

## II. BACKGROUND AND OVERVIEW

The PRC's Constitution dates from 1982 and was drafted to replace a Cultural Revolution-era document that did not serve the needs of economic development particularly well. According to the 1982 Constitution, the PRC is a unitary state that centralizes all formal political power in the central Government. While the central Government may delegate power to local governments, the center may alter or rescind such delegation at its discretion. The PRC is divided into 31 provincial-level administrations, including 4 provincial-level cities (Beijing, Chongqing, Shanghai, and Tianjin).<sup>4</sup> The provinces are divided into 331 prefectures (or prefecture-level cities), 2,109 counties (or county-level cities), and 44,741 towns or townships (see Appendix 1). On average, each province consists of 68 counties and each county is made up of about 20 towns or townships, but this varies tremendously. For example, Hebei Province is divided into 138 counties or county-level cities, while Anhui Province, with virtually the same population, has only 64 counties. In 1999 there were more than 600 cities of numerous administrative ranks throughout the country.<sup>5</sup>

Of the provinces, five are officially designated as autonomous regions. Thirty prefectures or prefecture-level units and 117 counties located in several provinces are also officially designated as autonomous units of government. The autonomous regions tend to be located in border areas and to have relatively large populations of ethnic minorities.<sup>6</sup> Generally the autonomous regions tend to have less autonomy than other entities because of their dependence on central government transfers, an outcome of their low level of economic development relative to the rest of the country. In practice, the richer coastal provinces, such as Fujian, Guangdong, and Shanghai, have exercised higher degrees of autonomy.

The Constitution does not establish a system of separation of powers, but formally recognizes the leadership position of the CPC in all key aspects of sound development management. According to the Preamble, economic and social development is carried out "under the leadership of the Communist Party and the guidance of Marxism-Leninism and Mao Zedong thought." The Constitution lays down the functions of the legislature, executive, and judiciary, all of which are carried out under the leadership of the CPC.

### A. The Legislature

Legislative functions are handled by people's congresses. At the apex of the system is the NPC, a body of approximately 3,000 delegates elected for 5-year terms, which according to the Constitution is the highest organ of state power (Article 57).<sup>7</sup> The NPC meets in plenary session once a year. In between these sessions its Standing Committee, a body of approximately 160 people, handles legislative business. The ninth NPC, elected in 1998, consists of government and party officials (33.1%), soldiers (9.0%), intellectuals (21.1%), and workers and peasants (18.9%). About 70% of all delegates are CPC members. Of the total, ethnic minorities account for 15.4% and women for 21.8%. Provincial people's congresses elect delegates to the NPC from among CPC-approved nominees. Historically the distribution of delegates has favored the cities; thus, each urban delegate represents significantly fewer

<sup>4</sup> This number does not include Taipei, China; Hong Kong, China; or Macau, China.

<sup>5</sup> Sixteen cities were designated as being at the vice-provincial level in 1994.

<sup>6</sup> Ethnic minorities make up about 8% of the total population of the PRC.

<sup>7</sup> The Recent White Paper entitled "Progress on China's Human Rights Cause in 2000" notes that the system of people's congress is a fundamental political system in the PRC.

people than each rural delegate. In 2002, for example, each urban delegate represented about 220,000 people, while each rural delegate represented about 980,000 people. This situation reflects the political system's urban bias. Provincial people's congresses are indirectly elected by county people's congresses, which in turn are elected by town and township people's congresses.

Universal suffrage—all citizens in good standing 18 years of age and older may vote—is provided for elections of delegates to town and township people's congresses, the most basic level of government. Voters generally only elect people's congress delegates and do not directly elect town and township government officials. In recent years, however, local officials have experimented with the direct election of township officials in Guangdong and Sichuan.

The NPC's four major functions are clearly defined and include those one would expect to find in any national legislature. First, the NPC legislates. Second, the NPC receives and investigates reports, such as those prepared on the work of government, the budget, and the work of the courts and procuratorate, and considers development plans. Third, the NPC investigates and decides on motions put to it by its Standing Committee or any group of 30 delegates. Finally, the NPC elects the country's most senior officials in the executive, military, judiciary, and procuracy (for a complete list of the functions of the NPC see Article 62 of the Constitution; see also Pu 1999, pp. 107–12). The NPC has the authority to remove the nation's most senior leaders from office.

The NPC's Standing Committee meets monthly when the NPC is not in session and exercises all the powers of the NPC. In addition, the Standing Committee is charged with interpreting laws; supervising the work of the State Council, the Central Military Commission, the Supreme People's Court, and the Supreme People's Procuratorate; and annulling administrative rules and regulations, decisions, or orders made by the State Council or local governments that contravene the Constitution or the law. In practice, much of the accountability to the people is exercised through the Standing Committee. According to the Constitution, no member of the Standing Committee may concurrently hold office in the executive, judiciary, or procuratorate. The chair is a member of the Politburo Standing Committee of the CPC.

To help it supervise the work of government the NPC has established numerous standing committees, including a committee for each of the following areas: nationalities affairs; law; finance and economics; education, science, culture, and publications; foreign affairs; overseas affairs; internal and judicial affairs (since 1988); environmental and resource conservation (since 1993); and agriculture and rural affairs (since 1998). Each committee has from 15 to 34 members. The establishment of new committees in the late 1980s and 1990s demonstrates that the structure of the standing committee system is kept under continuous review. The principal function of the standing committees is to examine draft laws or amendments to laws that come before the NPC.

The NPC has powers of financial and bureaucratic oversight that it exercises through its consideration of the annual work reports of the premier, the minister of finance, the auditor general, and the heads of the judiciary and the procuratorate. However, the NPC lacks a standing committee on the budget (though it does have a budget working committee). Such a standing committee would allow delegates to play a much more active role in supervising public finance. A proposed Supervision Law, which aims to define the power of members of the People's Congress at both national and provincial levels in supervising the Government and judicial systems, is under review.

People's congresses are established at the provincial, county, and town and township levels. They elect local leaders, such as provincial governors, county heads, mayors, and other local leaders and hear and approve reports on the government, public finance, audit activities, and the activities of the local judiciary and procuratorate. The CPC plays a key role in organizing and operating these institutions.

## **B. The Executive**

The President is Head of State.<sup>8</sup> The President, Vice President, the Chairman of the Central Military Commission, and the President of the Supreme People's Court are elected by the NPC. The President serves for a 5-year term and no more than two consecutively. After the NPC or its Standing Committee adopts laws, the President signs them before they become effective. The President appoints or removes the Premier, Vice Premiers, State Councilors, and Ministers in charge of ministries and commissions, the Auditor-General and Secretary-General of the State Council.<sup>9</sup> At the central level executive power is centralized in the State Council. The premier, who is also a member of the party's Politburo Standing Committee, heads the State Council. Following the premier's nomination the NPC elects other senior officials of the State Council, namely, vice premiers, state councilors, ministers, the auditor general, and the secretary general of the State Council.

The State Council is the executive arm of government and broadly speaking exercises five different kinds of authority. First, it exercises administrative rule-making powers to ensure that laws are implemented according to government intent. Second, it exercises the power to make proposals to the NPC and its Standing Committee, such as the proposals it presented to the NPC in 1998 to restructure and downsize central and local governments, or proposals for new laws or amendments to existing laws. About 80% of such proposals to the NPC come from the State Council. Third, the State Council exercises administrative leadership over all government agencies at the central and local levels. Fourth, the State Council exercises powers to supervise the implementation of approved policy by central and local government agencies. Finally, the State Council handles personnel appointments and the training, appraisal, and reward and punishment of government officials (see Pu 1999, pp. 350–51).

Since 1949 the State Council has undergone seven rounds of restructuring and downsizing. In 1998 the Government cut the number of ministries and commissions from 40 to 29 and the number of State Council officials from about 32,000 to 16,000. The trimmed State Council consists of 4 ministry-level agencies in charge of macroeconomic coordination, namely, the State Development and Planning Commission, the State Economics and Trade Commission, the Ministry of Finance (MOF), and the People's Bank of China; 8 specialist economic management ministries, such as the Ministry of Foreign Trade and Economic Cooperation and the Ministry of Agriculture; 5 ministries responsible for education, science and technology, culture, social security, and natural resource management; and 12 ministries in charge of state political affairs, including the ministries of Justice, Culture, and Foreign Affairs.

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<sup>8</sup> In 2001 the President of the PRC was concurrently also the General Secretary of the Central Committee of Communist Party of China (CPC); Chairman of CPC Central Military Commission; and Chairman of PRC Central Military Commission.

<sup>9</sup> Treaties and agreements concluded with foreign states by the State Council or its organs are promulgated by the President, upon decision of the NPC or its Standing Committee on whether to approve or annul them. He proclaims martial law; proclaims a state of war; and issues mobilization orders.

Provincial and local governments were restructured and downsized in 2000 and 2001. Generally they set up agencies at their level that correspond with those set up within the State Council. During the latest round of restructuring, the central Government required local governments to cut the number of employees by up to 50%.

To assist it in its work and to enhance coordination among agencies, the State Council has set up committees and leading groups that bring together representatives of relevant ministries and commissions to focus on a particular problem. Examples include the National Forestation Committee, the National General Headquarters for Flood Prevention and Drought Control, the Three Gorges Project Construction Committee, the State Council Leading Group on Poverty Alleviation and Development, and the Western Region Development Leading Group. The number of such groups and their functions vary from year to year. They are set up at the administrative level, are headed by senior officials, and are supported by general offices usually drawn from the State Council ministries that are most directly involved. For example, the Premier, whose portfolio includes agriculture, finance, and the environment, heads the Leading Group on Poverty Alleviation and Development; while the current Premier heads the Western Region Development Leading Group.

### **C. The Judiciary**

The judiciary consists of courts established at four different levels: basic level (town or township), intermediate level (county or equivalent), high level (province or equivalent), and supreme. The system is centralized in the sense that there is a single hierarchy of courts. It does not resemble systems in countries such as the United States and Canada, which have separate federal and state court systems. The judicial system is decentralized in the sense that even though judgments and court rulings at any given level are subject to being confirmed or overturned by courts at higher levels, the finances and personnel of courts at any given level are under the control of government at the same level. Moreover, there is little movement of personnel from one level of court to another, and promotion occurs primarily within a court. Officially sanctioned, informal village courts do not exist; however, in some places mediation committees may take on the functions of an informal village court in that they arrive at a view of the rights and wrongs of a dispute and attempt to remedy the situation through social pressure.

The court system is administered both vertically from the Supreme People's Court, whose role extends far beyond simply hearing cases on appeal, and horizontally from local-level government. The Supreme People's Court has a major role in collecting information about cases heard by lower courts, and periodically issues documents relating to court procedures and substantive law. While it is not the only body with authority over prescribed qualifications for judges, its agreement is necessary.

With a few minor exceptions, the president and vice presidents of a court are appointed by the People's Congress or its standing committee at the same administrative level as the court. These appointments are decided upon by the local CPC committee and its political-legal committee, and approved by the People's Congress. Local governments also control the courts' finances. Only the Supreme People's Court receives its financing from the central Government. As a result, courts tend to be dependent on local governments, and thus to be more responsive to local than to central concerns.

The State Council's Ministry of Justice has not traditionally played an important role in court administration. Recently, however, the Government has decided to require new judges and procurators (roughly equivalent to state prosecutors) to take the same examination that

lawyers must take. As the lawyers' examination is under the jurisdiction of the Ministry of Justice, this requirement will give the Ministry of Justice greater influence over the court system.

#### **D. The Public Sector**

In 1999 public sector employees numbered about 125 million (World Bank 2002), of which approximately 88 million were employed in SOEs and 37 million were employed either directly or indirectly in government. Civilian public sector employees accounted for about 33.4 million of the total. At both the central and subnational government levels, civilian public sector employees include those who work directly for government, that is, for core ministries and agencies that report to ministries; those who work for service units or institutions, such as hospitals, schools, and research institutes; and those who work for NGOs. Of the 33.4 million civilian public sector employees about 5.4 million white-collar administrators, managers, and professionals who work for "core government" are formally classified as civil servants and are employed primarily in local governments, while the remainder work for service units or institutions. Most are employed at subnational levels.

The civil service is managed not according to a civil service law (though there are plans to draft such a law), but according to the Provisional Regulations on Civil Servants, promulgated by the Ministry of Personnel in 1993. From 1993 to 1997 these regulations were gradually extended to include the bureaucracy of the CPC and its network of united front organizations, including the Youth League, the All-China Women's Federation, and the All-China Federation of Trade Unions, and to the people's congress system, the political consultative conference system, and then more widely to many "mass organizations." The regulations call for open, competitive recruitment of civil servants and selection based on examinations. Civil servants are to be promoted based on their ability and political integrity and rewarded according to their performance. The Provisional Regulations on Civil Servants call for the State to compensate civil servants broadly in-line with the remuneration received by managers of SOEs with the same level of responsibility.

The CPC's Organization Department, established by the CPC Central Committee, makes policy on the management of the civil service and directly manages the careers of the most senior officials. The State Council's Ministry of Personnel implements civil service management policy. Most civil service regulations are issued in the name of the Ministry of Personnel or of local personnel bureaus.

The Organization Department also makes policy on the appointment of the most senior officials of the 1,000 or so largest SOEs. In recent years it has delegated authority to approve these appointments to the high-level Central Large Enterprises Work Committee headed by one of the four Vice Premiers.

#### **E. The Policy Making Process**

The policy making process is coherent, and relevant stakeholders accept and understand it. Overall the process needs to be more transparent, but recently it has afforded the public more opportunities to participate than in the past. While there are coordinating mechanisms, the Government has no effective horizontal (coordinating) linkages. Rather, the system has strong vertical bureaucratic systems and weak horizontal sharing of information and coordination.

At the apex of the policy making system is the 23-member Politburo (21 full members and 2 alternates), 7 members of which constitute the Standing Committee, chaired by the party general secretary. The Politburo is elected for a 5-year term by the party's Central Committee, which in 2001 numbered 190 members and 149 alternates. The Central Committee is elected by the National Party Congress, a body of nearly 3,000 delegates who are indirectly elected by provincial party congresses. The PRC's approximately 65 million party members vote for delegates to town and township party congresses, which in turn elect county party congresses. These elect provincial party congresses in a system that resembles the people's congress system of elections. Party committees and party secretaries play a key role in nominating candidates for these elections. The relationship between the Politburo and the Central Committee is one of reciprocal accountability. Even though the Central Committee selects the Politburo, it does so based on the nominations of the Politburo itself. The Politburo also nominates Central Committee members and National Party Congress delegates. However, Politburo members also depend on support from Central Committee members. Thus the Central Committee exercises real power.

The Central Committee has a vast bureaucracy that plays a critical role in policy making. The most important actors are a network of joint party-state policy leading groups and committees. These commissions and groups are chaired by senior party officials, often Politburo Standing Committee members who also have government positions. The groups and commissions have their own staff and bring together officials from both party and government agencies to study policy options and make key policy decisions. The following list [Source: Radio Press, Inc. (2001, pp. 18–21)]. are the key economic and legal policy making commissions and groups as of 2002, namely:

- Central Finance and Economics Leading Group
- Central Finance Work Commission
- Central Large-Scale Enterprise Work Commission
- Central Rural Work Leading Group
- Central Political-Legal Commission
- Central Commission for Discipline Inspection

Policy options are fed into the groups and commissions from many sources, including research institutes and think tanks established by the various ministries and commissions of the State Council—the State Council's Development Research Center, the party's Central Policy Research Center and Central Party School, and the State Council's Chinese Academy of Science and Chinese Academy of Social Science. Several think tanks have been particularly influential, including the China Development Institute in Guangzhou, the Energy Research Institute of the Chinese Academy of Science, the Institute of World Economics and Politics of the Chinese Academy of Social Science, and the Shanghai Institute for International Studies. Although the number of think tanks is difficult to determine, observers estimate that the number of think tanks working in the area of environmental degradation alone has grown to more than 300 (Oxford Analytica 2002). The number and influence of think tanks grew rapidly in the late 1990s. Senior officials also have their own offices and advisors that carry out policy research. Many well-connected NGOs, such as the China Enterprise Confederation, carry out their own research on economic policy and feed recommendations into the system through their advisors, many of whom are senior party and government officials. Other organizations send recommendations to NPC delegates or to delegates of the advisory Chinese People's Political Consultative Conference.

Consensus in decision making is highly valued (Shirk 1993). This means that if a ministry or group is opposed to a particular policy, it can effectively amend, veto, or delay it. For

example, putting in place a retirement system for senior officials was delayed for several years in the 1980s until all concerned agreed on an appropriate system. The policy to build the Three Gorges Dam also illustrates the delays that can occur when consensus is not achieved. Although the most powerful leaders in the country endorsed the project in the 1950s, because of conflicting bureaucratic and regional interests, consensus to begin work was only achieved in the late 1980s. The development of elaborate systems of consultation that include all key government stakeholders is not surprising in a system that values consensus so highly.

The PRC's internal consultation system includes not only the commissions and leading groups identified earlier, but also networks of commissions and groups established within the State Council and at all levels of government. The consultative system also has a critical central–local dimension. Local, especially provincial, governments are consulted on all policy proposals that might affect them. Moreover, the Government convenes annual work conferences in areas such as economics and finance to air proposals and examine alternatives. Officials and experts in the relevant areas are invited to these conferences. Because of the strength of the vertical bureaucratic systems, however, issues tend to be referred to senior leaders for resolution.

The Government's agenda is set through the national economic and social development planning process, in 5-year cycles. In March 2001 the NPC approved the 10<sup>th</sup> Five-Year Plan (2001–2005). The plan lays out guiding principles and objectives. These principles take development as the main theme and restructuring as the main course of action. The principles call for further reform, especially coordinated economic and social development to improve people's livelihoods. The plan identifies sustainable development as the key strategic direction, and also lays down specific objectives: for example, by 2005 GDP per capita would have reached CNY9,400; 40 million urban and 40 million rural new jobs would have been created; urban unemployment would not have exceeded 5%; and the budget for research and development would have been more than 1.5% of GDP. The plan then identifies concrete measures for achieving these objectives, with special sections devoted to the economic structure, science and technology, and education and manpower; the population, resources, and the environment; the further opening and liberalization of the economy; the livelihoods of people; the country's spiritual life; the democratic legal system; and the strengthening of national defense. Two concluding chapters discuss the plan's implementation and emphasize the need to strengthen macroeconomic regulation and control to ensure social stability. The State Development and Planning Commission (SDPC), with the participation of relevant State Council agencies and local governments, prepares longer-term plans for the economy, the population, and other national policy issues.

Lack of consultation is evident in some public policy arenas, however, such as in key areas of public finance. Interviews with leaders of poor counties in Hebei, for example, indicate that they were not consulted in advance on decisions to raise civil service salaries or to undertake some capital construction projects for which they were expected to share in the costs. Even though the central and provincial governments provided supplementary funding, the supplements were generally insufficient, and local governments were expected to find the resources to cover the shortfall (World Bank 2002).

In recent years, public participation in policy making has increased and has taken several forms.

## 1. Public Hearings

Under new laws the Government is required to hold public hearings in some circumstances. For example, the Supreme People's Court in Beijing recently issued guidelines that would require government agencies to release information to litigants against agencies.<sup>10</sup> Attending a hearing is one-way citizens can influence government policy making, and the practice is increasingly recognized and used. There are two main forms of hearings in relation to government policy making. The first is a decision-making hearing, which the Government holds when decisions will influence citizens' interests, and where citizens may ensure that decisions are "reasonable." In July 2001 the Government enacted the Temporary Regulations on Government Pricing Decision Hearings, which came into effect on 1 August.

Under these regulations the Government must hold hearings to solicit the opinions of customers, operators, various levels of government, and related organizations when determining and revising the prices of public utilities, welfare services, and commodities produced by state monopolies that affect the interests of citizens, such as water, power, fuel, telecommunications, and railway transportation. The basic principle is to respect citizens' rights of "knowledge of and participation in public decision making." The law clarifies that in the absence of public hearings "price-regulating departments of the same level of government—as the agency determining the price—or a higher level of government should announce that the pricing violates price-making procedures and thus is null and void."

A second form of hearing is the legislative hearing. Traditionally the formulation of laws, regulations, and rules has followed the pattern of drafting by a regulatory body, then sending the regulation on to the NPC to consider and eventually approve. Such a process lacks citizen participation, and thus pays inadequate attention to the opinions of those whose interests may be directly affected by the proposed legislation. This situation has begun to change in recent years. While there are no established rules on legislative hearings, precedents have emerged in practice. For example, the provinces of Anhui and Guangdong and the cities of Shenzhen, Shenyang, and Shijiazhuang have all held public hearings on draft legislation. Insufficient information is available at this stage to indicate the level of impact that public opinion has on draft legislation.

## 2. Soliciting Opinions

Sometimes the Government solicits opinions from the public in the process of making decisions or drafting laws (Box 1). For example, when amending the Marriage Law in 2000 the Government collected citizens' opinions nationwide through the media and special meetings. Furthermore, when Beijing drafted its 10<sup>th</sup> Five-Year Plan, the municipal government held news conferences to gather opinions and posted a draft version of the plan on the Beijing economic information Web site to directly solicit ideas from the public. The Beijing Municipal Development and Planning Commission revised the plan to accommodate citizens' opinions. Similarly, the SDPC collected more than 10,000 responses from the public on the national 10<sup>th</sup> Five-Year Plan, which also was posted on the Internet, and accepted more than 300 of them.

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<sup>10</sup> The new guidelines, issued on 18 August 2002, permit the plaintiffs to ask the court's assistance in accessing information and bring about a more level playing field between private citizens and government agencies. The guidelines were generated due to increasing number of lawsuits against government agencies. Official statistics suggest that about 98,000 cases were recorded in 1998, a tenfold increase over the decade.

**Box 1: Public Opinion Invited in Qingdao**

In 2001 in the city of Qingdao in Shandong Province, the local government held public consultations to discuss development plans based on the city's regulation—Method for Public Participation in Urban Planning and Management. From 11 to 20 March, the municipal Planning Bureau and the Planning Design Review and Evaluation Center jointly invited comments on a private sector development plan for a particular site in the city. A special office was designated to receive comments on the plan during this period.

Source: Qingdao Daily (10 March 2001).

NGOs have also attempted to influence public policy. For example, the China Enterprise Confederation and the China Enterprise Directors Association—self-funded organizations that—mainly represent SOE managers—recommended in a written report to the Government in 2001 that the economic management environment for SOEs be improved; that the authorities strengthen control over the practice of arbitrarily collecting fees, levying fines, and demanding contributions; that the tax burden on enterprises be reduced; that corruption continue to be attacked; and that the rules and regulations for establishing competitive market conditions be improved (China Enterprise Confederation 2001, pp. 20–22). The Confederation's annual report, based on a survey of its members, was submitted to the nation's top leaders through various channels.

### **3. Advisory Committees**

Many government agencies have set up advisory committees staffed by experts and specialists to better inform themselves of the opinions of outside experts on public policy. Some government organizations have also set up consulting bodies and specialist consulting groups, both formal and informal.

### **4. Community Organizations and Community Participation**

With the development of rural grassroots participation and urban communities since the 1980s, citizen participation in community organizations and community affairs—mainly in the form of direct elections, villagers' self-governance, and community self-governance—has been an important development in public administration. According to the rules governing the consultation of villagers, significant issues—such as economic and social development, the establishment of welfare facilities, and the handling of problems of “major concern”—must all be decided on and executed through discussions of villagers' committees based on the relevant laws and regulations. Thus citizens who have sufficient knowledge and experience in community self-government can become alternative channels for exerting influence over public decision making.

### **5. Letters and Visits**

To learn about people's problems and to resolve these, the CPC and government agencies at all administrative levels have set up so-called letters and visits departments. This channel has become an important route for citizens to inform the Government about their views and to submit advice, criticism, and suggestions in relation to public decision making. This has helped the Government gain a better understanding of public complaints and of wrongdoings by

some government employees.

## 6. Constraints

Constraints hamper the effective use of these channels of participation. First, because educational levels are still relatively low, especially in the countryside, people are not equipped to engage the State in public debate over many public policies.

Second, public participation in policy making requires the transparency of government operations. Some progress has been made in this area, especially at the town and township level (Box 2). Indeed, governments in some provinces such as Jilin have pushed the openness of government operations to the county, municipal, and even the provincial level. However, the PRC does not have a government information transparency law. Moreover, transparency in government operations is still to some degree an exception and is not customary. Government information is still centrally collected and distributed. Transparency in relation to government information tends to concern the promulgation of administrative rules and regulations rather than details of government operations.

### Box 2: Matters to Be Made Public

According to the December 2000 CPC Central Committee and State Council General Office Circular on Implementing the System of Opening Government Affairs to the Public by Organs of State Power in Towns and Townships Nationwide, the following matters are to be made public:

- annual work targets of government departments and their implementation;
- government budgets and their implementation;
- amount and disposition of special funds allocated to the Government;
- claims made against the Government and its liabilities;
- government enterprise contracts, leases, and auctions;
- bidding and award of tenders for government engineering projects;
- government development projects;
- amounts and types of all taxes and fees collected;
- family planning situation;
- land resumption (the state taking privately held land to use for public purposes) particulars and resettlement arrangements;
- policies and practices for approving house construction;
- policies and practices for providing disaster relief and welfare;
- situation of collection of water and electricity bills;
- nature of the duties of government officials, their remuneration, and any disciplinary measures taken against them;
- situation surrounding any penalties to be levied in towns or townships, including the amount of the penalty and how and when it will be collected;
- matters related to officials' behavior;
- matters related to officials' use of entertainment allowances and traveling expenses;
- matters related to the transfer, appraisal, reward, and punishment of local officials; and
- other important matters.

Source: New China News Agency (Xinhua) (25 December 2000).

Third, the PRC generally lacks legal, institutionalized, thorough, and smooth channels

for civil participation. The existing routes also suffer from many restrictions. For example, legislative hearings are not required by law and are confined only to a few areas like pricing. While no institutionalized routes are available, random ones abound. A specialized public consulting system has yet to be established.

Finally, the administrative culture puts a premium on order, control, obedience, centralization, consistency, and confidentiality.

Increased transparency would foster a more trusting, cooperative, and sharing culture between the Government and its citizens. Citizen participation could then assist Government, and those who make suggestions and submit complaints would not be branded as troublemakers. Increased transparency would also reduce the patriarchal mind-set of some government employees and help change the country's administrative culture.

### **III. DISCUSSION OF SELECTED DEVELOPMENT MANAGEMENT ISSUES**

The following sections examine in detail critical development management issues in public financial management; public administration reform; the legal, judicial, and regulatory systems; public service delivery and performance; public accountability, the interface between the public and private sectors; and the role of civil society.

#### **A. Public Financial Management**

A well-functioning public financial management system requires three supporting components: (i) a healthy revenue mechanism that produces sufficient revenues to finance government in a neutral, nondistortionary, transparent manner; (ii) a budget management system that manages public resources efficiently, minimizing opportunities for graft and corruption while allocating resources in a way that reflects government priorities; and (iii) a bureaucracy that delivers services cost-effectively.

The current system in the PRC falls short on some dimensions of these three criteria:

- (i) The revenue mechanism is weak, generating only 15% of GDP, down from 35% in the late 1970s. At the same time, the Government raises large amounts of revenues off-budget, perhaps more than 20% of GDP, but in ways that are often inefficient, inequitable, nontransparent, and distortionary.
- (ii) The following weaknesses are apparent in the budget management system.
  - The budget is not comprehensive, and disparate agencies account for a large amount of off-budget spending, which is not subject to overall budgeting considerations.
  - Budget is prepared late in the fiscal year and spending units often do not receive authorizations until well into the fiscal year.
  - Budget adjustments are made throughout the year and are subject to negotiation.