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# **The New Public Management Reform in Municipal Governments as Crucial Catalyst for Transition to Grassroots Electoral Democracy in China**

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## **Abstract**

This research approaches public administration reform in China from a domestic perspective. Whereas recognizing that the mechanisms behind the nature differ from the principle of New Public Management (NPM) of Anglo-Saxon tradition, the reform initiatives are similar. Municipal governments were encouraged to carry out NPM Reform towards governance model since 1998 to serve dual-purpose. That is strengthening governmental organizational “3e” that economy, efficiency and effectiveness and strengthening political legitimacy and capacity of Chinese Communist Party. During the governance transition process in urban China, two interactive processes, political centralization and administrative decentralization, create tensions. This paper presents the process of administrative reform in municipal governments from a traditional bureaucratic public administration model moving towards a multi-agency, cross-sector, multi-level local governance manner. The paper identified key successful approaches of the NPM reform within municipal governments, and analyzed the new local governance model from debates of accountability, participation, transparency and responsiveness rather than effectiveness and efficiency debate. Further more, from theoretical and empirical aspects, this paper concludes that local electoral democracy is the necessary condition for governance model to produce consultative policy-making process under the autarchic regime. And this process is a “mutual security” way for political center and society for transitional stability.

Keywords: new public management, democratization, China, municipal governance, local government reform, electoral democracy, accountability, participation

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## **Introduction**

Much has been written about democratization in China. The literatures on democratization either focus on international or domestic factors. The international perspective highlights the impact of the diffusion of democratic values and norms facilitated by globalization forces (Diamond and Myers. 2001: 10). It is also believed by some political scientists that international influences, especially from the United States, had a great impact on the former Chinese leadership Deng Xiaoping's view on economic and political reform (Lampton; Vogel; when interviewed at the academic conference of Harvard Project for Asian and International Relations in Shanghai). From a domestic perspective, political institutionalism from 1980 and onwards can be described as creeping democratization (Pei 1995), exemplified by the introduction of rule of law, or at least rule by law. In addition, a proposal for political reform made by Pan Wei, who expressed common viewpoint of Chinese intellectual elites, also suggested the introduction of rule of law (Zhao 2003). However, The rule of law requires an independent judiciary capable of enforcing laws against even the highest-ranking agents of the state. For this reason, it is closely associated in the western political tradition with the doctrine of the separation of powers (Dictionary of the Social Sciences. Oxford 2002). Arguably local elections laid the foundation for the transition to democracy in Taiwan (Chao and Myers, 2001). Gradual widening equitable local elections led to possibility for the separation of legislative, executive, and judicial powers diminished the threat of despotism. But it is observed that Taiwan's experience can be hardly replicated to mainland because identity to Taiwan acted a generator for its self-sustaining democratization and decolonization process. Contemporary China is experiencing an astonishingly rapid modernization process in global context. "A version of Modernization theory rehabilitated by Dependency school and the dramatic successes of East Asian newly industrializing nations in 1990s, advocated by many academics and policymakers embraced development strategies linked to participation in a growing global economy. This has refocused attention on endogenous variables such as physical infrastructure and political capacity (sound fiscal management, civil society, governance) that ostensibly help poor countries to participate effectively in a global market"(Dictionary of the Social Sciences. Oxford 2002). But there still lack of empirical evidence that how municipal governments in China are building political capacities in connection with democratization. The overall goal of the thesis is to identify crucial mechanisms as self-sustaining generator for political change in China. And it is crucial important to find out the reasons behind the recent electoral system reform to extend the successful experience for democratization in China. It also can be introduced as an instrument to analyze the prospect for democratization in China.

### **Aims and Rationale**

This research aims at answering above questions through studying the impacting effects and implicit implications of New Public Management (NPM) reform in municipal governments for grassroots democracy in contemporary China. NPM reform carried out as one important reform content in municipal governments in China since 1998. NPM trend has been prevailing since 1980s from Anglo-Saxon nations to all over the world with

globalization. The original meaning of the term refers to managerialism that introducing managing instruments of private sector into public sector and Neo-institutional economics that outsourcing public services by contracting with partnerships from private or voluntary sectors to improve “3e”, which are economy, effectiveness and efficiency. The theoretical cornerstone is Neo-liberalism and public choice theory. Meanwhile, with continuously evaluation and rethinking, NPM was criticized for making government irresponsible, damaging democracy by treating citizens as customers of services without further participation, the content of NPM have adjusted substantially to a multi-agency, cross-sector and multi-level “governance” model. Accountability, participation and responsiveness as the aims are debated rather than efficiency. Actually, the whole society stand at a higher step while NPM for efficiency is the prelude for this movement.

To study the relationship between NPM and democratization, we must be clear the definition of democratization. “Democratization is best understood as a complex, long-term, dynamic, and open-ended process. It consists of progress towards a more rule-based, more consensual and more participatory type of politics”(Laurence 2002, 27). Most researches on the impact of NPM trend on democratization are in the framework of liberal democracy or electoral institution. The terminology is to what extent NPM have changed the characteristics ranging from basic form of participatory democracy that electoral democracy to advanced level of participatory democracy that “good governance”(website of UN). In this paper, I employ deductive theoretical framework of local governance model to identify successful practices of NPM in China. And follow inductive logic framework to study some of characteristics that accountability, participation, transparency etc. to observe the impact of NPM on interrelationship between state and society, as well as deliberative policy-making dynamics between citizens and government from an external perspective.

However, a big difference is that China, defined as a purely authoritarian regime at the moment, is different from nations with democratic environment. So, in assumption of single-journey evolutionary process, the core rationale is to explain the causal link between NPM reform of local governments towards to local governance model and recent substantial hardly reversible institutional changes in political landscape by qualitative case study methodology. In addition, the paper employs modernization theory as theoretical framework to inform the case study. Modernization theory explained development as the result of the systematic rationalization of a society's technology, social structure, and values. It suggested that decision-making processes of the public sector organizations can be improved through the empowerment and involvement of participation of citizens and communities. Furthermore it indicated that empowerment and involvement participation of citizens and communities as an important content for governance model, directly resulted institutional changes on electoral democracy from an internal perspective. The institutional changes include respect for and observance of Human Rights in the amendment to the Constitution in March 14<sup>th</sup>, 2004, an amendment to the Electoral Law was ratified by the Standing Committee of the National People's Congress (NPC) on October 27<sup>th</sup>, 2004; as well as urban grassroots democracy of community direct elections carried out national wide.

The paper is action-oriented for decision-making. There are two causes. One is that scientific decision making strategy increasingly face difficulties that all kinds of conflicting information based on in-depth while reductionism researches come out to puzzle decision

makers. The other is that innovations of information technology reinforced horizontal fragmentation as well as vertical integration. Consequently, this paper tried to employ systems approach to give an integrative analysis and interpretation on discussed issue.

## **Background**

Government reform in China, which mainly includes government organization reform, economic system reform, public administration reform and political reform, started already in 1982. The Constitution was revised and passed in 1982, and “clearly laid down the principle that there should be a division of function and power between the Central and the Local government” (Zhiyong Lan 2002, 212). However, after 1998, when premier Zhu rongji came into power, the structural reforming, functional transformation also began to step into substantial phase. After China entered into WTO, it became one of the top urgencies for China’s further development. Meanwhile, NPM was adopted as one important reform contents by rationalization or legitimacy purpose. Many young local authorities accepted training of MBA course or have an MBA background when recruitment. The purpose of government reform also changed from cutting down bureaucracies and improving organizational effectiveness to change government’s role into public service provider and battling against serious bureaucratic corruption since 1998. When Hu-wen came into power in 2003, this project was facilitated. Principal Officials Accountability System was established from SARs crisis. Especially local governments were encouraged to carry out institutional innovation. Some prominent phenomena since then are that some townships experimented with direct election of chief government official and about 25,000 communities experimented with grassroots direct elections.

Local governments in China have been facing three difficulties for long time. The first is that “the bureaucratic structure in China is highly-fragmented, making consensus-building central and the policy process protracted, disjointed, and incremental” (Saich, 2001:213). It is further explained by Lieberthal's concept of “fragmented authoritarianism” that “while the system may be pluralist in terms of interests and highly fragmented with each level having to negotiate horizontally and vertically, it is certainly not a democratic process” (Lieberthal 1992). The second is that government organizations and spending have been keeping expanding out of control, and public organizational efficiency and effectiveness remained too low compared to private sectors (Chen, Chen, Zhang. 2002). The third is that the ruling party, CCP is losing its political legitimacy to the society due to the structural failure, institutional failure and policy failure. (Yang. 2004) Meanwhile, on the other side, economic system transition and over-rapid urbanization is making urban governance fall far behind economic development. Social welfare, social security, public housing, environmental service and urban poverty remained serious social problems. However, social divisions began to form into different political power, interest among communities turned to be fragmented. “By Frustration with the status quo, or as a response to crisis or a focus on prevention, emphasis on results, or adaptation of technology or an inclination to do the right thing”(Walters 2001), local governments unconsciously adopted NPM trend towards a “governance” model. “It is no doubt that to provide good governance is the chief task for each level of government.”(Saich, 2001: 212)

## **Research Method**

Data were gathered over three months from June 2004 to October 2004. The research methods consisted of two primary parts:

The empirical materials mainly come from documentation including the website of the authentic research organization, website of official news agency, archives, government documents, yearbooks and research papers. Selected cases are pioneering cases inspired by authentic research site or propagandized as example in official media. Although if we take the status quo of whole China into consideration, the situation may be totally different, what I try to present is the transitional situation that jointing theoretical idealism into empirical realism through successful cases expected to be typical by my values.

Interviews and survey were conducted to help me to understand how actors involved in practice made sense of situations and their everyday practices by focusing attention on the actors' interpretations and subjectivity. Consequently, the style of research is in the interpretive fashion (Burrell and Morgan, 1979; Morgan and Smircich, 1980; Miles and Huberman, 1984; Yin, 1993). This helped me build up interpretations from the theories, data (perceptions), and values of those involved in the situations studied (Goodin and Klingemann, 1998: 797).

Semi-structured interviews were carried out with 8 officials in municipal government and municipal party committee. They are executive secretaries in government office, office secretary of party committee, minister of propaganda office of party committee, director in public relationship department of government, key personnel at organizational reform office of government, key personal of organizational department of party committee, director of economic system reform council of government, chief officer of district government.

Semi-structured interviews were carried out with 20 ordinary civil servants of the public service agencies, police offices and officials in sub-district government offices.

A survey was conducted within one neighbourhood with 100 responses to help understand community attitudes and situation of neighbourhood democracy.

The limitation of this research needs to be clarified here. This research did not take judiciary condition into study. In fact, the two variables of judiciary independence and impartial police force for rule of law have definitive influence on the consequence of NPM. It means it is not clear whether public administration reform within municipal governments produced influence on judiciary system or not. It also means that either the paradigms of NPM can not be simply replicated from one place to another, or introduced as theory to accelerate democratization. It can only be used as a clue or indicator to observe democratization in China.

The interview protocol is enclosed as Appendix 1. Please see Survey in Appendix 2. Interviewee responses and archival data form the basis of the empirical findings. Critical approach has been employed to examine the source of all the materials. The following sections organized in traits of substance and technical instrument of governance model, to present the research findings.

## **Redefining the Scope and Role of Government**

“The scope of government refers to both the range of government activity and the degree to which

governments engage in activities which have an impact on people's daily lives. For local government, By 'range', it means the whole gamut of governing activities except military defense, such as spending on services, taxing people, regulating their behavior, improving the environment—and sometimes doing nothing about a problem. On the other, it is outside. By 'degree', it means the intensity with which government pursues a particular activity” (Borre and Scarbrough, 1998:10).

The growth of health care is a good example: many local governments have been concerned with some form of health care to deal with illness, but more recently Wuhan Municipal government have adopted health promotion project which involve, e.g., regulating water purity and food additives. This constitutes an increase in the degree of government activity.

### **Increasing Demand for Responsibility while Decreasing Power**

It is widely believed by Chinese public that government should provide the answer to economic and social problems. While due to long-term plan economic system and developmental state, local governments having been naturally acting leading role in local development. However, due to the institutional failure, structural failure and social and economic policy failure, the public gradually lost the faith on government. Governments are deemed as irresponsible, corrupt, dark-box operated, unfaithful and aggressive to the society in contemporary China. To enhance the governing ability and political legitimacy of CCP, they had to increase the responsibility while decrease power of government. During the economic transition from plan system to market system, the intervention manner also changed from administrative instrument to fiscal policies, monetary policies, legal means and administrative provisions.

### **From Rowing to Steering**

Most municipal governments in China are not only the core participant in metropolitan operation but also the administrator and supervisor of all industries. This means that the government acts as a steersman and a rower simultaneously. It is demonstrated that developmental state acted a crucial important role in local development. Comparative advantage was created by effort of local governments and competitive advantage was cultivated by developing strategies of local government. However, the consequence of this developing model is rent-seeking between local government and local corporations. The role of local government usually is both game player and game judge. It can hardly remain justice when getting into interest conflict between state-owned enterprises (SOE) and private enterprises. It attacked the market mechanism of fair competition. As the adjustment to these evaluations and rethinking, and also with the mature of private sectors, the role of local government began to turn into steersman for development.

### **From Supervisor to Public Service Deliverer**

Due to the government reform lagged far behind market economy reform, the function of government remains those of plan system Review and approval as work content of supervision became the most inefficient and corrupt sectors. With the gradual mature of market economy and entrance into WTO, the role of government correspondingly change from supervisor to service deliverer. “Functions of government should run according to

international practice. Since China's membership of the WTO, the government should now transfer to a 'government by duty' from a 'multi-functional government'. Its major task will be to target public service provider instead of social supervisor." A municipal official told me when interview. "The reform aims at changing functions of government such as raising administrative efficiency and reducing administrative costs in order to form a regulated administrative system with justice and transparency," He added, "Department functions should be scientifically defined and administratively examined with all approvals simplified and regulated."

In the public service government set up in Nanjing Municipality, the functions of government are quantified by 20 indexes in five areas that include public products, service ability and quality, administrative systems and its achievements. In 2002, 54 government departments in Nanjing were cut down to 41, 46 regulations and 150 documents were abolished and two-thirds of examination and approval procedures adopted by city administrative departments were done away with. E-government, one-stop services, administrative "super-markets" and mayoral email have been put into use. Four complaint centers have been founded for foreign enterprises, private enterprises and private scientific enterprises.

### **From Bureaucratic Culture towards to Managerial Culture**

It is a core strategy to transform the role and functions of government into public service deliverer for global competition. This strategy could be verified by Premier Wen Jiabao's words that "administration is serving". Which means this strategy could probably pushed in top-down manner. With the development of theories and instruments of general management, it is increasingly clarified that organizational culture acts as the "invisible software" to matching any activist reforming. Bureaucratic organizations are classically self-centred or self-regarding. It is a major challenge to transform them into managerial organizations, in which the client is important. The greatest difficulty is in specifying performance indicators (Bresser, 2004: 239).

In January 2002, the Development Research Center of State Council launched a 5-year project. Elites of Departmental level of officials below the age of 45 working in local governments were sent to Kennedy School of Harvard University to study the newest theories and methodologies of public administration. Famous corporate consulting firm, McKinsey & Company, got a commitment to provide advisory service for Beijing Municipal government. The content include fiscal management, and personnel training for organizational restructuring. All this information demonstrated that some municipal authorities have begun to transform radically from bureaucratic culture to managerial culture to meet up with the new political demands.

## **Strategic Management Call For Electoral Democracy**

### **Strategic Management**

"One of the consequences of marketization has been organizational fragmentation with local authorities increasingly managing a complex network of diverse providers with varying degrees of autonomy. In order to hold this decentralized web together, there was, paradoxically, an increasing need for strong central direction. As

a result most local authorities adopted at this time some form of strategic management.”(Robert and Janie 2001: 166)

Shenzhen Municipal government is carrying out aim management (Mubiao Guanli). Which provided a good case for characterizing elements of strategic management for Chinese local governments.

Shenzhen has been a newly emerging city and been keeping a rapid growth record since May 1980, the foundation of Shenzhen Special Economic Zone (SEZ). However, since 1992, with the general economic openness of mainland, it lost its policy advantage. The sustainability was challenged. Chinese Premier Wen Jiabao has urged the SEZ to explore new ways for new achievements in development. “The SEZ should continue to serve as a pioneer and model for the country's reform, opening-up and modernization process”. Said Wen Jiabao. It means Shenzhen will be an experimental spot for public administration reform.

First of all, the municipal government put accountability, efficiency and rule of law as their core organizational values and further defined key strategic aims in the public management domains of urban design, science and education, core industries, environment and energy as long-term goal to 2030. The strategies certainly involved many infrastructure projects and developing proposals, which is an important strategy content of public organizations in rapid growing areas. A general principle for their strategic planning is reasoning and researching their human, budget and properties resource according to respective situation.

Secondly, Shenzhen is near to Hongkong SAR (Special Administrative Region), private sector and voluntary sector are relatively matured. After strategic analysis of internal and external environment, they decided to restructure organizational structure to learn HongKong's successful experience and involve wider participation of private sector into public utilities.

Internal organization refers to variables such as structure, culture, leadership (Boyne and Dahya 2002), processes of formulation and implementation (Borins 2000; Chackerian and Mavima 2001), and management practices including strategic planning) (Berry 1994; Berry and Wechsler 1995), total quality management (Douglas and Judge 2001; Westphal, Gulait, and Shortell 1997), and the adoption of performance measurement systems (de Lancer Julnes and Holzer 2001). Programs of management reform frequently focus on internal changes. External organization refers to the interorganizational relationships through which many public organizations provide services (Provan and Milward 1995). These arrangements may include collaboration (Huxham 2000), networks (Bevir and O'Brien 2001; Kickert, Klijn, and Koppenjan 1997; Meier and O'Toole 2001; Provan and Milward 2001), consortia or joint ventures (Wistow et al. 1994), partnerships (Bardach 1998; Lowndes and Skelcher 1998), and outsourcing services to private or nonprofit providers (Boyne 1998). This last form of external organizational change is now an established part of the repertoire of public organizations.

The key point of Shenzhen's reform concentrated on reconstructing government agencies and readjusting city government functions.

1. Build up an organizational framework of “separation of power” that separating decision-making, implementation and supervision (audit) within government organizations. There produced some special offices in charge of decision-making, some offices for implementation and some for supervision (audit), the supervision (audit) offices are directly

accountable for the mayor.

2. All logistics establishments with various government agencies were removed from city government control and placed in the marketplace. For example, many changes have been taking place in the Shenzhen government since its relocation to the Citizens' Center in Futian District. The underground dining hall holds 2,500 people and is now open not only to public servants, but also to all visitors having business at the center.

3. The total authorized size of the working staff unchanged, the total number of departments were reduced from 45 to 35. Of these, 21 are composite agencies, 12 are directly affiliated agencies and one is a specially established agency. After the restructuring, the government has four major functions including macroeconomic regulation, market supervision, social management and public service. The new administration system is also aimed at promoting government transparency, overcoming bureaucracy and building the rule of law in the administration. An executive secretary emphasized: "Different from previous reforms, this reform is by no means simply to scrap or merge some government departments and reshuffle public services. The core of the reform is to make a big leap forward in changing the city government's functions to public service and create a new mechanism for the city government operations."

4. The Implementation Plan on Deepening the Shenzhen Municipal Administration System Reforms, which was passed by the Shenzhen Municipal Committee of the CCP and Shenzhen Municipal Government, proposes that a key plank of the reform is to open up decision-making to wider input from the public. The city government must consult more enterprises and residents in the city as much as possible before it implements any major policy. A joint-meeting system made up by various government agencies will be improved to lift government efficiency in policy making and implementation. Government should further perfect decision-making mechanisms by consulting, reasoning, and principal accountability for important public policy making.

5. A number of social supervisory committees including people from all walks of life will be set up to effectively scrutinize the city government. The special role of public media in scrutinizing the city government will be also greatly promoted.

6. To meet the demands of a market economy for a more accountable, efficient and clean government, the government's functions of public services were strengthened. Introduction of market operations into government agency affairs were also encouraged. Some professional and technical affairs were separated from the government body to be handled by particular trade associations or intermediary companies.

Thirdly, after defining priorities, they made strategic choices among optional reform proposal, finally concentrated on 18 government agencies which are required to readjust their functions, setup and authorized size of staff. Following two jobs are formulating budgets and resource deployment plans to reflect organizational priorities, and Formulating service plans and programs.

Fourthly, during the practice and performance reviewing, they summaries three main problems in current fiscal system that "budget is not normative enough, expenditure is not transparent enough and investment decision is not scientific enough for sustainable development". Municipal government organized meeting and decreed administrative documents to put all this defects into the organizational learning process to incrementally

improve the accountability, efficiency and effectiveness of the reform.

### **Top-down Nature Call For Citizens' Participation and People Deputy's Supervision**

Strategic management adopted by government sector is bottom-up nature in UK, U.S and other democratic nations. However, in Shenzhen case, like any other cities in China, it is still a distinct top-down nature, which made the organizational priorities and budget priorities, especially at sub-district level, can hardly reflect social priorities. Although some institutions such as Consensus Conference were built up to deliberate for decision making, the scope of citizens' participation remained too limited. Media and the social supervisory committees who act as supervisory role from external government organization, lack of enough power endowed by law. Only People's Congress has legal power to ratify or veto the strategic proposal and budget planning presented by government in China. The reform of strategic management in Shenzhen has made much effort to achieve accountability, transparency and effectiveness for the society, however, it produced a visual force for involvement of wider participation of citizens and effective representative institution.

## **Use of Systems Approach and Information Technology for Process Improvement**

The systems approach integrates the analytic and the synthetic method, encompassing both holism and reductionism. In public administration domain, systems approach is stressing network, cooperation, collaboration and partnerships. Innovations of communication technologies have led most metropolitans of China into an "information society" (see definition in *The Oxford Companion to Politics of the World* 2001). Which now is deemed as deeply rooted in the historic growth of [capitalism](#) and in the expansion of industrialization with consumer culture. Actually, it is applications of information technology in governmental sectors that guarantee the feasibility of every organizational transformation, although which is often separated from the studies in public administration domain.

### **System Integration**

Nanning, the capital of Guangxi Zhuang Autonomous Region, set up China's first coordinated urban emergency response system able to connect anxious callers to any service needed. The system extends to homes in a 10,000-square-kilometers area in urban, south China, integrates several emergency phone call numbers for police, firefighters and medical doctors into a single service, which was produced by US electronics manufacturer Motorola, cost 160 million yuan (about US\$ 20 million). Local residents can dial any of the common emergency numbers--110,119 and 120--to be connected to a dispatcher, who then relays the caller's information to the proper department. In most Chinese cities, each emergency service has its own number and there are no crossovers, which has proved confusing for some residents. The system features computer-aided dispatch equipment which can provide geographic information, telecommunications, an information technology network, wireless communications, voice recording, big-screen display, vehicle positioning information, and on-the-spot satellite image transmission.

The significance of the system is that it is an integration of resources for responsive public service. Police, firefighters and health care can share a comprehensive system and work coordinately to provide service and the process is highly standardized.

**E-government**

E-Government refers to the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. (website of World Bank Group)

The initial purpose of building E-government in local government is not to drive democracy but to achieve higher quality of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and cost reductions. As a strategy to drive the information economy, local governments sponsored by central government demanded in the early 1990s that all government offices move online, starting with an information-carrying Web site as the first step towards more complex and comprehensive interactive services. A study of e-government projects found three primary categories: e-governance, e-service, and e-knowledge.

Sectors	Categories of E-Government		
	E-Governance	E-Service	E-Knowledge
<b>Government-to-Citizen</b>	Encouraging citizens to become involved in participatory access to the political process through online discussion forums, chat rooms, etc.	Provide electronic opportunities to conduct activities such as making payments or obtaining consulting services for individuals.	Provide information about governmental activities that are important to citizens.
<b>Government-to-Business</b>	Providing businesses with opportunities to give input on business regulations	Make payments, file for licenses, download files needed for business, etc.	Deliver information relevant to specific business needs.
<b>Government-to-Government</b>	Facilitate communication among government agencies to enhance interrelationships among agencies	Exchange files between agencies; provide internal government services.	Intergovernmental access to government information systems.

Table 1. Summary of e-government categories and sectors.

In Wuhan, local Area Networks have been set up at both municipal and district level government offices and departments. Sharing of Internet resources between these government departments have also been realized. The E-government not only includes the establishment of an authoritative government website, which is collecting and releasing news. But also help increase government transparency, while the public are able to deal with 40% of government related affairs simply by logging onto the Internet. Currently, Wuhan is actively building and improving the intranet platforms of various governmental offices, in a bid to realize the

coordination of all governmental nets. Meanwhile, uniform government office procedures, which will simplify public affairs channels by automatically classifying and dealing with them, are simultaneously being set up. The procedure will also give the public easy access to government information sources. The local government is now preparing for the implementation of e-government by trying to anticipate and solve possible problems, including security concerns, and drawing up plans for the training of public servants about the Internet.

Applications of e-government and other IT projects in government have improved public services greatly. Meanwhile, the interplay between citizens of communities and government has been cultivated through Internet and telecommunications channel. E.g. in Wuhan city, more than 60% families have computers. And 47.5% families who have computers can access to the Internet. 15% of which visit website of government frequently. About 3% families have sent information to government to express their opinions. Director in public relationship department of Wuhan Municipal government says, every day government will handle with more than one thousand opinions and critiques from citizens and they put citizens' interest as the most important incentives for public policy making. E-governance system becomes a effective tunnel to collect increasing fragmented interest of society. The power of people also empowered by the shortcut way that citizens complain their dissatisfaction or angry to the upper level government to accuse local misuse of authority. From this sense of meaning, the e-governance promoted a kind of participatory democracy. If we assume that there built up some structures and policies internal government organization to ensure the interactive process between government and society, it sounded as if it were an effective alternative to elections. Actually, it is remediation rather than prevention. Neither citizens nor representatives of citizens have effectively participated in the formulation and implementation stages of policy-making process. When big mistake has been fostered and ultimately infringed human rights or private property of citizens, many years have passed. It got too difficult to investigate the initiative objectives and accountabilities of related people. Participatory planning by communities and representatives of citizens are encouraged for legitimacy.

## **Political Centralization and Administrative Decentralization**

Political centralization is not only the expansion of the central authorities taxing power, but also the expansion of power to unify political ideology and strengthen supervision and audit to local authorities in China. With the transition towards to market economy, the CCP turned to transform communist ideology to an ideology of economic development and social stability. CCP introduced Principal Officials Accountability System as a response to crisis of SARS in 2003 and reinvented performance evaluation system as an instrument for accountability to review the performance of local authorities. It is a signal that the framework of 'governance' model officially takes into mold shape.

## **Performance Evaluation System Decead by Center Government as Guideline for Total Quality Management (TQM)**

Since 1980s, Deng xiaoping's era, GDP had been the most important index for evaluation of political achievement of officials. A report on the release of China's first evaluation system for government performance and results was published in July 2004 in Outlook Weekly, a journal of current affairs and news. The journal describes the system, developed by the Institute of Personnel Science under the Ministry of Personnel, as a comprehensive and scientific mechanism for judging governmental performance and efficiency. An evaluation system on government performance reinvented 33 indexes in the set of evaluation system. Originally initiated by the Ministry of Personnel, the subject involves the science institute under the ministry, scholars and local governments.

Economic efficiency is no longer the only standard for performance measurement of government. The director of the subject group for "Research on China's Government Performance Evaluation" said that an efficient government is not necessarily a good government, because it may not be addressing the most important priorities concerned by the masses of the people. Many governments complain that they are busy themselves in all kinds of documents, administrative measures, rules and regulations, and the staff are dedicated and hard-working. However, people do not appreciate that. Essentially a government is not to control but to provide service, and its performance should be evaluated through whether the public is satisfied. In other words, the evaluation should depend on to what extent the work by the government meets the need of the society, enterprises and people. The "principle of satisfaction", supposed to be the final system for governmental performance appraisal, includes: economic evaluation, which requires the government to establish awareness of cost, save expenditure, spend less on doing more; efficiency examination is the ratio of the government's input to the output; effectiveness evaluation is concerned about the quality of organization and the final effect on the society, and more importantly, effectiveness should be represented through people being satisfied and the social and economic development; equality focuses on whether the collectives and individuals receiving services are treated equally and whether the minority group are receiving more services.

Presently a few provincial or local governments have drafted such indexes, which include annual economic indexes, performance of duty, clean governing and efficiency. But there are some defects in those items. First, many local governments put on GDP and absorbing investment as priority, but, as the reform in administrative approval system is pushed, it is not appropriate to evaluate governmental performance with the indexes indicating economic growth. Moreover, there are too many internal evaluations. For example, those required by the superior, abiding by the internal rules and regulations. Experts hold that these indexes belong to internal management, and are not open enough, so they are not conducive to public monitoring and evaluation by people. The item of impact is to measure the effects, impact and contribution by government management on the entire society. The item of potential represents the level of internal management in the government. Scholars also suggest establish citizen appraisal committee composed of municipal citizens.

In this performance review system, Local authorities are ordered to clarify what they should do before the appraisal. For quite a few local governments and governmental departments, the central work is not necessarily their duty. For example, many localities set

forcibly promote some economic crops and set strict evaluation related to that, even one-vote veto. The result would be that all the governmental departments take promoting the economic crop as an important index. Obviously such acts go beyond what a government's position. It would distort the evaluation on government as well as hinder the functional transformation if the governments do evaluation in such a capacity. Two extremes should be avoided: first, disconnection between performance evaluation from cadre employment, internal encouragement and distribution of resources; second, rashness in applying the evaluation results and promote one-vote veto regardless of the circumstance. Experience of international public administration tells that resistant sentiment from the people concerned may be aroused, and false numbers may be exasperated if the result of the evaluation is taken only for award and punishment or even put up rankings recklessly.

Content of Performance Review System Please See Appendix 3.

The evaluation system is intended to set a systematic strategy course for governmental agencies to efficiently meet their responsibilities, to assess whether their programs are really working to accomplish their fundamental goals, and make necessary adjustments to improve governmental performance.

In UK, there is Local Government Act. In USA, there is Government Performance and Results Act. In Japan, there is Policy Evaluation Act. They are more involved in strategy setting, policy planning and performance review rather than detailed administration and financial control. From this issued evaluation system by center government, we can see although it could be concrete, it is hard to judge whether the policy outcome meet with their original strategy and policy setting. To achieve that, it is necessary to involve decision-making power of citizens into performance evaluation process.

### **Administrative Decentralization**

Decentralization refers to a number of rather different phenomena involving either or both the transfer of managerial or political authority from the local authority to sub-local units variously described as 'areas', 'patches', 'neighbourhoods' and 'community bases' (Lowndes, 1992: 53). However, Fenwick and Bailey suggest that decentralization entails a much wider set of changes: it particularly involves moving away from centralized structures towards an accessible, responsive, and multi-point local authority. Within such an authority, decision-making is diffused, and the organization is characterized by diversity. In addition to structural change, however, decentralization also involves cultural change within the organization, around the attitudes and values of both councilors and officers. This cultural change is closely linked to the emergence of consumer-driven (rather than producer led) initiatives in local government. (Fenwick and Bailey, 1998b: 29)

#### **1. Localization of services (moving services out of the town hall into local offices)**

In many metropolis, such as Shanghai, Beijing, Wuhan, health care spot and police station was built in the community to provide responsive service. Local authorities such as party secretary, principal officials of the municipality, district or sub-district regularly work in the sub-local office aperiodically to investigate the situation, hear the voice of citizens, and

help to solve the problems of poverty and social exclusion.

## **2. Integration of services (providing a range of different services from a single locally based office)**

A case of “Government Affairs Supermarket” from Xiaguan District, Nanjing Municipality, Jiangsu Province provided a picture to illustrate this decentralizing reform. Xiaguan district is one of six municipal districts of Nanjing Municipality. It covers 31 km square and 6 sub-district level government office and 84 communities and 370 thousand population. Due to all kinds of constraints of factors and conditions, the economic development and social transformation gradually fell backwards position compared with other districts. By this frustration with the status quo, the district party committee and district government seek for innovation to improve the quality of civil service. Rehe South Road sub-district took the lead in setting up the first community affairs dealing agency of the municipality. Integrated over 40 civil services into one hall to provide one-stop service, finally named “Government Affairs Supermarket”. It implemented the Responsibility System of the First Person Being Asked in the Executive Organs, Public Promise System and Consensus Conference System

## **3. Delegation of management authority (moving responsibility closer to the front line)**

Case from Shenzhen illustrated this manner of decentralization. At the 6th Plenary (Enlarged) Session of the 3rd Party Committee of Shenzhen City held at the end of December 2002, Shenzhen Municipal government decreed “Guideline regarding to adjustment of administrative jurisdiction between municipal government and district government”. It regulates that all fiscal investment projects by district government and investment projects that are according with Shenzhen industry policy and in the category of “Shenzhen Industry Guideline List”, and the total amount is below 100 million (not include 100 million) Chinese Yuan, shall be reviewed and approved by the district government who launch the project and has the obligation to report to Municipal Planning Bureau to put on records. All newly set-up foreign investment projects that are according with Shenzhen industry policy, and in the category of national encouraged and permitted industry in “Foreign Investment Industry Guideline List”, and the total amount is below 30 million (not include 30 million) USD, shall be reviewed and approved by district foreign trade and economic cooperation departments and has the obligation to report to municipal foreign trade and economic cooperation departments to put on records. The projects in the domain of service trade and those projects need special license and control or need municipal governing agencies’ coordination, shall be reviewed and approved by Foreign Trade and Economic Cooperation Bureau.

In addition, the administrative responsibility was authorized to district governments from municipal government in the domain of environmental protection, industry and commerce, organizational structure, fire security, land use planning, labor market and urban design. After this decentralization reform, the municipal government focus on strategic planning and policy-making of metropolitan development, pay more attention on planning of key municipal projects and steer the direction of industries, and act role as supervisor and auditor to district governments. District governments take charge to organize resource to implement the planning and policy made by municipal government, integrating licensing power, administrative responsibility into the governing body. Realized a good legal

framework for administrative decentralization.

#### **4. Democratization of local government (devolving political power to sub-level authorities)**

In China, the model so-called “internal democracy within the organization of CCP” was employed to decentralize the political power. On May 12th and September 17th, 1998, the Party committee of Central District, Suining made resolutions respectively on competitive elections for township mayors at Baoshi and Hengshan, and for township Party secretaries at Dongchan and Lianhua. Within the second half of the year, Central District successfully implemented the competitive elections, and thereby initiated the new institution of electing township mayors and Party secretaries.

This project increased transparency and competition in promoting cadres. It also increased the participation of people and ordinary cadres in the appointments of leading cadres. The basic procedure of the election was:

1. Registration of competitors opened to the public;
2. Examination of all registrants;
3. Speeches and defense of ideas by the top six candidates in the exam in front of a group of electors consisting of about 20 leading cadres from Central District, around 100 cadres at the specific township and the villages under that township, and about 100 representatives of the peasants;
4. Voting (secret ballots, one ballot each elector, ballots counted and results announced on the spot);
5. Appointment of the winners to their specific posts.

This project attracted the participation of many people. For the two competitive elections for township Party secretaries, 99 people registered as competitors. For the two competitive elections for township mayors, 175 people registered as competitors. This initiative firstly increased the transparency of appointing cadres and therefore reduced corruption; secondly, it provided effective and realistic new channels of participation, and improved the relationship between the cadres and the peasants; thirdly, it provided an incentive for cadres to work hard and be concerned about the peasants. This initiative on the one hand greatly improves the current elections at the township level, and on the other hand fits the current regulations. The provincial Party committee of Sichuan issued a directive requiring every county select one third of its townships to practice this new institution at the end of this year when the new round of elections for governments at the township level are to be carried out.

#### **Tensions Between Political Centralization and Administrative Decentralization**

From 1979 to 1993, before federal structural reform on fiscal revenue system, local governments in the unit of city or county are highly decentralized in administration relative to the center. However, each unit of city or county is an autarchic, top-down unit. It has been described as a “competing leuds” model. After 1993, center government strengthened and improved political centralization as well as administrative decentralization in some domains influencing long-term, sustainable development strategy. In 2003, center government strengthened land use control. Land is the most valuable resource for rent-seeking for local authorities. There is an interest conflict between the center and the local. On the one hand, each level of local government must interpret the core values and strategies defined by center

government in accordance with respective conditions for implementation. On the other hand, center government shall coordinate with local government according to local problems and experience by vivid cases to formulate and adjust strategies for external competition. However, the problem is that not all the officials in municipal government have appropriate competence, sense of mission and accountability as civil servants. Actually, from my investigation in Wuhan and Shanghai, most ordinary civil servants are not passionate in their daily work. So, rational institutions designed for long run is widely stressed by Chinese society. There remained two important problems. One is that there is no clear definition for federal framework in the current Constitution. The other is that judiciary decision for cases are still not introduced as case law for Rule of Law, although when interviewed a senior lawyer, she deemed judiciary explanations decreed by The Supreme Court act as case law.

### **Municipal Decentralization and Grassroots Democracy**

At municipal level, the decentralization illustrated by cases I highlighted previously is during the municipal NPM reform. With this decentralizing process of local government, government institutions are being encouraged to devolve decision making and promote participation through new forms of deliberative democracy and participatory planning. Within this more complex local governance, grassroots electoral authorities as representatives of people' interest are in great need for the most important public bodies, with the potential to play a leading role. The dispersal and fragmentation of power and decision making also poses practical problems of coordination and effective management.

## **Partnership with the Private and Voluntary Sector**

### **Market-based public utility reform in relation to Investment System Reform**

In September 2001, Shenzhen Municipal government decreed “the guideline for deepening investment and financing system reform of Shenzhen Municipality”. It was the symbol that the market-based public utility reform initiated formally. The process of the reform was observed as two different phases: the first stage concentrated on attracting private capital and foreign investment into the infrastructure constructions. Such construction projects include port, toll highway, airport. The second stage was though to start in 2001, emphasized on introducing strategic investors into municipal public utilities such as urban water supply, natural gas, public transportation and electric power. Meanwhile, more importantly, Shenzhen government noticed to legislate statute law, “Shenzhen Municipality Public Utility Enterprise Licensing Measure” and keep a close supervision of process management on these public enterprises. Which provided recommendable experience for municipal investment and financing system reform and laid solid foundation on property right reform for large State-owned Enterprises (SOE). During the implementation of the reform, Shenzhen Municipality accelerated the diversity of property right for large state-owned public utility enterprises.

Shenzhen Energy Group Co.,Ltd. (SEC) is a State-owned liability enterprise, invested by Shenzhen Investment Holding Corporation. In 2003, the SEC (with 75% shares) joined venture with Huaneng International Power Co., Ltd. (with 25% shares), and now Listed as a class 1 Grade 1 large-sized municipal group. Huaneng International Power Co., Ltd. is the

subsidiary company of Huaneng Group, which is a totally State controlled Company by State Council, in charge of national energy strategic management. The chairman of the board is Li Xiaopeng, the son of Li Peng, retired standing committeeman of Political Bureau.

Shenzhen Gas Group sold 30% shares to The Hong Kong and China Gas Co Ltd and 10% to New Hope Group. Shenzhen Public Transportation Group sold 35% shares to The Kowloon Motor Bus Co. (1933) Ltd. Shenzhen Water Group signed an agreement with France-based Veolia Water, transferring 45% of its property rights to the French company. In return, Veolia Water, a world leader in water and wastewater services, put US\$390 million in capital into the group. The deal is the largest property right purchase involving foreign investment in China this year as well as the largest water project purchase ever in China. "The transaction marks a successful completion of Shenzhen's vanguard attempt to transfer the State-owned property rights of five State-owned enterprises (SOEs) to global investors through international competitive bidding," said Li Hongzhong, acting mayor of Shenzhen. "This has not only built up our experience for further SOE reforms in the future, but also provides a constructive reference for SOE reform in other parts of the country." Previously, the city transferred property rights in its energy, gas, public transportation, and foodstuff groups. With net assets of some 6 billion yuan (US\$722.89 million), Shenzhen Water Group has five water plants and four wastewater treatment plants, and a daily water supply capacity of 1.67 million tons and a wastewater disposal capacity of 1.08 million tons. The partnership will last 30 years, and hopefully, it will be extended to 50 years. Shenzhen Foodstuff General Company sold 70% shares to Ng Fung Hong Limited, the largest and leading supplier of fresh, live and frozen foodstuffs in Hong Kong, is a public company listed on the Stock Exchange of Hong Kong.

From my investigation, this reform was launched and implemented naturally. The initial purpose seemed to be clear and simple. That is to solve the problem of lack of money for public utility investment and improve the efficiency of public enterprises. What Shenzhen Municipal government had done is mainly focused on three domains, the first is that strengthening rule of law of market economy. Changing government role into supervisor and strategic planner of metropolitan construction. Changing the role of player into judge. The public utility market has been standardized by the legislation. The second is that continuing decentralizing power to enterprises. The third is that building and improving modern corporate governance.

This reform showed great significance on furthering national reform on investment system. In July 26<sup>th</sup> 2004, State Council decreed "State Council provisions on investment system reform"

In his directions on the implementation of the State Council's Decision on Reform of Investment System promulgated recently (hereinafter referred to as Decision), Premier Wen Jiabao stressed that pushing this reform forward is of great significance for a perfect socialist market economic system and more effective macro-control.

The fundamental purposes of the reform on the investment system is to give a full play to the market in terms of resources allocation by relieving enterprises of intervention from the government. It is the enterprises that should play the leading role in investment activities. This means they should make investment decisions at their own discretion and shoulder risks of losses while banks should extend loans on their own account. The government, on the other

hand, is expected to perform its well-defined duties which involve formulating development plans and industrial policies and guiding the social investment with legal and economic levers. The government should make more scientific investment decisions in a more democratic way through an optimized decision making process for government investment projects. A strict system will hold decision makers responsible for their loss-making investments. This reform will play a positive role in adjusting the structure, deepening the whole reform and switching the model of economic growth. Local governments and departments concerned were urged to push the reform forward actively and steadily and focus on the following points.

The first is the investment management system. Decisions of investment should be made by investors, that is, businesses, and the parties benefiting from the investment should take risks. Businesses will never have to go through any approving process for non-government sponsored projects. In stead, they will be subject to a confirmation system or a registration system. Large enterprises will be freer to make investment decisions and companies will have more channels to fund their projects. The government encourages the social capital to step into industries and fields as long as laws and regulations do not deny them to enter into these areas. Financial institutions should improve their fixed assets loans system and sharpen their ability of loans check-up to ward off financial risks.

The second point targets at the government investment mechanism. The purpose is to make government funded projects more productive. The government investments are mainly channeled to social and economic fields which concern the national security and the market doest work well for. Decisions should be made scientifically and democratically. Responsibilities for a project should be defined well and the process of approving should be streamlined. The capital should be put under proper control and the way of construction should be optimized. The operation system for non-profit government investment projects should be in place as early as possible. Local governments should attract social capital into utilities and infrastructure projects.

The third task is to strengthen and improve the macro-control on investment to achieve a balanced aggregate and better structure. Legal, economic and administrative measures should be combined with economic tools including market access, prices, interest rates and taxation to leverage the investment of the whole society. The government should navigate the social investment through planning, policies, information disclosure and market access control.

The fourth priority is given to the supervision of investment to secure the market order of investment and construction. Corporate investment, government investment and investment intermediaries will be put under the watch of a comprehensive supervision system. Various investors should act within the legal framework which is expected to be in place as early as possible and carried out carefully.

### **The interrelationship between government and private sectors**

It is quite important to investigate the interrelationship between government and private sectors. Whether they are interest alliance or partnerships for good governance for the society are totally different two roles in the governance. If the interrelationship between government and private sectors are colluding rather than deliberating, the society will be ultimately the victim and pay for the high cost. From my investigation, most cities are facing this problem during this NPM reform process. What Shenzhen Municipal Government have done are

following three aspects:

1. Improve the legislative framework, Involve GONGO, academic institutes to increase procedures of decision-making while decrease the power of authorities in governments, involve Media and NGO into supervising process.
2. Prefer Multi-National Companies and international reputed corporations. Although there is report on MNC bribing governmental officials in China, which indicate that they began to learn to adopt themselves to Chinese legal and economic environment, MNCs are relatively much more accountable than indigenous private sectors.
3. Empower Communities and Citizens through Consensus Conference mechanism, community democracy and representation of people deputy to balance the power in governing process.

### **The interrelationship between government and Voluntary Sectors (GONGO and NGO)**

For the topic of local governance in china, Government launched Non-governmental organizations (GONGO) are shouldering great responsibility in implementation and supervision. For example, GONGOs have proven successful at implementing poverty reduction projects in a number of areas. For example, China Foundation Poverty Alleviation. GONGOs have proven successful at supervising quality standard of manufacture products. For example, China Quality Certification Centre. They are either launched by government or produced with downsizing governmental organization. Although they are not formal part of government, most managers of these organizations are officials in CCP or officials in Communist Youth League of China. The interrelationship between government and GONGOs can be seen as political alliance. There are mainly two kinds of NGOs involved into local governance. One is academic institute supported by government, the other is commercial association. Many academic institutes provide advisory service in public policy making process, advocate social justice and give legal reinforcements to citizens and supervise and implement environmental protection. However, comparing their power to that of government, they are dominated by government. Many commercial associations are founded by entrepreneurs in common territory or industrial domain. Whose interrelationship with government is quite uncertain. It can be interest alliance, deliberative partners or opponents, which depends on the certain context. So it can be conducted that NGO of civil society to balance the power of government is in great needed to give out voice of society for better governance and economic development.

## **Intergovernmental and Interdepartmental Cooperation and Coordination**

It is observed a process of deliberative democracy is taking into shape in the multi-level governance among multi-level governments and multi departments.

### **Regional Environmental Cooperation Mechanism**

Changjiang River delta is one of the most rapid economic developing areas in China, however is the most vulnerable area of ecology and environment. From 1998 to 2003, Jiangsu,

Zhejiang and Shanghai remained over 10% rapid economic growth rates, average GDP growth rate goes beyond 2.7% of national GDP growth rate. In 2003, the GDP of Jiangsu, Zhejiang and Shanghai account for 23.9% of national GDP. But this high growth produced great pressure on quality of regional environment.

The water pollution of the delta area is the most serious problem among the environmental protection. Unlike the whole situation of China, the water resource is quite abundant in this delta area. Rivers, lakes and brooks distribute across the administrative boundaries of regions. These water resources contribute much for local economic development, meanwhile were suffered serious pollution by the development. The delta part of The Beijing-Hangzhou canal, Tai lake, lower reaches of Changjiang River, Qiantang segment of Changjiang River was polluted to different extents. Among which, Tai lake suffers the most. Tai valley covers 36,500 square kilometers, accounting for 36.6% of total area of Changjiang River delta. There is 34 million population, accounting for 45.7% of total population of Changjiang River delta. Among which, Jiangsu 53%, Zhejiang 33.4%, Shanghai 13.5%, along the lake, centered by Shanghai, includes 7 large cities of Hangzhou, Jiaxing, Huzhou, Suzhou, Wuxi, Changzhou, 27 counties or county level of cities, making up a urban circle of Tai lake valley. Which is the main engine of Changjiang River Delta (China Statistical Yearbook, 2003).

First of all, a regular international forum on Regional Environmental Cooperation was organized by provincial governments of Jiangsu, Zhejiang and Municipal government of Shanghai. Nearly one hundred officials and experts from the State Environmental Protection Administration, the Development Research Center of the State Council, the Ministry of Science and Technology and East China's Zhejiang and Jiangsu provinces and Shanghai Municipality are invited to attend the forum, which was sponsored by the People's Daily (Overseas Edition), the Economic Development Foundation and the School of Public Policy and Management, Qinghua University.

Secondly, a cooperative council of Changjiang River Delta was set up to implement coordination and promote communication among multi-governments. The chief local authorities will meet regularly to deliberate public policy making on environmental protection as well as economic cooperation.

### **Coordination on Infrastructure Construction Project**

The relationship among city and nearby counties or cities, province and province are competitive rather than cooperative due to the “fragmented authority“ governmental structure. The fiscal systems are based on value added taxes allowing little distribution and giving most authority to the urban areas. Leaders in large municipalities have extraordinary political authority. In fact, national ministers have less say on what can happen in a municipality than the mayors of cities such as Shanghai. Interjurisdictional cooperation remains difficult to coordinate. To change the situation and improve the efficiency of investment and create a mutual benefit platform for attracting foreign investment, governments began use a bilateral and multilateral bargaining strategy and upper coordination strategy to strengthen the deliberation and communication to accelerate infrastructure construction.

# **The Empowerment of Communities and Citizens**

## **The Interrelationship between local government and local people: Citizens or consumers?**

In theory or propaganda, it is no problem that people should be viewed as citizens. However, in practice, people are usually treated as consumers of services by local governments in China. The tension between a view of local people as consumers of services and a view of them as citizens is one of the difficulties at the heart of attempts to encourage participation at the local level.

“If local people are seen primarily in their role as consumers of services then the means by which the local authority engages with them is more likely to be through contractual relations, charters setting out what they can expect from the authority, customer satisfaction research and complaints system. All of these things are no doubt important in improving the effectiveness of local services, but they do not contribute to local democratic processes. If local people are viewed primarily as consumers it could be argued that a system of local administration which regulates the suppliers of local services provided to consumers through the market would be sufficient rather than a system of local government which plays a central role in determining the allocation of resources in response to local needs.” (Robert Leach and Janie Percy-Smith, 2001:119)

“Local authorities are based on the principles of representative democracy, yet representative democracy has become passive. Rather than expressing a continuing relationship between government and citizens, the citizens is reduced to being a periodic elector”(Clarke and Stewart, 1998:3). “This statement suggests that a healthy representative democracy should also be a participatory democracy. There are a number of different ways in which local people can participate in local political processes. However, the form of participation with the highest profile and which undoubtedly confers the greatest legitimacy on local government is voting in local elections.” (Robert Leach and Janie Percy-Smith, 2001:110) As preceding demonstrated that the political legitimacy of CCP needs to be enhanced urgently. And a basic participatory approach, which is also the most realistic one for citizens in municipalities in China to expect better public services is to carry out periodic election of local authorities.

## **The role of community democracy in local governance**

The survey helped me make sense of current situation of community democracy although it is not so precise for its limitation of scale. The result indicates that the responders remained very low passion in participating the direct election of community council and people's deputy. No more than 20% of people take part in election actively. The main reason is that people think the community election is not useful for them. But it is demonstrated that if residents' property were damaged by house moving policy or environmental policy, the situation is totally different. Another reason is the current electoral institution is recognized illegitimated by people. In Wuhan city, 75% of nominated candidates of district people deputy are members of CCP. Above 90% of elected people deputies are members of CCP. However, altogether 69% responders expressed interest in municipal level or district level direct election. The result also indicates that there is no necessary connection between

family's economic status and awareness of citizenship.

But a particular community named Lugu in Beijing, which evolved from a sub-district government agency, carried out representative assembly. The democratic drive for local governance made a significant step forward with the establishment of a sub-district-level representative assembly in Beijing. The representative assembly, consisting of 233 representatives elected from more than 60,000 residents of Lugu Community in western Beijing's Shijingshan District, is the first sub-district-level self-government organ in the capital city. Moreover, a 37-member of autonomy committee was elected by representatives, which is in charge of public affairs and social services in various fields, such as culture and education, medical and health work, environmental protection, mediating civil disputes, and helping maintain public order. Previously, these tasks belonged to a government agency called the sub-district office of Lugu. Meanwhile, the representative assembly also takes the responsibility to convey residents' requests and opinions to government offices, as well as supervising and evaluating its performance.

The establishment of the representative assembly not only helped realize a limited form of government, but also provided a stage for local residents to participate in the management of their own community. Moreover, the newly-elected autonomy committee also includes representatives for migrant people, which account for 20 percent of Lugu residents.

The establishment of the Lugu representative assembly has great significance for democratic governance in urban communities, which widens the scope of local autonomy, and people may have more say in the governance of local affairs. Following the establishment of directly elected villager committees in China's far-flung rural areas since the early 1980s, the democratic reform of local governance in urban communities has also made progress in recent years. Many neighborhoods consisting of hundreds of households under the sub-district level have already set up their own residential committees which were elected by local people, and are grassroots self-government organs for urban people.

Other large cities like Chongqing, Nanjing and Shenyang are also taking measures to expand self-government boundaries at the sub-district level, consisting of thousands of households rather than the hundreds organized into small-sized neighborhoods.

Sub-district office as a branch of government, always accountable for its upper authority, there is no operational evaluation system concerning about people's interests. The Party secretary of the Lugu community, Mr. Cui Zhangcheng said, from sub-district office to community, our core work and priorities turned from administration to provide service, the remark of representative assembly is a good indicator that whether people satisfied or not.

The rights of representative assembly include presenting proposal, give performance evaluation to community administrative officials, review the performance of professional administrative organizations such as police station, city administrative unit, industrial and commercial station. Which created the first case that "citizens examine officials" in Beijing's community. The designer said this institutional arrangement used people's congress institution as reference.

Lugu community sub-district office handed responsibilities that belong to government to multi-agencies involved into professional metropolitan governance, handed responsibilities that belong to society to social security office, handed responsibilities belong to residence to the representative assembly. Successfully accomplished the organizational downsizing.

Compared with other sub-district office, the number of section office of Lugu community decreased from 17 to 4, number of civil servants decreased from 90 to 39, cut down 28 functions, save millions of expenditure every year.

Residential representative assembly is a civil society which empowered abroad autonomous rights, the broader its representation, the more advance grass-root legitimacy of party organizations.

Since 2003, Lugu community representative assembly has put more than 20 proposals into effect, the legitimacy of party-state improved greatly. Cui Zhangcheng said, the community party committee, public affairs administrative center and community representative assembly are “three carriages”. Each of them has their own responsibilities and operational means. Accomplished the reforming goal of metropolitan grass-root governance that “small state and large society”. He added that since the emergence of representative assembly in the community, residents seldom complain and participate to present proposals, seldom damage the public facilities and protect community environment in their initiatives; seldom appeal to the higher authorities for help and express satisfaction and acknowledgment through letter and telephone; residents enhanced the awareness of citizenship and our daily work became increasingly easy.

To adapt the new challenges from functional configuration, organizational structure and operational manner of sub-district level government agencies since the promulgation of Administrative Licensing Law, Beijing Municipality government set out from standardization of administrative behavior according the law, making clear the responsibilities of sub-district governments and multi-agencies involved into professional local governance, making clear the relationship among social administration, public service and community democratic self-governing, to employ the function of government, market and communities soundly.

The party secretary of Beijing Municipality, Mr. Liu Qi pointed out at the fifth meeting on metropolitan governance on September 14<sup>th</sup> 2004 that the governmental work at sub-district level is an important part, is the foundation and reliance of metropolitan governance. Deepening sub-district integrative reform should define the function and responsibility of governmental office at sub-district, neither can we treat the sub-district office as first stair government, making it become an alternative or even a “hat” of shuffling responsibilities of other governmental professional administrative departments, nor can we weaken the general governing role of government. The main responsibilities of sub-level office is by authorization of district government to plan the development of jurisdiction, supervise multi agencies of professional public management, organize public service, and steer the construction of communities.

He emphasized that to strengthen the community construction, the most important is to lighten the burden of communities, drive community democratic self-governing. At the present, community residence council still act as arm and leg of government, administrative task is too heavy. In the future, the tasks belong to government and respective department, are not allowed to allocated to communities; the work need to collaboratively carry out with community, must follow the principle that financing the work to pay necessary fiscal budget.

At the moment, there are some problems in metropolitan governance, including the system and structure of vertical and horizontal relationship within public administration and social service, market mechanism and civil societies (NGO, Non-Profit Organization(NPO),

Voluntary Organizations) have not evolved sufficient enough, people are reluctant to participate the metropolitan governance. To solve these problems, he thinks, Beijing Municipality should emphasis reform the sub-district level governance and community construction, gradually promote and perfect the institutional construction of metropolitan public administration and public service. Government should accomplish the functional transformation, accomplish the goal that thinking much of construction while thinking little of governance to paying equal attention to the both function. Transform from dull administrative manner to administrative, legal and economic multi means. Resource integration and widen the scope and content of metropolitan governance.

### **Institutions as Obstacle for Grassroots Electoral Democracy**

According to 1995 Electoral Law of the National People's Congress and Local People's Congresses of the People's Republic of China "Article 31 Candidates for deputies to the people's congresses to be directly elected by the voters shall be nominated by the voters in the various electoral districts and by the various political parties and people's organizations. The election committee shall collect and publish, 15 days prior to the date of election, the list of nominees for deputies for repeated deliberation, discussion and consultation by voter groups in the respective electoral districts and shall decide, in accordance with the opinion of the majority of voters, upon a formal list of candidates to be made public five days prior to the date of election." There is a dominating agency that election committee performed decisive power in the electoral operation.

First of all, it can decide the total number of candidates for deputies. "The number of candidates for deputies to be directly elected by the voters shall be from one third to 100 percent greater than the number of deputies to be elected; the number of candidates for deputies to be elected by various local people's congresses to the people's congresses at the next higher level shall be 20 to 50 percent greater than the number of deputies to be elected." (Electoral Law 1995) According to this statute, if the deputy number of the electorate is 3, the candidates should be ranged from 4 to 6. whether it is 4,5 or 6, it is totally decided by the election committee.

The second, it can decide who can enter the list of formal candidates from the list of nominated candidates. If the total number of candidates nominated by Political parties and people's organizations is more than the quota number of the formal candidates, the election committee will decide who can enter the formal list no matter 100 voters nominate or 10 voters nominate.

The third, there is no regulation in the Electoral Law on how election committee form into, who can be the member of the election committee and what is the rules of procedure of the committee.

The fourth, it does not speak in detail what is the standard and procedure to confirm the formal candidates for deputies. "The election committee shall collect and publish, 15 days prior to the date of election, the list of nominees for deputies for repeated deliberation, discussion and consultation by voter groups in the respective electoral districts and shall decide, in accordance with the opinion of the majority of voters, upon a formal list of candidates to be made public five days prior to the date of election." However, what is "repeated"? two, three, four or five rounds? It is not clear. What is "the opinion of the

majority”? is it a concept of simply majority, relative majority or specific majority? It is not clear. The most important is that how the election committee calculate the “majority”? Does it mean the majority of all electorates of the electoral districts or the majority of votes involved into the procedure of nomination? Does it mean that there should be a preliminary election to come to a majority of the nomination? In practice, “the majority” is totally decided by election committee freely.

The fifth, there is no regulation on the election committee has obligation to publicize the procedure and standard of confirming formal candidates list. So it is very easy for CCP or individuals to carry out control and bribe to win the election.

### **A Trick or A Compromise?**

The amendment to the Electoral Law was ratified by the Standing Committee of the National People's Congress (NPC) on October 27<sup>th</sup>, 2004. The law cancels the limitation of numbers of candidates and permits candidates to publicize themselves in accordance with relevant procedure. However, the list of candidates in direct election is finalized through “repeated deliberation, discussion and consultation by the electoral committee”. Preliminary elections will be adopted when the electoral committee cannot reach a consensus. The amendment of Election Law remained the rule that NPC deputies and deputies to the people's congresses of provinces, municipalities directly under the central government and cities divided into districts are elected by the people's congresses at the next lower level. Provinces and municipalities will enact detail electoral procedures according to this amendment.

There still remains much imbalance in this amendment. It is even deemed as political trick in some extent. On the other hand, it can be also considered as a compromise for “mutual security”(Dahl, 1971). The current deputies of NPC and standing committee of NPC would probably not be elected at the grassroots direct election if there is not a control agency of electoral committee. Although the indirect electoral system of municipal, provincial and national people’s congress is another biggest obstacle for electoral democracy, at the moment, the CCP have to enhance its governability to achieve political legitimacy before they further widen direct election.

## **Conclusion**

This research approaches most recent public administration reform in China from a domestic perspective. Whereas recognizing that the mechanisms behind the nature differ from the principle of NPM of Anglo-Saxon tradition, the reform initiatives are similar. In pioneering metropolitans, such as Shenzhen, Beijing, NPM was propelled probably by local authorities, and was partially but substaintially employed as administrative instruments to embrace challenges of global competition. This research presents that NPM reform within municipal governments is for each own rational or legitimacy purpose for transition towards local “governance”. All the approaches indicate the implicit connection with the necessity of empowerment of citizens, communities and involvement of participation and voice into policymaking process. Grassroots electoral democracy as the most basic participatory democracy is adopted in this context. The research consolidates the theory that in globalization context, capacity building for good governance is the main generator for the

transition of democratization. This will be one of main driving force for further institutional change of electoral system in China. Although the power for long-term successful development and stability has achieved a little victory, the prospect for liberal democracy in China is still uncertain now. Due to lack of an effective federal framework, the power for short-term stability and efficiency can lead to strengthen centralization of state power. If each level of authorities can really formulate policy to respect for and protect Human Rights; and employ right-based approach for sustainable human development strategy; and reform education to introduce scientific methodology as well as correct reflexive methodology; on the other hand, when increasing leaderships with thoughtway of realism methodology form into middle class, political elites and intellectual elites, who assert their political and civil rights stressing participation of policy-making, China will step to a long-term prosperous way as French President Chirac forecasted during his visit in China. This paper only suggests an approach that considers NPM reform in local governments and governance dynamics as mutually constitutive, is very useful to understand democratization processes in China. The whole picture of China is diversified, while the principle that providing good governance in accordance with respective practical situation for long-term development remains the key to success.

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## **Website**

World bank : <http://www1.worldbank.org/publicsector/index.cfm>

United Nation: <http://www.unescap.org/huset/gg/governance.htm>

The China Center for Comparative Politics and Economics: <http://www.chinainnovations.org/>

New China News Agency : <http://www.chinaview.cn/>

People's Daily : <http://english.peopledaily.com.cn/>

Final Times : <http://zhongwen.ft.com>

## **Yearbook**

China Statistical Yearbook, 2003

Shenzhen Statistical Yearbook, 2003

Wuhan Statistical Yearbook, 2003

Shanghai Statistical Yearbook, 2004

## **Appendix 1 The Interview Protocol**

1. What is the purpose of the reform?
  2. Have you ever heard about the term NPM, governance or good governance and how do you understand all those theories?
  3. Did reform planer use others' experience as reference?
  4. Whether center government pressed coercive pressure on you or you launched the reform mainly by your own consideration?
  5. Has the department identified any unresolved issues relating to the implementation of the reforms?
  6. How does Municipal government make your work more accountable?
  7. If you need assistance of governments out-of-town, will you contact them directly or ask for coordination of the superior?
  8. How does government's purchasing operate?
  9. If your department tries to build up long-term partnership with enterprises or NGOs, how do you develop, execute, and close out partnerships? Is there any difference between enterprise and NGO?
  10. What type of information is provided for performance evaluation?
  11. What key performance indicators are used?
  12. How has commercialization affected your job?
  13. What pressures have the greatest bearing on your decision-making?
  14. Does the department use competitive tendering or contracting?
  15. Do you have the flexibility to make decisions as required or do you need approval from a superior officer? For example, decisions concerning how resources are spent.
  16. Have you experienced greater accountability expectations and clearer performance specifications from your superiors or the community? For example, job criteria.
  17. Why do you enter government to develop your carrier? What do you think about the sense of mission and responsibility of your job?
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1. What reports do you publish for the public?
  2. What is relationship, in your opinion, between government and ordinary people?
  3. How do you treat with complaints of citizens through website of your government?
  4. If most citizens disagree with the policy proposal what government and specialists had formulated on Consensus Conference, will you try to persuade them or revise proposal?
  5. Is there any influence to carry out community democracy on your daily work?
  6. Is there any influence from people deputies on decisions and activities of your department?
  7. When district government makes a budget plan, is there any influence from outside government for approval? E.g. people's congress, communities or citizens, enterprises or NGOs
  8. Do you think local election is necessary for self-governance of communities and helpful for government's work?

## Appendix 2 Survey

First of all, please indicate your opinion on your family's economic status: it is ok, not bad, just so so, difficult

Do you take part in the vote election of the head of community committee? Why?

Yes. It is my rights and responsibility.

Yes. Because I got some awards to take part in the vote election.

Yes. I am interested in the election and the result will have some influence on me.

No. I am quite busy and have no interest in politics.

No. It is just a matter. My participation can not change anything.

No. I am not interested in this election because the community has little influence on my daily life.

Yes/No other opinion

Are you interested to be candidate of the head of community committee to take part in the election? Why?

Yes. I am interested in the position because I would like to provide better public service and improve the security to our community.

Yes. As a party member, it is one of my career opportunities.

No. I am quite busy in making money and have no any interest in politics.

No. The position has little power, it is just a gesture of democratic reform.

No. the result of the election has been internal operated. I don't want to waste my time.

Yes/No other opinion

Do you take part in people's deputy election of people's congress of the district? Why?

Yes. It is my rights and responsibility.

Yes. We are mobilized to vote the candidate of our organization. If so, Please indicate the organization you belong to? (1).CCP (2).democratic parties (3).people organization(civil society) (4).government, SOE or public enterprise (5).other corporate

No. I am quite busy in making money and have no any interest in politics.

No. It is just a matter. My participation can not change anything.

No. I don't know any nominee. I don't trust any of them to function representative responsibility. If so, when the nominees are permitted to campaign though media and brochures, will you take part in? Yes/no

No. I never vote myself. Each time, our organization(government, NGO, SOE or public enterprise) vote instead of me. It is an indirect election.

Yes/No other opinion

Are you interested to be candidate of people's deputy? Why?

Yes. I will put it into action. I try to give out voice of our people and solve some social problems.

Yes. Our organization nominated me as candidate of people's deputy? If so, Please indicate the organization you belong to? (1).CCP (2).democratic parities (3).people organization(civil society) (4).government, SOE or public enterprise (5).other corporate

Yes. But I will not put into action because the qualification of candidate controlled by local electoral committee. I don't want to bring much trouble to me.

No. I am quite busy in making money and have no any interest in politics.

No. People's congress is just a matter. I don't want to be utilized as rubber stamp.

Yes/No other opinion

If it is raised district or municipality level election? Will you intend to take part in?

Yes/No why

If the people's deputy become a profession with certain salary, will you be interested in competing for candidate?

Yes/No why

## Appendix 3 Content of Performance Review System

Government Performance	Primary Indexes	Secondary Indexes	Tertiary Indexes
	Effect	Economy	GDP per capita
			Labor productivity
			Ratio of external investment to GDP
		Society	Average life expectancy
			Engel's Coefficient
			Average education received
		Population and Environment	Environment and ecology
			Proportion of non-rural population
			Natural growth rate of population
	Function	Economic Adjustment	GDP growth rate
			Urban registered unemployment rate
			Fiscal revenue and expenditure
		Market Monitoring	Perfection of laws
			Law enforcing
			Enterprises' satisfaction degree
		Social Management	Ratio of the poor to the aggregate population
			Incidence rate of criminals
			Death rate in production and traffic
		Public service	Infrastructure
			Openness of information
			Public satisfaction
		State-asset Management	Rate of value added and guaranteed in State-owned enterprises
			Ratio of other State assets to GDP
			Growth rate of profits realized by State-owned enterprises
	Potential	Human Resources	Proportion of administrative staff members with bachelor's degrees
			Leadership team-building
			Strategic planning on human resources
		Clean Government	Ratio of corruption cases to administrative staff
			Working style of cadres
			Appraisal by citizens
		Administrative Efficiency	Ratio of administrative fund to fiscal expenditure
			Ratio of administrative staff to aggregate population

		Level of information management
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