

A Letter from Beijing on Reform of China's Public Institutions

Roy D. Morey
United Nations Development Programme
Resident Representative in China

Introduction

In January 1992, China's senior leader Deng Xiaoping made a rare public appearance by travelling to the heart of China's economic reform: to the city of Shenzhen and to other key special economic zones in southern China. His trip has been widely interpreted as symbolizing his unwavering support for the speeding up of economic reforms, which he initiated in 1978, and which have significantly enlarged China's economy and improved its people's standard of living. Subsequent newspaper editorials, apparently encapsulating the thought of Deng, have urged China "to be bolder" in carrying out his reform policies. And more significantly in March of this year, the National People's Congress, China's legislative arm, endorsed a revised government work plan which echoed Deng's call for further and faster reform.

Over the past decade, China has enjoyed an annual GNP growth of about 9%, a doubling of per capita income, and a significant decline in the incidence of rural poverty;¹ the role of reform in this notable achievement cannot be underestimated. Reforms have progressed farthest in the agricultural sector. Through the introductions of various "production responsibility" systems in the rural areas, rural households began to enjoy more autonomy in production and investment decisions with their income being more directly linked to output. By the early 1980s the focus of reform efforts shifted to industrial enterprises; township and village enterprises began to proliferate rapidly, accounting for dramatic increases in rural employment. In each area of economic reform the cardinal principle has been the policy of opening to the outside world which has resulted not only in a transformation of China's economy but also in a vast increase of its relations with the outside world. That reform efforts will continue is ensured in part because tangible benefits so associated with reform and the open door policy are regarded as underpinning the government's ability to maintain economic stability.

China is committed to the deepening of reform and to the opening to the outside world to achieve growth targets set for the 1990s. While public attention in recent years both internationally and in China has focused on economic reform issues, the critical importance of political reform should not be overlooked. In the Chinese context political reform does not embrace generally issues concerning civil liberties and the extension of the basic tenets of democracy (e.g., popular sovereignty, political equality and majority rule), but rather the area receiving the most attention concerns reform of the public sector. Regardless of the nature of the economic system or of the emphasis of political reform in a given country, the need for a public service that is competent, professional, honest and more responsive to public needs is of paramount importance. Reform which will lead to the creation of such a civil service can be seen as political reform in the broader sense and it will be more conducive to further and more extensive reform efforts throughout China.

This brief review is intended to highlight a number of China's efforts in this regard. It is also the purpose of this paper to explore several of the fundamental characteristics of reform efforts—be they economic, political or related to reform of the commu-

nist party—which seem to have emerged as central tenets of Deng Xiaoping's recent efforts. Reform is seen less as an ideological test and more as a pragmatic approach or method of solving problems. Deng appears to be concerned primarily with determining how the productive forces of Chinese society are to be channelled so as to result in the sustained improvement of the living standards of China's people. At the heart of reform efforts must be a reward system that is based upon merit, a system that is responsive to—in fact driven—by demand (articulated needs) of the people and a system that enshrine the notion of competition as its basic value.

Inherent in the reform is the linkage with the rest of the world which is perhaps the most fundamental development in the recent history of China. The Chinese government has clearly recognized that the country's development goals could best be pursued by strengthening its linkages with other countries in order to enhance the flow of modern technology, technical and managerial know-how, trade and investment. As examined in more detail below, this policy coincides precisely with a major comparative advantage of the United Nations Development Programme (UDP) which is to bring an international dimension to China's efforts in modernization which is politically neutral and multisectoral and promotes national self-reliance.

Linkages of Economic Reform with Public Institution Reform

Although the onset of economic reforms (which began in the late 1970s) preceded reform of public institutions, both should be seen as interrelated parts of a broad reform effort. Economic advances both afforded China with the opportunity as well in some ways compelled it to

restructure its public administration. Over the course of the last thirteen years, substantial powers of economic control and management have been decentralized to provincial and municipal levels. As economic reforms uncovered deficiencies in the administrative apparatus of China, the government embarked on a series of reforms to improve the civil service system and administrative structure.² Such efforts are necessary complements to China's undertaking to reform the economy. Indeed, highly efficient government institutions are a necessary prerequisite for effective implementation of economic reform.

Prominent features of civil service reform include efforts to separate political cadres from the task of regulating career civil servants and to establish clear rules governing the appointment, promotion, and tenure of civil servants. Implementation of these reforms has been incremental: efforts first focused on several national ministries, in the provinces of Guangdong, Fujian, and Hebei, and the municipalities of Qingdao and Harbin.

In 1988, the government created the Ministry of Personnel to give an institutional focus to public sector management and to implement the new civil service regulations. Part of the basic legislation set out the goal of separating the party from government functions. Also in 1988, the government established the Ministry of Personnel Training Centre to take the lead role in carrying out research and training in modern personnel management and to initiate the establishment of a nationwide network of training institutions.

China has also set as a priority a reform process to streamline the administrative structure of government. Structural reforms of the State Council (headed by the Premier, the State Council consists of some 81 ministries, commissions and subordinate bureaux and offices) began in 1988 and progressed further in 1990. These reforms had the dual goal of strengthening the decision-making capacity of the State Council and its various institutions and agencies, while decentralizing to lower levels the authority over the more detailed operations of government administra-

tion. Various experimental reforms regarding institutional mandates and staffing issues were carried out at local government levels, particularly in three municipalities and in select counties of several provinces. The progress achieved to date is viewed as just the beginning of a protracted process of reform.

While the events of June 1989 may have put some of the more innovative reforms on hold, the compelling nature of the problems meant that it was an issue that could not be put to rest. The Chinese government has already commenced local reform in a number of pilot or experimental areas. Once reforms have been carried out, lessons will be drawn and wider application will begin. The thrust of the experiments appear to center on the strengthening of macro-management bureaux at the local level and at the same time eliminating or reducing the influence of governmental bodies engaged in more micro regulatory functions.

In March 1992, ambitious plans were announced by the Minister of Personnel to reduce the size of all government institutions, to introduce pay reforms for cadres, and to set in place a new civil service system at the national, provincial and municipal levels by 1995.

UNDP Assistance to China— Case Studies

Prerequisites for strong economic performance in China are a corps of professional and well-trained civil servants and a set of rational institutions with well-defined functions at different levels of government. Reforms in this area will have a profound impact on the country's future.

As the largest source of grant multilateral assistance to China, the UNDP's involvement in such public administrative reform draws upon its political neutrality and extensive experience in multi-sectoral approaches to development. UNDP, at the request of the Chinese government, provides technical assistance; its program of assistance plays an increasingly important role in assisting with interventions directly relevant to fostering administrative

reform. UNDP technical assistance is being selectively provided in a number of areas touching upon reform of public institutions.

UNDP attempts to be responsive to the needs of the Chinese government and of the beneficiaries of the technical assistance. This can best be evidenced by the evolution of program assistance to China over the course of UNDP's tenure in China. Much of the assistance in the early years was designed to aid relevant institutions through a detailed examination of the processes and structures regarding reform activities. Critical areas of concern included the identification of lack of capacity especially in human resources related to management issues. Chinese government leaders lacked the necessary experience and familiarity to formulate and implement policies adapted to manage a more decentralized economy and UNDP's interventions often aimed to provide more training in this area as well as provide decision-makers with exposure to the experiences of other countries. As China gained more experience with reform, so too did the UNDP program evolve. Recently the focus of UNDP's concern has been to issues related to more critical organizational matters. The thrust of UNDP assistance is to provide support for reform endeavors by concentrating resources in key areas leading to structural improvement.

Of the numerous interventions funded by UNDP over the last 13 years, several feature prominently in the continuing effort to build the capacity of the state. This effort also reflects UNDP's evolving role in response to China's needs.

Civil Service Reform

“Training in Personnel Management for Implementation of the Reformed Civil Service System”— This project seeks to fulfill three related objectives:

- intensive training of senior and middle-level government officials in modern personnel management techniques;
- strengthening of the Ministry of Personnel Training Centre through the development of its faculty,

facilities, training programs and materials; and

- extension of advisory services to major enterprises in improving personnel management training systems.

The UNDP has funded study tours and fellowship training integrated into intensive training courses for government and state-owned enterprise personnel managers with the aim of establishing a foundation for a nation-wide network of institutions staffed by personnel trained by the project.

Administrative Reform

In October 1991 the UNDP signed an agreement to provide over \$2 million to assist in the structural reform of China's public sector. This is but the latest example of UN system involvement in civil service and administrative reform; the project is designed to support government efforts to address several problems, including redundant institutions and overlapping functions, the excessive number of departments involved in micro-economic management, overstaffing, and the inadequate system of administrative law. This project is the first of its kind in China to be supported by UNDP's worldwide Management Development Programme.

The project is designed to enhance the capacity of the State Organization and Establishments Committee (SOEC) to further organizational reform and reform of administrative law. To achieve this the project intends to establish a modern data and documentation center to collect and disseminate material from China and overseas on relevant reform topics. Training also features prominently in the project: SOEC employees will be exposed to administrative reform theories and technologies as well as a variety of specialized sector management techniques. Exposure to experiences overseas comprises another aspect of the project. Ultimately the project will assist with the formulation of a broad strategic plan for administrative reform.

National School of Administration

The National School of Admin-

istration (NSA) was formally established on July 5, 1988 by the State Council with a mandate to provide in-service training, pre-service qualification training and continuous education as well as various short-term training programs to senior and middle level civil servants. It is intended that the NSA will be the center at the national level which will train the most promising and capable officials in the civil service and administer examinations essential for their promotion within service. The UNDP expects to support the NSA and discussions are currently ongoing concerning broadening the project to include contributions from bilateral donors.

Other Interventions

UNDP is presently formulating an intervention designed to assist the State Planning Commission as it develops its new vision concerning future activities in reform areas. This project will be a central feature of UNDP's new country program for China inasmuch as it focuses on structural features to support reform. Another interesting project recently approved aids the Bureau of Legislative Affairs in the process of drafting 22 key economic laws. This project is designed to enhance the capacity of the government not only to draft the specific laws but to develop the skills needed to draft other laws supportive of reform.

Conclusion

The success of economic reform efforts in China has provided the very conditions favorable for the introduction of ambitious plans to revamp the public administrative apparatus in China. Elements of the reform process in the economic area feature prominently in administrative reform efforts as well, especially the attention paid to rewarding merit and fostering a spirit of competition.

China is of course a vast country with an enormous diversity of ideas, capacities and approaches. But the striking feature in this large country is not only that there is room for experiments at the local level, but that such experiments are actively encouraged. This penchant for ex-

perimentation gives rise to a situation in which results can be evaluated and successful trials can be replicated in other areas.

As China experiences more success along the economic front, reforms in other areas will no doubt be easier to undertake. The very success of such economic reforms may provide a model which will foster the development of more responsive, if not competitive, institutions. As market forces become more the norm, public institutions will also need to become more "market-oriented." China's current public institution reforms will lead, however incrementally, to the development of a more capable, honest and efficient staff and will increase the need to pay higher wages which are competitive with those of the private sector. The trend toward reform has been firmly established and is likely to continue in a traditional Chinese step-by-step fashion.

Notes

1. Overall, 1991 was a good year for China's economy. The GNP rose by 7%, comparing favorably to increases of 3.9 and 5.0% in 1989 and 1990, respectively, as well as to regional and worldwide averages. For the second straight year, economic growth did not come at the expense of inflation. The 1991 cost of living increase rate was 3.4% overall, and while this index evidenced a higher rate of inflation for urban areas (10% or more in some major cities), these costs are somewhat offset by the considerably higher standard of living of urban residents.

Industrial production, as measured by the Gross Value of Industrial Output, climbed by 14.2% in 1991. But not all sectors performed at equal strength. Industrial output of state-owned enterprises (SOEs) rose by 8.4% in 1991. However, stockpiles—goods which are produced for which there is no demand—had an estimated value of 200 billion yuan (US \$37.3 billion) in 1991. Thus, stockpiles represented about 14% of the value of all goods produced by state-owned enterprises in 1991. Overall, it is estimated that 35% of SOEs operated at a loss in 1991. Total losses incurred by SOEs grew by 10.3% in 1991. In order to keep their doors open, many SOEs require preferential access to resources and massive infusions of working capital, some of which must be used just to meet payrolls.

In contrast, the output of township and village enterprises (TVEs) which are more market-oriented increased by 20% in 1991, with profits up 25%, to \$3.3 billion. TVEs also accounted for fully one quarter of the GNP growth during 1991, and exports of \$13 billion worth of goods. The source of about one-third of rural per capita income and over 50% of all rural output, TVEs play an

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invaluable role in raising the living standard of China's rural population by providing seasonal or full-time employment to 90-100 million workers.

2. The Chinese government has identified a number of problems: (1) redundant institutions and overlapping functions; (2) weak coordination among departments; (3) over-staffing; (4) an incomplete legal system; (5) absence of an adequate system of administrative law to provide a framework of administration; (6) absence of legislation in important areas of policy and for important institutions; (7) unclear lines of authority among departments; and (8) overconcentration of power at the center. (See the Mission Report of a UNDP/Management Development Programme Missions to China concerned with administrative reform, November-December 1990.)

Unique Charity of Nigeria Seeks Donations

For the past two years, the Unique Charity of Nigeria's library has been providing reading materials, as well as scientific, research, and technical information on a nonprofit basis. It is now attempting to establish a political science section. To make this section a reality, the charity seeks donations of books, journals, money and materials.

To make a donation or to receive further information, contact: S. Ayokx, Librarian, Unique Charity of Nigeria, c/o P.O. Box 1068, Ado-Ekiti, Ondo State, Nigeria.

Electoral Systems Workshop Held in Estonia

An international workshop on electoral system design in the new Commonwealth of Independent States and Baltic nations was held in Tallinn, Estonia, from January 3-8, 1993. Jointly sponsored by the Electoral Systems Research Committee of the International Political Science Association, the IPSA itself, and the Sakala Center and the International School of Political Science of Estonia, and funded by UNESCO, the workshop included some 100 participants from the CIS and Baltic countries.

Leading this electoral systems workshop was a delegation of international scholars organized by the Electoral Systems Research Committee. Participants in the IPSA delegation included Richard S. Katz, The Johns Hopkins University, speaking

on "Electoral Systems"; Maurizio Cotta, Università degli Studi di Siena, on "Party Formations and Party Systems in Contemporary Democracies"; Michael Laver, University College, Galway, on "Party Coalitions: Their Formation and Functioning in Elections and in Parliaments"; and Hermann Schmitt, Universität Mannheim, on "Party Affiliation, Party Identification, and Electoral Behaviour." They were joined by Hans Jørgen Nielsen, University of Copenhagen, on "Political Systems and Elections in Denmark." After the workshop, approximately 85 of the participants, including elected deputies of local and state councils from the Baltic states and northwestern Russia, visited the University of Copenhagen and the Danish Parliament for three days. The local organizers intend to publish Russian translations of the lectures for use as university texts in the Commonwealth of Independent States. For further information, contact Professor Richard S. Katz, Department of Political Science, The Johns Hopkins University, Baltimore, MD 21218. Phone: (410) 516-7536.