

5: CHINA

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Overview

Since 1978, China has carried out significant reforms; for example, encouraging foreign investment, giving greater autonomy to state-owned enterprises, and decentralization and decollectivization of agriculture. As a result, the country has been heading toward a more, pluralistic market-style economy. It was clear, however, that this movement toward a market economy necessitated administrative reforms to be carried out as well. As a result, the government sought to streamline administrative functions in the local and central governments, to restructure the function of government and to restructure the civil service.

The need for administrative reform is illustrated by the example in 1991 of there being at least seven agencies within the State Council responsible for agriculture and rural development: the Ministry of Forestry, the Ministry of Agriculture, the State Administration of Land Management, the Ministry of Water Conservation, the Ministry of Commerce, the Supply and Marketing Cooperatives and the Ministry of Light Industry (Burns 1993). Such overlapping and duplicating responsibilities required that the government take the matter of public sector restructuring seriously. After the Chinese Communist Party (CCP) endorsed a market economy for China in 1992, the need for administrative reform to transform institutions established for a centrally planned economy became all the more urgent. More recently, further restructuring such as the establishment of a nationwide social security system has been required to prepare China for entry into the WTO.

The sequence of reforms

The initial reforms were of the economic system and date from late 1978 when the CCP decided that economic development should receive high priority. Economic reform since then has been continuous if uneven. First to be reformed was agriculture, which was de-collectivized. Other reforms followed including price decontrol. Reform of state-owned enterprises has been ongoing although progress has been much slower.

Administrative reform has clearly followed economic reform and has been aimed to **re-structure the state to match the changes in the nature of the economic system.**

Box 1 Reform chronology in China

1980	Deng Xiaoping puts reform of the leadership system and legal system on the CCP's agenda
1982	New Constitution promulgated
1987	Reform of the civil service system announced along with new political reforms including the separation of some party and government functions; improving the legal system; improving the system of 'multi-party dialogue' with the country's eight CCP-controlled 'democratic parties'
1988	Fifth round of administrative reforms begun (mainly downsizing) Ministry of Personnel set up to carry out civil service reforms. (Previously it had been established inside an expanded Ministry of Labor and Personnel).
1989	Mass demonstrations in Beijing; Leadership struggle and Zhao Ziyang is unseated as Party Secretary General; Authorities react by halting or slowing political and administrative reform (Zhao had been closely identified with the political and administrative reforms)
1992	CCP announces its commitment to a market economy
1993	(March) Sixth round of administrative reforms begun (October) new Civil Service Regulations promulgated This round of administrative reform focused on re-structuring the government for a market economy. This involved: <ul style="list-style-type: none">a. Strengthening macro-economic management functions and agencies (such as banks, taxation, audit, statistics collection agencies, and setting up new agencies to regulate newly established stock markets, etc.)b. Transferring economic production functions to enterprises and abolishing government departments with economic production functions. Parts of many government departments were corporatized.c. Downsizing The reform was carried out first at the central level, and then at each lower level of administration
1996	Sixth round of administrative reforms conclude
1998	Seventh round of administrative reforms begun, similar to the administrative reforms of 1993-96, changing government functions, removing economic production functions including corporatization, and further attempts to downsize.
2001	Seventh round of administrative reform anticipated to conclude.

Authorities in China usually **pilot test reforms**, especially economic reforms, before they announce them. For example, such pilot tests of household contracting in agriculture were carried out in Anhui province in the late 1970s before they were announced as official policy for the rest of the country to follow. Similar pilot tests were carried out for state-owned enterprise reform before general announcements were made. This permitted experimentation and changes to the policy. After evaluating the results of pilot tests,

authorities would announce the policy in general terms with considerable latitude given to local authorities to carry it out, and make adjustments as they went.

However, for administrative reform, publicity sometimes comes first. Because of the sensitive nature of downsizing, for example, pilot tests are unlikely. Public support for administrative reform is much less critical. However, in the case of some civil service reforms, pilot testing was used. Shenzhen, next to Hong Kong, was a pilot civil service test site. It began experimenting with civil service reform after the government's intention to carry it out was announced in 1987 but before the Provisional Regulations on Civil Servants was promulgated in 1993.

Reformers' concerns

The overarching reform ambition has been to restructure the state to support a market economy. There is perhaps some increasing concern to **improve the quality of services** and to **strengthen accountability**. China's strengthening legal system and an investigative (but still very much officially controlled) media have had an impact on public service performance. The central government has used its control over the media to investigate instances of misadministration and illegality at local levels. An increasing number of citizens have used the legal system to sue the government over administrative abuses. China began administrative restructuring as it became clear that it could not sustain its trend toward a market economy without implementing such reforms.

Institutional starting points

Constitution/political system

China has 23 provinces (sheng), 5 autonomous regions (zizhiqu), and 4 municipalities (shi).

Box 2 Subnational government in China

Provinces (sheng) ⁱ		Autonomous regions (zizhiqu)	Municipalities (shi)
Anhui	Jiangsu	Guangxi	Beijing
Fujian	Jiangxi	Nei Mongol	Chongqing
Gansu	Jilin	Ningxia	Shanghai
Guangdong	Liaoning	Xinjiang	Tianjin
Guizhou	Qinghai	Xizang (Tibet)	
Hainan	Shaanxi		
Hebei	Shandong		
Heilongjiang	Shanxi		
Henan	Sichuan		
Hubei	Yunnan		
Hunan	Zhejiang		

In 1949 the People's Republic of China was founded, with CCP Chairman Mao Zedong as its leader.ⁱⁱ The current chief of state is President Jiang Zemin (since 27 March 1993) and the Vice President is Hu Jintao (since 16 March 1998). The Head of government is Premier Zhu Rongji (since 18 March 1998), with Vice Premiers Qian Qichen (since 29 March 1993), Li Lanqing (29 March 1993), Wu Bangguo (since 17 March 1995), and Wen Jiabao (since 18 March 1998).

The State Council is appointed by the National People's Congress (NPC) and coordinates approximately 30 ministries and commissions, 18 organizations, and 6 offices.ⁱⁱⁱ

The National People's Congress is the highest law-making body in China. The Congress has the power to amend, enforce or supervise the constitution. It also approves national economic and social plans, and passes the state budget. The Congress, however, rarely opposes decisions made by the State Council. The Congress also has the right to send recommendations to the various ministries and commissions and to ensure these are dealt with by these bodies.

The congress is comprised of approximately 3000 deputies who are indirectly elected by delegates of provincial level people's congresses. The following eight committees work under the National People's Congress and its Standing Committee:

- Law Committee
- Nationalities Committee
- Internal Affairs and Justice Committee
- Education, Science, Culture and Health Committee
- Foreign Affairs Committee
- Overseas Chinese Committee
- Environment Protection Committee
- Finance and Economy Committee.^{iv}

Formally the National People's Congress ranks above four other state bodies: the State Council, the Central Military Commission, the Supreme People's Court and the Supreme People's Procuratorate.

Structure of Government

The State Council is the executive body of the Chinese government. Under the supervision of the Communist Party, the State Council formulates rules, makes policy decisions and coordinates the work of the various state organs. It is responsible for the day-to-day administration of the country. It formulates the tasks and responsibilities of the ministries and commissions, supervises local government administration and directs and administers the affairs of everything from education, culture, public health and family planning to civil affairs, judicial matters and public security. The State Council employs approximately 50,000 people.^v

The State Council ranks above ministries, state commissions, and ministry-level corporations and companies. The State Council has approximately 22 ministries subordinate to it. Each ministry is headed by a minister and staffed by bureaucrats.

There are also a number of State Commissions under the State Council. These are coordinating structures that act in a similar way to the ministries and have similar authority, but tend to play a more supervisory and policy-setting role.^{vi}

In 1998, the State Council was restructured, with the new departments divided into four groups: (i) Macro-Control Departments; (ii) Specialized Economic Management Departments; (iii) Education, Science, Technology, Culture, Social Security and Resources Management Departments; and (iv) the State Administrative Departments.^{vii}

Box 3 Departments of the State Council in China

<p>Specialized Economic Management Departments</p> <p>Ministry of Information Industry State Commission for Science, Technology and Industry for National Defense State Bureau of Forestry State Bureau of Radio, Film and Television Ministry of Railways Ministry of Communications Ministry of Construction Ministry of Agriculture Ministry of Water Resources Ministry of Foreign Trade and Economic Cooperation State Economic and Trade Commission including:</p> <ul style="list-style-type: none"> State Administration of Coal Industry State Administration of Machine/Building Industry State Administration of Metallurgy Industry State Administration of Internal Trade State Administration of Textile Industry State Administration of Light Industry State Administration of Petrochemical Industry State Administration of Petrochemical Industry State Power Industry Corporation 	<p>Macro-Control Departments</p> <p>State Development Planning Commission High-Level Business Discussion Organ State Economic and Trade Commission The Ministry of Finance People's Bank of China</p> <p>Education, Science, Technology, Culture, Social Security and Resources Management Departments Ministry of Science and Technology Ministry of Education Ministry of Labor and Social Security Ministry of Land and Resources All China Sports Federation Ministry of Personnel</p> <p>State Administrative Departments</p> <p>Ministry of Foreign Affairs Ministry of National Defense Ministry of Culture Ministry of Health State Family Planning Commission State Ethnic Affairs Commission Ministry of Justice Ministry of Public Security Ministry of State Security Ministry of Civil Affairs Ministry of Supervision National Audit Office</p>
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The National People's Congress elects both the President and the Vice-President for a term of five years, with no more than two five-year terms served consecutively.

The President has the ability to appoint and remove from positions the premier, vice-premiers, state councilors, ministers and other high ranking officials, as long as such decisions are in accordance with the decisions taken by the National People's Congress. The current President Jlang Zemin also holds the position of CCP General Secretary and chairman of the Central Military Affairs Commission.

The CCP and the People's Republic of China are in theory separate and distinct entities. In practice, however, the Communist Party plays an extremely dominant role in government, and the Party's approval is needed for all important government decisions.

The Civil service (*gongwuyuan*) includes only managers, administrators, and professionals (or 'white collar workers') working for government agencies. Political positions in the State Council or cabinet (Premier, Vice Premiers, etc.) are included in the civil service. The civil service excludes all blue-collar workers and support staff such as clerks and secretaries, and all education and healthcare workers, including teachers, doctors, and those working in research institutes (even where such institutes may be attached to a government agency). The civil service also excludes the military. This definition was laid down in the Provisional Regulations on Civil Servants in 1993. The civil service numbers approximately 5.5 million people. It is a unified service stretching from the central government to provinces, prefectures, cities, counties, and towns and townships throughout the country. The civil service is managed by specific separate rules and regulations, the most important of which are the 1993 Provisional Regulations.

Central agencies and reform management

The CCP exercises formal overall control of the Chinese political system. Leadership of the CCP is centralized in the seven-member Standing Committee of the Politburo, which is elected by the Central Committee, a powerful body of approximately 200 full and 150 alternate members.

The full Politburo numbers 21 members, individuals who have concurrent posts in either the central party and state bureaucracies, the military, or provincial level bureaucracies. Day to day work of the Politburo is handled by the Secretariat. The CCP exercises the highest political authority in the land, a role acknowledged in China's Constitution. Key central-level CCP organizations include the Central Committee, the Central Military Affairs Commission (also headed by President Jiang Zemin), and the Central Committee for Discipline Inspection, the Party's main anti-corruption agency.

The Central Committee of the CCP is highly structured and includes the following agencies:

- General Office of the CCP Central Committee
- Publicity Department (which handles Party propaganda and manages the state controlled media)
- Organization Department (which manages the careers of all leading officials, including civil servants)
- United Front Work Department (which builds support for Party policies from among non-Party members)
- International Liaison Department (which liaises with communist parties overseas)
- Party School of the CCP Central Committee
- People's Daily and other Party-owned media.

The central party apparatus supervises similar institutions at local level.

The agency responsible for the design and implementation of government re-structuring is the Party's State Commission on Public Sector Reform (SCPSR), which is chaired by the Premier. The SCPSR's functions include: (i) making policy on administrative reform; (ii) approving central government reorganization plans; (iii) setting organizational and personnel establishment quotas for central and provincial government agencies; (iv) preparation of draft administrative regulations for state institutions; (v) vetting draft regulations of local government committees, which perform broadly the same functions as the SCPSR within their jurisdiction. (Burns 1993)

In addition to the SCPSR, many other agencies are involved in administrative reform. For example, the Party's Organization Department and the Ministry of Personnel have been responsible for reform of the civil service. Top-level policy groups and the Ministry of Finance and the People's Bank of China have been responsible for the reform of public finance.

Politicization

China's civil service makes no distinction between political appointees and career civil servants : the system includes the top administrative positions (President, Vice President, Premier, Vice Premiers, State Councilors and all Ministers). The CCP manages the civil service system directly, appointing, transferring and dismissing leading civil servants through the *nomenklatura* system. Chinese civil service implements party policy. (Burns 1993, p.356)

Reform activities

Summary

In an effort to provide more responsive local fiscal management to support the varying local needs of the growing Chinese economy, in the late 1980's and early 1990s, the government began to decentralize government decision-making to those it felt who had the best information to make appropriate decisions, such as local governments, producers and consumers (Burns 1993, p.349). Local leaders had begun to question central government decisions related to local matters, and during the 1980s, the government began to restructure its decision-making process decentralize public finance, foreign trade, and personnel administration.

The 1980s saw increased negotiation between the center and local governments over remittances. The central government began contractual relationships with the provincial governments, thus enabling the provincial governments to bargain over their remittances to the center. This enabled economically sound provinces to limit their contributions.

Local governments were also given greater power over their personnel administration. Previous to 1984, territorial party committees selected leading personnel two administrative levels below; after 1984 this system changed to where committees were allowed to select leaders only one administrative level below. Provincial party

committees were also given more authority to appoint and transfer leading personnel under the *nomenklatura* system (Burns 1993, p.351).

Civil service and personnel reforms

The Chinese government conducted major organizational reforms in 1982, 1988, 1993 and 1998 that involved heavy streamlining of government agencies. For example, in 1982, authorities reported that they cut the number of State Council agencies from 100 to 61 and the number of employees from 51,000 to 30,000. In the 1988 restructuring, officials reportedly reduced the number of ministries and commissions from 45 to 41, the number of directly subordinate bureaus from 22 to 19 and the number of State Council employees from about 50,000 to 44,000. Many of the cuts in 1993 were made at the local level. Significant cuts were also reported beginning in 1998. The hope was that many of the laid-off staff would enter the growing private sector. However, in spite of sustained effort to cut the number of government employees, the State Bureau of Statistics has reported continuous growth of government employment during these years.

The government also sought to achieve a change in the age composition of the civil service through establishing mandatory retirement ages at 60 for most men, and at 55 for most women (Burns 1993). This had the effect that, comparing 1982 to 1987, for example, the average age of ministers had fallen from 67 to 59, and of governors from 65 to 55.

According to the 1993 Provisional Regulations on Civil Servants: (i) civil servants are to be recruited into the service through open, competitive examinations, rather than through labor allocation; (ii) civil servants are to be paid according to levels of compensation paid to managers of economic enterprises; and (iii) the content of training for civil servants was to be revamped to meet the needs of a market economy (Burns 1993, p.355).

The policy is that civil servants should be paid at levels commensurate with those paid to managers and professionals with similar levels of responsibility in the state-owned enterprise sector. Pay policy also provides for performance-based pay. Civil servants who receive 'excellent' and 'competent' ratings in annual performance appraisals are eligible for salary increments and bonuses. Because most civil servants receive these ratings (at least 85 percent according to official policy and practice) the increment and bonus systems are not in practice very discriminating or likely to provide any incentives for a performance-based orientation on the part of civil servants.. Moreover, bonuses are relatively small. Further, the civil service salary range is highly compressed: the base salary ratio of top to bottom is only 5.6:1 and may be only 3:1 if all benefits are included. China's relatively low salaries are accompanied by continuing relatively high rates of administrative corruption.

China's civil service does not value political neutrality. The Provisional Regulations on Civil Servants require that civil servants be selected in part based on merit. Additional criteria include moral integrity, which includes commitment to the CCP's policies. The relative weight assigned to political considerations has varied over time. Such

considerations have become more important during periods of political crisis and appear to be more important for party positions (such as party secretaries) than for government positions. Performance evaluations in China, like those in most performance-oriented countries also place great emphasis on ability and work-related achievements.

As China's 'cadre responsibility' system has been implemented in recent years many local government officials have signed performance contracts with explicit quantifiable targets forming a central part of the contract. The government pays bonuses on fulfillment of these targets. Examples of performance contracting can be found at county and township level and in China's municipalities where Mayors of cities have signed such contracts with environmental protection bureau chiefs. The latter contracts specify targets for clean air and water in many cases.

Official policy requires civil servants to conform to a code of conduct laid down in the Provisional Regulations on Civil Servants (Article 6) and to codes of conduct laid down in numerous Party documents. These require civil servants to abide by the Constitution, laws and regulations; execute their public duties in accordance with laws, regulations and policies of the state; 'to maintain close ties with the people, listen attentively to their opinions, accept their supervision and strive to serve the people'; safeguard security, honor, and the interests of the state; obey orders; maintain confidentiality and protect state secrets; and 'be fair and honest and work selflessly in the public interest' (Article 6). Article 31 of the same regulations explicitly forbid civil servants from 'spreading views which are harmful to the government's reputation, organizing or joining an illegal organization, organizing or joining an anti-government activities such as a meeting, demonstration or show of strength or organizing or participating in a strike.' Apart from the anti-strike provisions, most governments would probably not tolerate this prohibited behavior.

Training for senior civil servants is provided by various agencies including the National School of Administration and the Central Party School both located in Beijing. The training infrastructure also includes 'cadre' and party schools established at all levels of the administrative hierarchy. Education levels of leading officials in China have risen dramatically in the past 20 years. Currently more than 80 percent of all those working at ministry, bureau, and division level of the central government are university graduates. Official policy gives a high priority to training and local governments in particular are now buying training opportunities for their employees from among universities in China and from overseas and regional providers.

Budget process changes

In the 1990s, the government has undertaken reforms of the budgetary system. In particular it has encouraged local governments to undertake zero-based budgeting. Most budget authorities continue to base budgetary planning by assuming a continuation of current policies.

Accounting reform in China has been underway for quite a few years. Since July 1993, China has moved from planning oriented accounting system to a market driven system.

Several accounting standards in line with the International Accounting Standards have been issued and have become effective, and many more are either in draft or in the process of review. The goal of the accounting reform for the near future in China is to come up with one set of accounting standards applicable to all business sectors and which are in line with internationally accepted standards (such as IAS). China is not on a cash-based system, and has moved to double-entry bookkeeping. All entities are required to use accrual accounting.

E-government

As in most other countries, the public sector in China has lagged behind the private sector in the use of electronic government. Part of the problem is the relatively limited access to computers that still characterizes most of China. Still, Internet access is growing quickly and currently is estimated at more than 20 million people. Some local governments have websites (e.g., Shanghai Municipality) and some central government ministries and commissions; especially those that deal with the economy, trade, and foreign investment. Contacting the Ministry of Foreign Relations and Economic Cooperation via the Internet is very easy. Most central government agencies are now computerized.

Reform outcomes

China has realized the need to reform its administrative system to complement its move toward a market economy. Although China has effectively decentralized and has eliminated many public sector agencies and positions, accountability and transparency of the government are areas where China must focus, especially in view of the requirements of the WTO.

The government has laid off a large number of its public servants to meet changing needs in the public sector. The civil service is slowly, but noticeably, moving toward a more merit-based system.

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- i China considers Taiwan its 23rd province. (Central Intelligence Agency 2000)
 - ii Details of the constitution were taken from <http://www.usconstitution.net/china.html>
 - iii Sources: (*Radio Press China Directory* 2001, p.47; Central Intelligence Agency 2000) and http://www.asiadragons.com/china/government_and_politics
 - iv Source: <http://www.insidechina.com/gover/congres.php3>
 - v Source: <http://www.insidechina.com/gover/stcounc.php3>
 - vi Source: <http://www.insidechina.com/gover/stcounc.php3>
 - vii Source: <http://www.welcome-to-china.com/china/misc/87p.htm>