

**The New Round of Administration
System Reform and Government
Function Change**

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Background of Government Institution Reform

Institution reform is an important aspect of administration system reform. Why should government institution reform be a priority? What kind of abuses exist in the present administration system? In the Chinese administration system there is a form of abuse called “four transformations,” in which government power transforms to department power; department power transforms to profit; profit-making procedures need to be sensor; and sensor procedures complicate.

Government power transforming to department power, means that well-established power that traditionally belonged to government, finally becomes fixed in a department, and then the leaders of the department take this power as their own. If institution reform removes or alters this power, it would mean taking away the department leaders “rice bowls”, so changing this power base is very difficult.

Department power transforming to being profitable is a common phenomenon. In the media it is said that legislating means personal profit. When the government drafts laws and regulations, they first consider how to enlarge the power of the department, and how to maximize profit through each process. Once the power of a government department power is transformed to being profitable, institution reform will be encounter many difficulties.

One method of obtaining profit involves creating complicated procedures: in other words, the government department sets many steps to accomplish purposes. First they will stamp and prohibit a market admission — sometimes reasonably — but often these delays bring unnecessary hindrances to enterprises, to society, and to citizens.

Complicating procedures means that some simple affairs that could be settled by a government report or record, become either a universal admission, or even a special admission, which is very confusing. Then this complication requires either an open or secret transaction. In this economy, every market admission involves a value of 15% to 20% of its yearly income. This is called a “permission trade” system.

Administrative system abuses accumulate year by year, finally making many problems incorrigible. In the political system reform 16th party convention program, one in nine submissions was for administration system reform, which stresses that the need is great.

For 20 years since beginning a policy of reform, government has made several great institutional reforms. The first began in 1982 when the cultural revolution ended and many old cadres returned, so job postings, faculty settlement, new institution arrangements and other problems needed solutions. At the end of 1981, the state

council had 52 departments, 43 direct institutions and 5 office institutions; in all there were 100 job departments, the greatest number since 1949. This created such problematic situations as overstaffing, superfluous staff, aging leaders, increasing vice-management occupations and low work efficiency. For example, the third machinery industry established 18 ministries and vice-ministries, and 20 leading bureaus, making reform very urgent. The 1982 reform emphasized changing the phenomenon of aging leaders and excessive vice-post occupations, and bringing in younger leaders. That reform adjusted the number of departments to 43, 15 direct institutions, 2 offices, added to an office agent, altogether setting 61 job departments. The state council faculty was reduced from 51 thousand to 30 thousand, a reduction of about 25%. More importantly, the effect of the local government reform has been very obvious; each rank of local government leaders, institution arrangements and personnel number has a principle rule. At the same time, the number of provincial party and government institution was reduced to 120 thousand from 180 thousand, the city and county reduced by 20%, and districts by a little more.

By the end of 1987, the number of government office and government institutions had begun to increase again, and in 1988, the project of institution reform was reintroduced. In this round of reform there were several differences: the first insisted on the principle of dividing government and enterprise, and dividing government and society. The second further cut off and impaired "special" departments, in which one product and one profession was managed by a single, specific department. Supervision and macro-control of these departments began to strengthen. The third demand a solution on the problem of function conversion, reasonably limiting institutions and affirming personnel numbers. The reform project of 1988 matched the whole political system reform. In 1989, because of "6.4 wave", 1988 reform was not actuated universally. However, especially in local areas, institution reform was a great influence.

In 1992, Dengxiaoping's south-petrol speech triggered constructing a social market economy system. By 1993, looking at how to construct a social market economy system, Government began to consider how to adjust the related institutions and how to service a market economy. These ideas brought some new thoughts in 1993 institutions reform. From 1993, it has become more and more definite to reforming around the government's right to reform some departments, with stronger adjustments of function. This reform shook some cadres working in state councils and local governments and enterprises, and they faced a crisis, which impelled rationalizing the relationships between government and markets, and government and society.

In 1998, institution reform was reopened on a new basis. At the end of 1997, the number of government departments and personnel had increased again. In a market economy, many blank areas needed to be filled by continually increasing the numbers of institutions and persons. Government reform of 1988 therefore had a great background which put a certain distance between government function and the system development for 5 years of market economy. On the other hand, both center government and local government carried too heavy a financial burden. In the case

of the state council, changing the government function was emphasized. Only by reforming the synthetic economic department to a macro-control department can the method of planning investment be completely changed, and take steps to grow and form a market investment method, in which an enterprise decides independently, the burden of risk and reform in this direction. At the same time, this reform emphasized reducing and adjusting the special economy department. Many government bureaus governed by the economic trade commission gradually condensed, and some departments not governed by economic trade commission, ascribed to economic trade commission policy, and then in one or two years, had another reduction. This created equal competition in the work management area, and reinforced the idea of equal competition. There is another point worth attention: government troops were strengthened, because with the development of 5 years' market economy and perfecting market growth, the responsibility of maintaining the market is more, difficult, so the departments of law-enforcement and supervision needed reinforcement. For example, there was a very important department in 1998 institution reform: the state medicine supervising management bureau. More importantly, affirming the local government function brought some requests. So the reform of 1998 was the greatest since the beginning of reform, and also was the most effective. It broke down the previous style of government institutions and arrangements, and created a style detached from the type of the planned economic management system. Of course, there is a procedure to adjust the government institution style to entirely fit for the market economy system, but first that type must be detached from planning.

Looking back over the past rounds of reforms, generally speaking, they were necessary. Through these reforms, government function really changed, which then lead to the cadre's opinions changing, constantly making them recognize the forward impetus of new plans and new standards, so as adjust themselves accordingly. Reform is not only a change in the number of institutions: in the function of governments, it is very important.

The new round of institution reform not only succeeds and strengthens the 1998 reform, but also represents the first government institution reform following entry into the WTO. Since this reform, each institution is changing, from traditional government function and the style of extensive concentration. The four reforms gradually being embodied demand changing the relationship between government power and the market; the relationship between government and enterprise, government and public departments, and government and society. In 1998, government reform changed government institutions into the style and the mode which formed under the planning economy. Now a new reform in 2003 symbolizes the gradual formation of government institution arrangements appropriate to a market economy.

The new round of government reform followed China's entry into the WTO. One great change after entry into the WTO was in environmental law, with regulations strengthened for both officials and entrepreneurs. This change had significant meaning for the Chinese market economy construction, as the greatest challenge for entry into the WTO is not enterprise but management modes, ideas, regulations and

the behavior style of government, and the traditional modes were an impairment. WTO rules provide an objective standard and system, a strict reference. It regulates the basic power of government, and the direction and paths of government reform. Those departments that function well and those which should be cut off is very clear. In fact, from the end of 2000, the central government decided to do this job. But the outcome was not positive. Today local governments participate in economic development, even acting in an investment role, which cannot become the role of service government. In foreign countries, economic expenditure is 2% of the financial total. But in China, it is as high as 38%-40%, and is extremely low in social insurance and culture education.

The background of the new reform is the 16 th party convention. Its report held administration system reform and government institution reform as an extremely important part of political civilization and political system construction. It demanded a creative system in administration democratization, which is effective for a new government management style adapted for constructing xiaokang living. The reform must consolidate the theory of creative management, and strengthen the responsibilities of democracy, duty, service, and open, transparent response. Using a system of expert consultation, and government proving procedures, how does government decide on a negotiation system, the practice and operation of a social witness hearing system, the effect of polls in policy making and policy execution, the legislating of executive and administrative procedures by government institution personnel, and the scope and operation of voting system. These are some of the questions in this new reform.

Content and Character of the New Round of Reform

1. Government Institution System Emphasizes Supervision and Management

The new round of reform will affect and adjust related, closed, and interrelated institutions, by clearly defining and regulating the division of function, clarifying the relationship between the sponsor and helper, and centralizing the administrative decision power into its governmental and departmental components, so as to form coexisting department and professional executive institutions that will coordinate efficiently. In addition, a nationalized estate commission will be established to dispatch a supervising agent to big enterprises, and through legal procedures, appoint and create enterprise leaders, rewarding and fining them according to their business achievements, and supervising the value-guaranteed situation by checking. And the same a China bank supervising and managing commission will be set to strengthen finance supervision, ensure the finance institution's secure, stable and efficient operation, and improve the capability of guarding against risk. To further supervision on secure manufacturing, the bureau of national security producing management should be changed to the state council's direct bureau.

2. Re-classify the Functions of Center and Local Governments

Government function needs to be re-classified. Central government should be

responsible for macro-control and decisions affecting the economy; local governments should execute these decisions. Provincial interior governments directly face basic enterprises and rural citizens; their main responsibility is to implement the central and higher government's guidelines and policies, providing good social management and public service. In principle, the center and provinces do not set administrative lawmaking units, which in city and county should be set synthetically, thus relatively centralizing the administrative power of executing laws.

3. Administrative Three-division Reform

The report of 16th party convention recommended coordinating decision, execution, and supervision functions. The reason is that under the present administration system, there is a common phenomenon called "weak government, strong department." In five government ranks government power transforms into department power, as noted above.

Shenzhen offers a good example for reforming the administration sensor system. After advising and encouraging the central government to reform this system, the reform received public acknowledgement from business and society. From the perspective of the relationship between government and departments, the present administration system reform in city government has three views: one, government decides, departments execute; second, government and a synthesized department decide, another department executes; third, administrative departments create a big system decision and execution departments. Government and subordinate department should also consider aspects of decision and execution: one is to strengthen the power of government decision, with department response for execution; the other is to unite the existing departments and form a large system; third is to coordinate government decision and department decision.

4. Deepen the Sensor System Reform

Changing government function is the nucleus of this new reform and impelling regulation reform is critical. As part of the WTO, China's reforms must suit the WTO rules. The WTO requires four freedoms: faculty free, asset free, goods free and services free. These offer a challenge to government function. In a rough count, China accomplishes 28,000 administration regulations a year, Korea just 3000, and Japan 2800, so if we do not accelerate reform, the low efficiency will continue. Since October, 2001, when the state council deployed reform on the administration sensor system, 1195 items were cancelled twice respectively; added to 82 items on changing management methods, there were 1227 in all. On the basis of the first 789 items cancelled, another 406 items were cancelled. 82 items were dealt with by way of management change. The second time 406 sensor items were cancelled, among them 241 items related to economic affairs, 105 items related to social affairs, and 60 items related to administration and other affairs. The emphasis on economic regulation reform is canceling and abolishing many current large items and procedures. Social regulations should create a relaxing social environment on the basis of minimum limits. Government regulations should gradually realize that reasonable regulation

methods, simple content, and quick procedures, will accomplish coherence with international regulations. Government regulation reform should be motivated according to the following perspectives.

First, reform admission regulations: loosen, adjust, or abolish all kinds of present admission regulations according to the WTO rules. Try to exclude the hindrances or limitations on foreign enterprise and production entering our country. Check regulations of provision and demand, equipment and expenditures that are concerned with admission areas.

Second, reform the permission system. Cancel unnecessary permission items and procedures, and change this system into an application system. Then bring in checking standards that are clearer, more concrete and digital, weakening the administration's power of free judgment. Simplify the application procedure, making it electronic, paper-free and on-line.

Third, reform the qualification system. Tune the system toward protecting the administration counterpart's decision. Gradually loosen limitations on confirming qualifications.

Fourth is, reform the criteria of the checking system. Try to reduce direct regulation from government in the area of professional and manufacturing standards and regulations; adopt the self-checking system and encourage professional commissions and public legal entities to establish a self-affirmed, self-guaranteed and self-checking system. To cohere with international criteria, international data and rules should be adopted.

Fifth, check new regulations, using strict procedures and criteria and then re-check the necessity of its existence after a period of time. New regulations should set a cost-efficiency analysis report to fit the need of other decision procedures.

The government had three institution reforms after 16th party convention; three times it cut 30% off the sensor system, regulation function and faculty; in fifteen years will cut another 30%, and fifteen years later, the quota of government function and faculty will be reasonable.

Counsel and Adviser System and Democratizing Government Decisions

At present, a counsel and adviser system exists in the central and many local governments, which is gradually forming an important part of each department decision. But we should know what principle they abide by. Whose benefit do they represent? What effect will they exert in government decisions? These problems will be discussed in the next step of the reform.

Up to now China has 600 city governments that set 400 difficult forms of government counsel and adviser institutions. Setting a counsel and adviser commission system is an important part of present administration reform, and propelled by public democracy, it will improve the level of government decisions. Through this system, citizens can take part in government decisions. Government, with its own advisers, now manages higher level decisions on important problems and then controls the direction and strategy of the job. With this reform, the performance of

political power cannot be arbitrary and secret any longer. Then it will increase the government's credit in market management and lower the risk of market transaction. Relatively, this commission is a decision counsel system, which can moderate the rigidity of the administration and pursue reasonable decisions. As it is in Korea, the counsel commission not only supervises government deeds, but also refers to policies and undertakes important duties.

The counsel and adviser system reinforces communication between civilians and public servants, a benefit for the healthy development of civil society. For example, a strategy counsel system was used for the first time to conduct science research, which resulted in a decision both scientific and democratic. Strategy counsel system can mobilize official resources and act in the role of a social power and folk institution. The popular participation system was based on the people's concern for science, so everybody could give their own opinion from their own standpoint.

Through the counsel and adviser system, expert groups can participate in the government decision process, ensuring the efficiency of government and helping leaders to reach practical conclusions on complex problems. With the development of the economy and society, more and more confusing matters confront government, which government has not enough time and ability to solve them, so enrolling civilian experts with special knowledge into the government decision process will be helpful in constructing a common governing system and increasing the capability of solving practical problems. Today experts and subject guides who can contribute in special areas are appointed as "high counsel" in city economic and social development. They give counsel prior to decision-making, thus the party commission and government leaders need not be all-powerful leaders, and their politician status will be more obvious. Through expert counsel meetings and symposiums, important affairs are collectively discussed, important decisions are researched, evaluated and proved. Counsel and discussion before making a decision, constantly improves both scientific and ordinary levels of government decisions.