition. However, this will only happen when there is high level government coordination and a clear mission to capture this opportunity.

The Structural Gap

Despite these strengths, there remains a structural gap between the development of green finance and the needs of the real economy transition. *Much of Hong Kong's progress to date has been driven by financial products, issuance programmes, and regulatory frameworks. While these are necessary, they are not sufficient to ensure that capital is deployed effectively toward system-wide transformation.*

The experience from the preceding missions illustrates this gap clearly. Retrofitting existing buildings requires mechanisms to mobilise capital into fragmented and privately owned assets. Nature conservation projects require blended finance models that combine public funding with private and philanthropic capital to support long-term stewardship. Aviation and maritime transition require large scale investment in infrastructure, fuel supply chains, and systems aligned with evolving international standards.

These are not simply financing challenges, but coordination challenges. They require the alignment of policy, regulation, project development, and investment structures across multiple domains. Without this alignment, capital remains available but under-deployed, and initiatives remain fragmented.

While these challenges differ in nature, they share a common requirement: the need for clearly defined missions, credible project pipelines, and governance structures that align policy, investment, and implementation. Without these conditions, green finance risks remaining regulatory-driven rather than outcome-driven, with limited impact on real economy transformation.

Reframing Finance as Strategic Enabler

From a mission-oriented perspective, *finance should not be treated as a standalone sector, but as a system-level enabler that shapes investment across the economy.*

Hong Kong's financial system serves two complementary purposes. The first is its traditional role as an international financial centre, facilitating capital flows and supporting market intermediation. The second is an emerging role in enabling transition development by mobilising capital into mission-driven opportunities.

The preceding cases demonstrate how this can be operationalised. In the buildings sector, financing mechanisms are needed to unlock investment in energy efficiency across fragmented assets. In biodiversity, blended finance can support long-term ecological stewardship where public benefits are significant. In aviation and maritime systems, financing is required for infrastructure, fuels, and system upgrades linked to global regulatory developments.

These examples highlight that finance is most effective when anchored in clearly defined missions that generate demand for capital and provide a framework for structuring investment. In this sense, *missions act as the interface between public policy and financial markets, translating strategic priorities into investable opportunities.*

Governance and Finance Implications

The role of finance in supporting mission-oriented development is closely linked to the governance architecture described in the adapted 5-Pillar Model.

Clear mission definition (Pillar 1) creates direction and enables the development of project pipelines. High-level coordination (Pillar 2) aligns policy across sectors and ensures that financial initiatives support broader development objectives. Mainstreaming across policy domains (Pillar 3) such as buildings, biodiversity, transport, and energy builds cooperation and cohesion within the bureaucracy.

Financing structures and market development (Pillar 4) are central to implementation. This includes green and transition finance instruments, blended finance models, aggregation platforms, and risk-sharing mechanisms that enable capital to be mobilised at scale. Transparency and stakeholder engagement (Pillar 5) ensures collaboration between financial institutions, policymakers, industry, and investors.

From this perspective, the challenge for Hong Kong is not the availability of capital, but how to organise governance, policy, and market structures so that capital can flow into mission-driven opportunities.

Hong Kong has already demonstrated its ability to deploy substantial public resources for the betterment of the city. Looking ahead, there is an opportunity to use public capital more strategically to catalyse private investment. This involves aggregating projects, providing targeted incentives, and deploying public resources to de-risk investments, thereby crowding in private capital at scale. In doing so, public finance shifts from a direct funding role to a catalytic, market-shaping function.

Strategic Value for Hong Kong

Strengthening Hong Kong's role as a green and transition finance platform is not only about supporting environmental objectives – it is central to maintaining and enhancing its position as an international financial centre.

By linking finance to mission-oriented development, Hong Kong can move beyond regulation development and product innovation toward market creation. Developing pipelines of investable projects, strengthening capabilities in transition finance, and aligning financial innovation with real-economy transformation will deepen market activity and reinforce Hong Kong's competitive advantage.

This approach also strengthens Hong Kong's role within the GBA and its connection to the Chinese Mainland's development trajectory, while enhancing its ability to serve regional and global markets.

In this sense, *finance becomes a strategic lever. When aligned with clearly defined missions and supported by effective governance, it can enable Hong Kong to mobilise capital at scale, develop new areas of expertise, and position itself at the forefront of financing the transition to high-quality, sustainable development.*

V. Initial Recommendations: Operationalising Mission-Oriented Governance in Hong Kong

This paper draws on ongoing research at HKUST, which is still under development. The observations and recommendations presented here should therefore be understood as preliminary, intended to stimulate discussion and inform further refinement.

Nevertheless, the findings point to a clear conclusion: Hong Kong possesses strong institutional capabilities, but requires a shift toward more integrated, mission-oriented governance to deliver system-wide outcomes. The 5-Pillar Model provides a practical framework for structuring this transition.

Pillar 1: Strengthening Mission-Oriented Vision, Targets, and Policy Framing

Hong Kong has already articulated long-term climate goals through the 'Climate Action Plan 2050'. Presumably, an updated version and Hong Kong's forthcoming Five-Year Plan will be mutually reinforcing and framing key priorities as missions to strengthen policy clarity.

This would involve:

- Translating high-level targets into clearly defined missions, as proposed above, with time-bound milestones and measurable outcomes; and
- Linking missions to specific asset classes (e.g. government buildings and infrastructure, public sector buildings, such as university campuses, nature conservation priority areas in BSAP, port infrastructure etc) to enable implementation and to use these as pipelines to attract private sector assets and capital for transition development.

Mission-driven framing of policies would provide clearer direction for investment, and stakeholder participation, and enhance Hong Kong's ability to communicate its development strategy both locally and externally.

Pillar 2: Enhancing High-Level Leadership and Coordination

Mission-oriented governance requires coordination at the highest levels of government. Hong Kong already has well-established leadership structures under the Chief Executive, Chief Secretary, or Financial Secretary. The opportunity lies in strengthening how these structures are used.

In particular:

- *High-level leadership bodies should focus on mission alignment across policy domains, rather than mainly reviewing sector-specific initiatives;*
- *Participation should be determined by the mission being pursued, ensuring that relevant Bureaux, Departments, and regulators are involved; and*
- *Strategic reviews should be conducted periodically to assess progress, resolve trade-offs, and maintain momentum over time.*

Evolving the Green and Sustainable Finance Cross-Agency Steering Group (CASG)

Hong Kong has already established an important institutional platform for cross-agency coordination through the Green and Sustainable Finance Cross-Agency Steering Group (CASG). Established in May 2020 and co-chaired by the Hong Kong Monetary Authority and Securities and Futures Commission, CASG brings together key financial regulators and policy bureaux, including the Financial Services and the Treasury Bureau and the Environment and Ecology Bureau.

CASG has played a significant role in advancing Hong Kong's green finance agenda. It has enabled coordination across regulators in areas such as taxonomy development, climate risk management, and market guidance. This has helped to reduce fragmentation in regulatory approaches, improve policy clarity, and provide more consistent signals to the market, outcomes that would have been more difficult to achieve through separate, initiative-based efforts.

In this sense, CASG provides a useful illustration of how coordinated governance structures can enhance policy efficiency. By aligning regulatory perspectives, reducing duplication, and enabling more coherent sequencing of initiatives, it demonstrates the practical benefits of moving beyond siloed approaches toward more integrated institutional arrangements.

As Hong Kong moves toward a more mission-oriented approach to development, there is an opportunity to build on this foundation. CASG could evolve from a platform focused primarily on financial market development into a more integrated mechanism that supports the alignment of finance with real-economy transition needs.

This could include:

- Strengthening links between financial policy and sectoral missions, such as building retrofits, nature-based solutions, and green aviation and maritime systems;
- Supporting the development of mission-linked project pipelines that translate policy objectives into investable opportunities; and
- Enhancing its role as a platform for co-learning and co-development, bringing together regulators, policy bureaux, and market participants to address cross-cutting challenges.

By evolving in this direction, CASG could play a more central role in enabling Hong Kong to mobilise capital in support of integrated, mission-oriented development outcomes, both locally, in relation to the Chinese Mainland, and across the Asia-Pacific region.

Pillar 3: Deepening Mainstreaming Across Bureaux, Departments, and Regulators

A shift from initiative-based to mission-oriented governance requires deeper mainstreaming of purpose across the public sector. This involves:

- *Embedding mission objectives within the work of individual Bureaux, Departments, and regulators;*
- *Aligning policy design, regulatory frameworks, and implementation plans with shared outcomes; and*
- *Promoting continuous co-learning within the bureaucracy, as agencies work together on cross-sector challenges.*

Mainstreaming is not a one-off exercise, but an ongoing process. It is through this process that institutional silos can be gradually reduced and replaced with more integrated ways of working.

Pillar 4: Financing Structures and Market Development

Financing is central to mission-oriented governance. While policy direction and coordination are necessary, the ability to mobilise capital at scale ultimately determines whether missions can be delivered. This requires moving beyond a reliance on direct public expenditure toward financing structures that can leverage private capital and support market development.

In this context, public finance plays a catalytic role. By shaping demand, reducing risk, and enabling aggregation, government can create the conditions for private sector participation and investment at scale.

This requires:

- *Developing financing frameworks that link public policy objectives with investable project pipelines;*
- *Deploying instruments such as green and transition finance, blended finance structures, and risk-sharing mechanisms to crowd in private capital; and*
- *Supporting the development of market infrastructure, including standardisation, aggregation platforms, and financing models that enable scaling across fragmented assets.*

Well-designed financing structures enable missions to move from policy intent to implementation. They also help to align incentives across stakeholders, reduce fragmentation, improve the efficiency of capital deployment, and, over time, strengthen Hong Kong's role in structuring and deploying development capital for regional, mission-driven investment.

Pillar 5: Transparency, Accountability and Stakeholder Engagement

Transparency, accountability, and stakeholder engagement are essential to ensuring that mission-oriented governance is effective, credible, and adaptive. Clear reporting allows stakeholders to understand progress, builds confidence, and supports informed participation.

At the same time, engagement provides a mechanism for co-learning and co-development, particularly in Hong Kong where many of the relevant assets are owned or operated by the private sector.

This requires:

- *Developing consistent reporting frameworks linked to mission outcomes, supported by monitoring and review mechanisms that track progress against targets and milestones;*
- *Ensuring that data and analysis are accessible to stakeholders, including industry, investors, and the public; and*
- *Creating structured platforms for engagement between government, industry, business, financiers, and professionals to support co-learning and the co-development of solutions.*

Taken together, these functions form a feedback system that enables continuous improvement. Monitoring provides the evidence base, while engagement allows that evidence to be tested, refined, and translated into practical solutions. This is critical for aligning incentives, addressing implementation challenges, and building broader support for mission-driven development.

Cross-Cutting Enabler: Leveraging AI and Data for Mission-Oriented Development

The HKSAR Government has placed strong emphasis on the development of artificial intelligence (AI), innovation, and technology as key drivers of Hong Kong's future competitiveness. In the context of mission-oriented development, these should be understood not as standalone sectors, but as enabling tools that enhance policy, planning, and implementation across domains.

AI and data analytics have a particularly important role in supporting complex, cross-sector challenges. By enabling more efficient processing of large datasets and generating deeper insights, they can improve decision-making, strengthen risk assessment, and support the design of more targeted evidence-based policy interventions.

One area of growing importance is the use of climate and environmental data. Universities in Hong Kong are already applying advanced AI techniques. At HKUST, AI is being used to improve climate prediction, particularly for tropical and sub-tropical regions and high-density urban environments including Hong Kong, GBA and SE Asian cities. Such capabilities are increasingly relevant to governments, business, and financial institutions, as they support more accurate assessment of physical risks, including flooding and landslides.

At the same time, government initiatives to enhance the use of public utility and infrastructure data provide a foundation for developing more integrated data systems. When combined with advances in AI, these datasets can support a wide range of applications, from urban planning and infrastructure design to insurance, finance, and investment decision-making. HKUST research suggests that Hong Kong could develop a city climate hazard risk map that would be extremely useful to business and financial decisions.

To realise this potential, closer collaboration is needed between government, universities, and industry to ensure that data, models, and analytical capabilities are effectively translated into practical applications. This includes strengthening data sharing mechanisms, developing common standards, and integrating analytical insights into policy processes and investment decisions.

Cross-Cutting Consideration: Strengthening Institutional Culture and Ways of Working

Beyond formal structures, the effectiveness of mission-oriented governance depends on how institutions operate in practice.

One of the key challenges identified in this study is the persistence of silo-based working practices, where responsibilities are defined narrowly within individual Bureaux, Departments and regulators. Addressing complex, cross-sector missions require a shift toward more collaborative and integrated ways of working. This includes:

- *Encouraging joint ownership of mission outcomes, rather than narrow definitions of departmental responsibility;*
- *Structuring and convening internal meetings and decision-making processes to facilitate cross-sector discussion and problem-solving; and*
- *Strengthening leadership among Secretaries, Permanent Secretaries and the next layer down to drive coordination, resolve barriers, and foster a culture of collaboration.*

Importantly, this shift does not require a fundamental overhaul of Hong Kong's governance system. The public administration is highly competent. The challenge is to evolve institutional practices to match the complexity of the transition ahead.

Applying the Framework Across Missions

The case studies illustrate how these recommendations can be applied in practice:

- In retrofitting existing buildings, close coordination between Development Bureau, Environment and Ecology Bureau, Financial Services and the Treasury Bureau, and relevant departments are required to align policy, financing, and implementation;
- In nature-positive development, collaboration between Environment and Ecology Bureau, Development Bureau, and Financial Services and the Treasury Bureau. It is a good start that CEDD under Development Bureau and AFCD under Environment and Ecology Bureau have already started early-stage cooperation to explore NbS and financing for long-term stewardship with the financial sector;
- In aviation, maritime, and port systems, Transport and Logistics Bureau, Development Bureau, Environment and Ecology Bureau, and Financial Services and the Treasury Bureau must work together to align public infrastructure development, energy transition and new fuels, environmental and health outcomes, and financing strategies; and
- CASG provides a model for how such coordination can be structured and further developed.

These examples demonstrate that mission-oriented governance is not an abstract concept, but a practical approach to organising policy, finance, and implementation around shared outcomes.

VI. Conclusion: From Policy Initiatives to System Architecture

Hong Kong stands at an important juncture as it prepares its first Five-Year Plan in alignment with the National 15th Five-Year Plan. The opportunities are significant. The central challenge is not the lack of policy ambition or administrative capability. Hong Kong has a highly competent public administration and a strong track record of delivering sector-specific initiatives. The challenge lies in translating strategic intent into coordinated, system-wide outcomes that enhance efficiency, strengthen competitiveness, and improve the clarity and coherence of public communication under an executive-led system.

In this context, governance must evolve from an initiative-based approach toward a more integrated, mission-oriented model that enables greater synchronisation of policy, planning, and implementation across Bureaux, Departments and regulators. The 5-Pillar framework provides a practical structure for this shift by aligning long-term vision, leadership, cross-sector integration, financing mechanisms, and stakeholder engagement.

The four cases demonstrate that this is not an abstract proposition. Across buildings, biodiversity, transport systems, and finance, the same underlying requirement emerges – aligning policy, finance, infrastructure and stakeholders around clearly defined missions.

Taken together, these observations point to a shift in how the role of government itself should be understood. This requires an evolution beyond the narratives of a past era[11] toward a more mission-oriented approach to development, consistent with the direction of change observed in the Chinese Mainland. In an executive-led system, leadership is not only about setting direction, but about articulating clear missions and actively shaping the conditions under which coordinated action can occur across the public and private sectors. This requires *government to act as a systems architect of the development transition, designing frameworks that align incentives, mobilise capital at scale, and enable implementation across interconnected domains.*

Importantly, this does not require a fundamental restructuring of Hong Kong's governance system. Rather, it involves building on existing strengths while evolving institutional practices to meet the demands of more complex, cross-sector transitions.

As Hong Kong develops its Five-Year Plan, adopting a mission-oriented, system-based approach can help translate strategic priorities into tangible outcomes. In doing so, it can strengthen alignment with national development goals, enhance Hong Kong's competitiveness, and reinforce its role as a forward-looking, efficient, and internationally connected economy.

In an increasingly risk-sensitive global environment, capital will flow toward jurisdictions that demonstrate credible, coordinated governance. HKUST will continue to deepen this work through further research and stakeholder engagement, with the aim of refining these initial observations and recommendations into more detailed proposals by the end of 3Q2026.

**The author is grateful to Dr Ma Jun and Professor Keith Chan (HKUST) for their contributions.*

NB: The attachment is the engagement document of 4 cases from the existing HKUST Climate Governance Project.

Endnotes

[1] HKSAR Government Press Release, *HKSAR Government actively aligns with National 15th Five-Year Plan and presses ahead with high-quality development,* March 12, 2026.
[2] The basis of this thinking is that the HKSAR Government intends to import more clean power from the Chinese Mainland, which would lower the carbon emission factor of the Hong Kong grid substantially, so that by 2050, buildings would no longer produce much direct emissions from energy use.
[3] Darko, A., & Chan, A. P. C. (2024). *Final Report: Energy Efficiency Retrofitting of Existing Buildings for Carbon Neutrality in Hong Kong: Policy Recommendations and Guidelines for Overcoming Challenges*, Chief Executive Policy Unit.
[4] Loh, C. (2025). *Financing the Retrofitting of Hong Kong's Existing Buildings: Unlocking Energy Efficiency for Climate and Economic Goals*, HKUST.
[5] This can be promoted by InvestHK to attract external companies to focus on Hong Kong.
[6] *The 2026-27 Budget*, paragraph 265.
[7] *The Chief Executive Policy Address 2025*, paragraph 235.
[8] Environment and Ecology Bureau, *Hong Kong Biodiversity Strategy and Action Plan 2035*, December 2026.
[9] Civil Engineering and Development Department and Agriculture, Fisheries and Conservation Department, *Hong Kong Nature-based Solutions Design Guidelines: A Framework for Practitioners*, February 2026.
[10] This refers to an ongoing dialogue platform in which HKUST convenes private sector financiers together with ADM Capital Foundation, the CEDD and AFCD to enable co-learning on the design, implementation, and financing of nature-based solutions and long-term ecological management.
[11] Hong Kong's policy tradition has often been described through concepts such as "positive non-interventionism," "small government, big market," and a preference for government to act as facilitator rather than market shaper. These approaches have underpinned Hong Kong's economic success. The argument in this paper is that evolving economic and environmental challenges now require an adaptation of these principles toward more integrated, mission-oriented forms of governance.