

ADMINISTRATIVE REFORM AND DEVELOPMENT IN CHINA SINCE THE 1980s

China has been experiencing great and historic change since the early 1980s. In order to keep pace with the rapid and expanding social, economic, and political developments, the Chinese Government has launched a series of remarkable reforms in its government institutions, designed to promote economic development and social progress. It is beyond the scope of this case study to present a comprehensive description of the reform process. This profile is intended rather to introduce the key aspects of reform. The study is composed of six parts. The first part provides a background of Chinese reform. Part Two depicts two major reform initiatives during the 1980s. Part Three describes the important 1992 administrative reform. Part Four outlines the main achievements of the administrative reforms. Part Five highlights the most significant experiences in Chinese administrative reform. And the final part considers the prospects of the reform measures.

1. Background of administrative reform

At the end of 1978, the Chinese Communist Party held its 11th plenary session. This meeting marked a significant shift of direction in its historical development. The Chinese Government decided to make economic construction and development a top priority, initiating a series of gradual but progressive domestic reforms which had two fundamental goals. First, to incrementally change the highly centralized socialist planned model and second, to demonstrate to the rest of the world that China was committed to a policy of transparency. The Government believed these changes would attract foreign investment and technical assistance in areas like management. The Government has made the commitment to support and promote this basic reform policy well into the 21st Century.

In accelerating modern socialist economic construction, implementing economic restructuring and undertaking other systemic reforms, the first problem which needed to be addressed was that of correcting defects in the traditional centralized planning system. The most conspicuous flaws were:

1. *A comprehensive and strict planning system controlled all aspects of social and economic policy.* The planning system in place discouraged flexibility in considering the needs of the people. Economic activities were tightly controlled through a series of austere restrictions. The state's control over planning affected not only the types of products produced but the quantities, pricing and distribution as well. Provision of raw materials, distribution of funds, the staffing of technical personnel, agricultural production, allocation of grain, textiles, and even paper were securely controlled by the state.

2. *The power structure was too centralized.* Local governments, enterprises, institutions, and social organizations, had no autonomy for self development. They were in reality, de facto branches of Beijing. The central government controlled the distribution of all key resources, most notably human and financial.
3. *An extensive and bloated bureaucratic structure.* To put it succinctly there were too many governmental departments. Overstaffing, functional over-lapping, and low efficiency were pervasive and debilitating problems.
4. *An excessive state financial burden.* A disproportionate share of the government's resources were expended on the considerable number of state public employees. Consequently, the state had no discretionary resources to finance economic and social development programmes.

Although this type of system had played an important role in earlier economic development, it seriously frustrated social and economic development programmes and the establishment of the new economic system. Transforming the system became the number one priority of the new reforms.

2. Two major reforms in the 1980s

During the 1980s, the Chinese Government launched two major administrative initiatives, the 1982-85 government organization restructuring and the 1988 central government administrative restructuring.

A. The 1982 Government organization reform

In December 1981, the State Council had over 100 organs, the greatest number since the founding of the People's Republic. To arrest and diminish this growing number, the Chinese Government decided to initiate a top-down organizational reform. This programme lasted three years and was a relatively large, objective-driven effort.

Quotas were set for the senior posts on down and requirements were written that would consider a staff member's knowledge, skills and age. The results were extremely constructive, as the number of top posts at the ministerial and departmental level were dramatically cut. The provincial, county and municipal level were also significantly downsized with reductions affecting the governor and vice-governor posts, the mayor and vice-mayor, and the magistrate and vice-magistrate respectively.

In streamlining government organs, the total number of ministries or commissions of the state council, agencies directly under the state council and state council's working agencies were cut from 100 to 61; departments of provincial governments were reduced from the 50-60 range to 30-40; municipalities directly administered under the central government

had slightly more working organs than the provinces did; city government's organs were cut from 40 to 20 and the number of county organs and agencies was reduced from 40 to 25.

With respect to staff, the state councils were reduced from 51,000 to 30,000, provincial level staff were cut from 180,000 to 120,000, there was a 20% cut for the staff at city and county levels, and there were even more cuts at prefecture level.

The 1982 organizational reform also made an effort to reduce specific economic management departments and strengthen comprehensive departments such as coordination, statistics, supervision, and law-enforcement.

B. The 1988 State Council organizational reform

Carried out in the context of political, economic and social reform, the 1982 initiative was essentially the foundation-building stage for subsequent reform measures. As such it could not be very thorough. Analysing results generated from research on political reforms conducted during the latter half of 1986, the Chinese Government set up a special unit to evaluate and plan for the next phase of reforms. In March, 1988 the *State Council Reform Plan* was approved at the first session of the 7th National People's Congress. However, a series of economic obstacles including excessive inflation, delayed implementation by a year until 1989.

This initiative made "function-transformation" its centre-piece. It emphasized restructuring the economic management departments. The plan's long term objective was to establish an administrative system which incorporated the qualities of modern management, but retained traditional Chinese characteristics, including comprehensive functions, rational structure, smooth operations, flexibility, and efficiency. Its short-term goal was to balance relationships, transform functions, streamline staff, raise efficiency, overcome bureaucratism, and increase vitality. The Government wanted to create conditions that would gradually harmonize the relationships between government and enterprises, government and institutions, government and social organizations, central and local governments, and at the same time relationships among internal government departments.

Although this reform achieved some success, it could not resolve some fundamental problems. In October 1992 the Chinese Communist Party held its 14th congress, where it decided to implement a socialist market economy and to push forward administrative and institutional reform. In March, 1993 the 1st session of the 8th National People's Congress approved the state council reform plan. Thus, a new round administrative reform began in full step with the first phase of the programme to develop a socialist market economy.

3. Chinese government administrative reform since 1992

In 1992 China started a new round of administrative reforms focusing on establishing an administrative system which would conform with the socialist market economic system, and at the same time facilitate the advancement of its new economic policies. With a series of laws formulated, and policies implemented, the progress achieved in enacting this reform was universally acknowledged throughout China. Such wide acceptance facilitated further modernization and reform measures.

For over four decades, under a state planned and state run economic system, the Government intervened too intimately in minor details of social and economic activities. Government departments were established to micro-manage productivity, resulting in a proliferation of agencies and bureaux, each with its own narrow jurisdiction. The result was a steady growth of agencies, generally charged with responsibility to oversee the production or control of one commodity, rather than manage an entire sector of the economy. By 1991, there were 86 departments in the central government dealing with economic issues. At the provincial level the average was 55 departments, depending on the cycles of productivity, and 37 existed at the county level. There was also a great number of non-government organizations supporting economic activity.

Over the past decade the introduction of a market economic system has been predominantly responsible for the dramatic transformation of social and economic activity within the PRC. Yet despite the incremental reforms executed by the Government at the institutional level, the mechanisms, methodologies and practices of government organizations lag far behind the curve of reform. The administrative system has not yet adapted to the demands and subtleties of the socialist market economic system. Experts concede that social and economic advancements have been considerably impeded by the over-staffed and inefficient administrative systems.

A. Guiding ideology and principles of reform

The *guiding ideology* of administrative reform is to (1) transform government functions; (2) balance and redefine the relationships between the central government with those at the sub-national level; (3) streamline the bureaucracy and increase efficiency and; (4) conform with the demands of a socialist market economic system. The *principles* of administrative reform adhere to separation of the functions between governments and emerging enterprises, which include a more efficient and less complex administrative apparatus, unified leadership, and a nurturing environment.

A primary goal of the reforms was to separate the functions of government and state run enterprises and facilitate the transition from direct management of enterprises to macro-control and management. This would require restructuring the Government's macro-regulation capabilities and policies. The major government administrative functions

are to provide overall planning, formulate policies, provide information and guidance, take charge of organization and co-ordination, provide services, exercise oversight and supervision, adjust the performance of enterprises by employing economic, legal and administrative means, and strengthen government's role in a developing market.

The fundamental characteristics of a market economy encourage balanced relationships between the central government and local governments. Management functions and powers will be redefined between different levels of government and among different departments under the reform process. Duties and division of work will be delineated to reduce duplication. A co-ordination system will be established and improved by perfecting the administrative mechanism, and by clarifying work procedures and rules. Organizational setups will also be streamlined and, as a consequence, the number of staff will be reduced.

B. Administrative reform in the central government

According to a resolution of National People's Congress of the People's Republic of China, the major objective of reform is to establish a socialist market economic system. The administrative reform focuses on the transformation of government functions and is centred on the establishing a market economic system, particularly in the central government. The reform in central government has three dimensions: reform of comprehensive economic departments, reform of local government and overall administrative simplification.

(1) The reform of comprehensive economic departments

Many of the functions of the State Planning Commission, Ministry of Finance, People's Bank of China and other comprehensive economic departments have been preserved. To bring about the co-ordination of important issues in the national economy, however, a State Economic and Trade Commission has been established, replacing the former Economic and Trade Office of the State Council. Its main responsibility is to exercise macro-regulation and control of the national economy by taking charge of national economic development strategies, planning, policy formulation for production, market development and the proper balance of social and economic activities.

(a) Reform of specialized economic departments

The reform of these departments can be divided into three categories. The first category includes some departments which were transformed into viable economic entities which have no government functions. For example, after the Ministry of Aerospace Industry was dissolved, the China Aerospace Corporation and China Aviation Corporation were established separately.

The second category consists of some departments organized into industrial councils which function directly under the State Council, retaining their responsibilities as managers of their respective industries. For example, following the elimination of the former Ministry of Light Industry and Ministry of Textile Industry, the China National Council of Light Industry and China National Textile Council were respectively established.

The third category encompasses departments which were kept as they were or were reorganized into new administrative organs. Their responsibilities would be to plan, coordinate, serve and supervise. An example here would be the creation of the Ministry of Internal Trade after the Ministry of Materials and the Ministry of Commerce were consolidated and reorganized.

In the course of establishing the socialist market economic system, however, the specialized economic departments still have a long way to go before achieving the goal of administrative efficiency. Only a small number of the specialized economic departments have been eliminated or reorganized during this reform phase. In both the existing departments and the newly-established ones, committed efforts will be extended to transform their functions and streamline their internal operations and staffs.

While there have been changes in the ministries and commissions of the State Council, the Auditing Administration and the General Office of the State Council have been retained in accordance with the Constitution and the Organization Law of the State Council of the People's Republic of China. Significant progress has been made in transforming functions, conforming relationships between different departments and improving workplace efficiency by redefining the internal makeup, functions and size of agency staff. In each of the following ministries and departments progress has been made in this regard: Ministry of Foreign Affairs, Ministry of National Defence, State Commission for Restructuring Economic Systems, State Education Commission, State Science and Technology Commission, State Commission of Science, Technology and Industry for National Defence, State Nationality Affairs Commission, Ministry of Public Security, Ministry of State Security, Ministry of Supervision, Ministry of Civil Affairs, Ministry of Justice, Ministry of Personnel, Ministry of Labour, Ministry of Public Health, State Physical Culture and Sports Commission, and State Family Planning Commission.

(b) Reform of immediate subordinates and working organs of the State Council

In order to simplify administration, delegate more powers, bring the roles of ministries and commissions into full play, and increase their responsibilities, the number of the immediate subordinates and working organs of the State Council have been reduced extensively. The reforms at this level are also divided into three different strategies. The first is to retain some of them as they are, the second is to incorporate others into ministries or commissions as state bureaux, and the third is to incorporate still others into ministries or commissions as functional departments. As a result, there are now 13 organs directly under the State Council and five working organs; a 60 percent reduction.

In summary, there are currently 59 departments in the central government; 41 ministries and commissions which make up the State Council, 13 organs directly under the State Council and 5 working organs. Twenty-seven organizations have been cut from the original total of 86. The number of the non-permanent organizations of the State Council has been reduced from 85 to 30 and the administrative staff in the State Council has been reduced by 21 percent.

(2) Reform of local governments

There are four levels of local government in China: provincial government, city government, county government, and township government.

(a) Reform of provincial level organizations

The major task of the organizational reform of provincial, autonomous regional and municipal governments is to transform their functions, reduce their involvement in the daily lives of the people, and return certain rights to enterprises in order to reinforce their role in the allocation of resources. Local government's roles are to strengthen comprehensive co-ordination of major issues concerning production, transportation, and circulation in the localities, provide an excellent environment for the enterprises' economic activities, and actively develop and nurture market systems. In addition, in the course of reform, efforts had to be made to divide the responsibilities and limits of authority between governments at the provincial, municipal, county and township levels to balance the relationships between departments at high levels and those at subordinate levels.

In determining the restructuring and final number of organizations, factors like economic development capacity, population, area, and other specific conditions of each locality are given consideration.

(b) Reform of city government

The goals of municipal reform were to transform municipal functions in the management of enterprises; intensify efforts of the cities to develop and nurture markets; strengthen infrastructure construction and social services, and create an enabling environment for the development of enterprises. Cities are divided into three groups based on differences in economic development programmes, population, area and other specific conditions. Conditions are accordingly set for the organization and size of each city government depending on which group they fall into.

(c) Reform of county governments

The major goals of the county government reform were to transform specialized economic departments into economic or service entities, delegate greater power to departments at lower levels, synchronize the relationships between county and township governments in line with the requirements of the central government to strengthen leadership over agriculture and rural work, step up construction of political power at the grassroots in rural areas, enhance and perfect the system of socialized service to agriculture, promote the all-round development of the rural economy and the rural society, and develop a market economy. In most cases, the agencies and personnel stationed in townships by county departments are managed by township governments.

(d) Reform of township governments

The major task of organizational reform in township governments is to sort out, readjust, and substantially streamline existing organizations and staff to strengthen political power at the grassroots level, step up services, and vigorously promote the development of township enterprises and the tertiary industries. Limits are also set for their organizational structure and staff size.

(3) Administrative simplification and redeployment of personnel

In conforming to the reform plan passed at the 8th National People's Congress, during this organizational reform China has reduced the number of staff working in state organs at various levels by about two million, or about 25 percent. The streamlining targets set at the 8th NPC were achieved in three years. The Chinese administrative system is currently operating under the new structure.

In a very important sense, organizational reform requires adjusting the employment structure. Personnel affected during organizational reform should be appropriately redeployed to reduce resistance to reform and remove factors of instability. The Chinese Government attempted to use the reduction of working staff as a means to achieve greater

workplace efficiency, thereby improving the structure of the staff in government agencies and improving the quality of outputs. The Government further assisted by deploying a large number of staff to tertiary industries and other sectors which required strengthening. Specifically the following procedures were adopted to redeploy staff: (1) encouraging working staff to leave their posts in the government organs for opportunities in tertiary industries, (2) transferring them to strengthen companies, (3) selecting qualified individuals to assume posts in township governments, (4) organising teams to receive off-work training, (5) strictly implementing retirement systems and granting permission for voluntary early retirement, and (6) dismissing temporary staff. Corresponding policy measures also were taken. As a result, surplus staff have left their government posts smoothly and resettled accordingly.

C. Results of the Chinese administrative reforms

After over 10 years of effort, the results of the various organizational reforms have been profound: a virtually new administrative system has been established which is endemic to the socialist market economic system. As a result, (1) the functions of social macro-management have been strengthened; (2) extraordinary changes have taken place in the relationships between government and enterprises, with the enterprises gradually becoming independent corporate entities and market competitors; (3) the relationships between the central government and local governments have been redefined and management functions and powers have been divided under the market economy so that the initiatives of both can be realized; (4) the number of government organs has been reduced, and working staff at all levels have been cut; and (5) a restructured personnel management system based upon a competitive selection process has been established. Following this reform, the renewed role of government has become vital to economic and social development because of increased efficiency in the public sector.

The economic restructuring strategy has made considerable progress. First, the use of quotas no longer dominates planning. A more strategic approach is now used. This has greatly reduced controlled intervention in micro-economic activities and improved the market economy in various sectors. The agricultural sector, for example, has eliminated all quotas in favour of a more strategic approach to planning annual outputs. In the industrial sector, quotas established by the State Planning Commission (SPC) have been reduced from 120 different types in 1980 to 29 in 1995, a reduction of 75 percent. Materials under control of the SPC have been reduced by 96% from 256 in 1979 to 11 in 1995. The Government now sets the prices for only six percent of all consumer products.

Among industrial enterprises the Government fixes the price on only about 19% of all industrial materials. Decision-making authority by enterprises and local governments is expanding, particularly in the area of public investment. Decentralization of powers to local governments and enterprises has been the rule rather than the exception. This has been the

result of reformulating the methods of planning and strengthening the capacity of both macro-planning, and strategic planning, i.e. putting forward macro-control objectives, industrial policies, economic forecasting, regulating economic structure, production power distribution, national territory planning and state key project construction.

D. Financial system reform

Since China has adopted reform policies, the country is moving toward a financial system which is guided by the leadership of the People's Bank of China. Under this new system, the national commercial bank functions as the main institution, while many other financial institutions coexist and complement each other. A variety of forms of credit and financial markets are developing rapidly. The operating mechanisms of professional banks are being changed. Foreign exchange management systems have been reformed, this financial operation is now more transparent. A national unified, regulated financial market is being established. During the 8th five-year plan, the transformation of the People's Bank into a *bona fide* central bank is taking place. The People's Bank has reorganized to accommodate transformation of its functions, and has strengthened its macro-financial control.

Emphasis has been placed on revising and establishing quotas and allocating funds. The authority to issue money, allocate loans and adjust interest rates has been centralized. Professional banks are now considered the mainstays of the financial market, in effect turning them into state-owned commercial banks. Policy banks are set up to separate commercial banking from banking and financial policy. The Chinese Government is shifting from a system of direct control by the central bank into a combination of indirect and direct control. Gradually, professional banks are beginning to operate in accordance with market mechanisms and market principles.

E. Finance and taxation system reform

To overcome the problems of centralized state revenue collection and distribution, the Chinese Government has adopted major reform measures in the finance and taxation system, beginning with delegating financial authority and capabilities. Since 1980, the Government has conducted a policy of "setting quotas for revenue and spending between central and local government," i.e., the quotas for local government are submitted to central government and grants to local governments are set for the length of five years, during which time local spending is in accordance with to its revenue and local governments balance local budgets by themselves. In 1994, the finance and taxation system underwent the following additional reforms: (1) industrial and commercial tax systems were overhauled. (2) a tax-sharing system is now in place, conforming to the redistribution of power between central and local government; and (3) the central government uses government grants and tax transfer systems to develop poorer areas. Simultaneously, the

public accounting system was also reformed. All accounting systems were unified and a consistent application of rules and regulations for both Chinese and foreign enterprises is now encouraged.

F. Results of the transformation of government functions

As a result of separating government's functions from those of enterprises, all ministries and commissions reclassified their functions, strengthened their macro-planning, co-ordinating and policy-making responsibilities and reduced their emphasis on micro-management (directly intervening in enterprise management). In this process, local government paid much attention to the "three combinations." The first of these consists of combining activities to set up modern enterprise systems by delegating those powers to enterprises which should belong to them, delegating those powers for allocating resources to the market which should belong to the market, and transferring technical and service functions to social intermediate organizations.

The second "combination consists of merging administrative responsibilities with local entities. This reinforces macro-management, considerably reducing red tape within this new arrangement. City government emphasizes shifting many functions to enterprises, nurturing market growth while strengthening state asset management and setting up a social security system. County government places emphasis on guiding agricultural production and rural work, and on implementing the principle of "small government, comprehensive service." Township government concentrates its efforts on improving agricultural and social services.

The third "combination" involves combining activities with government agencies streamlining and staff reduction, strengthening comprehensive and supervisory organizations while streamlining professional economic management departments. In this regard, Beijing, Tianjin, Shanghai and Hainan Provinces have eliminated nearly all industrial economic management departments.

Some progress has been made in consolidating relationships. In particular, programmes have been initiated to (1) balance relationships between central and local government, along with financial, taxation, banking and investment system reform; (2) cancel planning power for privileged cities, while deciding that 16 cities should enjoy deputy provincial level status; (3) combine prefectures with cities adopting the "city-leading county" system; (4) delegate service and technical departments of the county to township government in order to strengthen township government functions.

At the same time, a consolidation of the relationships between ministries and commissions is being carried out. For example, at the central level, in terms of construction funds management, relationships between planning, finance and banking are completely rationalized. The functions between SPC and SSTC have been consolidated in terms of

science and technology project planning and funds management. Local government has made much progress in institutionalising relationships between departments.

The number of organizations and staff have been reduced. The number of ministries, commissions, organs directly under the central government, and working organs of the State Council has been reduced from 68 in 1992 to 59. Also 56 non-permanent bodies have been eliminated. The number of internal departments of the ministries and commissions across the State Council has been reduced by 8% and the number of administrative establishment has been reduced by 20%.

Local government has also carried out reduction measures. Provincial and autonomous region governments presently have 65 departments on the average, a 14.5% reduction. Municipalities directly under central government have an average 75 departments, a 25% decrease. Prefectures, cities and counties also have had large reductions in departments. Two million staff have been reduced in local governments across the country, a decrease of 22%. The 1992 administrative reform reclassified city, county and townships governments based on population, area and level of economic development. This exercise provided a new foundation for local government organization.

Administrative efficiency has been raised. In this latest reform, both central and local governments have carried out the “Three Set” programme, i.e., the function set, the number of organization set and the establishment set. During this period of reform the main objective of local government has been to carry out “Three Set.” Based first and foremost on the requirements for a socialist market economy, the “Three Set” plans have set out the main functions of various ministries and departments, their internal organs’ quotas and responsibilities, tasks, staffing and principal posts. The plan resolves overlapping functions across government and determines principal departments and co-ordinating organs for shared responsibilities. These plans have increased government working efficiency. It is commonly acknowledged that “Three Set” plans are the basic documents for exercising responsibilities and self-construction for government organizations. They have laid the foundations for smooth operation of government and administration and created conditions for improving administrative law and drafting administrative laws in the future.

4. Successful experiences of Chinese administrative reform

The reform of the Chinese administrative system is a complicated example of the reorganization of social systems. In a large developing country like China, promoting reform of the administrative system and achieving breakthrough results will inevitably lead to changes in the balance of interests and social relationships and will give rise to many contradictions and problems. During the past 10 years, China has scrutinized closely the following issues during the process of the administrative reform.

1. *Promoting administrative reform with efforts centring on promoting economic development and establishing a socialist market economic system.*

Since launching these reforms and opening to the rest of the world, China has attained comprehensive progress in its modernization processes and has deepened reform of its economic system by highlighting economic reconstruction and establishing a socialist market economy as its goal. Developing the economy and the establishing a market economic system call, objectively, for reforming the administrative system and its management rules which were created under the planned economy China practised traditionally.

As an important sector which connects the economic system and the political system, the administrative system and its management rules can promote development only by adapting to the requirements of economic development and economic restructuring. Throughout the reform of its administrative system, China has always given close attention to bettering social conditions by centring efforts on the improvement of the economic system. The country's administrative system has also been improved as a result.

2. *Soliciting support from and encouraging participation by various social circles in order to constantly consolidate and expand the basis of administrative reform.*

The driving force for reform rests with the people, and the basis of reform lies among the people. Reform is a cause for millions because it involves citizens' immediate interests. Reform can be carried forward smoothly and achieve the desired objectives only when the people understand and support it. During the process of pushing forward administrative reform the Chinese Government has tried its best to seek extensive participation by the broad masses of people both in formulating strategic programs and in implementing specific reform measures.

During the formulation of the *Provisional Regulations on State Civil Service*, for instance, the Government not only invited participation by many experts and scholars, but also extensively solicited opinions and suggestions from its people. The programme for reform of China's administrative system has proved that the participation by the public will enable a reform to go ahead more smoothly and attain its goals more easily.

3. *Promoting reform of the administrative system on the basis of China's national conditions while learning and using useful experiences of other countries as examples.*

The administrative system of a country is closely tied to its basic economic and political systems. For this reason, reform of the administrative system and development of the public administration sector will be directed by its basic systems, historical background, cultural traditions and current conditions. Therefore, designing and implementing the reform programmes should be based on China's national conditions. China has benefited, however, from the experiences of other countries by incorporating their successful practices. China has been able to enhance its own administrative system while retaining the Chinese characteristics.

4. *Actively and steadily promoting reform by correctly handling the relationships between reform, development and stability.*

Promoting economic development and raising the living standards of its people are long-term fundamental goals of the Chinese Government. Development is the absolute principle. China's key to solving all problems lies in its own development. Reform is the driving force behind development, and only by intensifying reforms can China solve deep-seated contradictions impeding its economic and social development.

Reform is the only road for China to build a modernized country. To maintain political and social stability is the basic precondition for promoting reform and development. Major reform of the administrative system is a policy with great risks and therefore close attention should be paid to political and social stability. In the past 10 years of reform, the Chinese Government has paid close attention to controlling the relationships among the three from an overall point of view.

During the process of reforming the administrative system, the Chinese Government adopted vibrant but responsive policies. Operating under the constraint of maintaining the continuity of government work and social stability, the Government has created conditions for both "crossing the river by touching the bottom": while at the same time boldly pushing forward reforms to promote development and progress.

5. *Maintaining close control of the general trends of reform while promoting different approaches and oversight according to the local conditions.*

China is a country with a vast territory, large population and multiple ethnic groups. Due to the imbalance of development and cultural differences among various regions, the Government must be sensitive to the specific conditions of different regions and maintain flexibility in its executive policies. The Chinese Government has always emphasized the practice of proceeding from actual conditions and seeking truth from facts. It respects objective differences and allows local governments to implement reform measures and methods in line with local conditions so long as these measures and methods conform with the overall principles and objectives of the national reform

movement. The Central Government exercises group guidance according to the different conditions of each region to ensure that reforms suit local conditions and are more operational.

6. *Gradually deepening the reform of the administrative system.*

The reform of the administrative system in China is being played out against the background of economic transition. There is no model available. The reform itself, complicated and risky, involves a great variety of dimensions, and therefore should proceed through a step-by-step process. Further, the process should guarantee that supplementary measures are not ignored. The usual practice is to set the goals for implementation from top to bottom, by stages.

At the same time, care must be given to the co-ordination between reform of the administrative system and that of other systems, as well as to supporting measures. This is the only way to guarantee a steady and smooth process of reform.

5. Prospects for China's administrative reform

The 4th Session of the 8th NPC of the People's Republic of China held in March 1996 adopted the outline of the *Ninth Five-year Plan for National Economic and Social Development*. Establishing the socialist market economic system, and achieving overall development of society have become the basic goals of the Chinese Government. Although it has achieved significant progress in its administrative reform, China still faces arduous tasks. The major tasks in the period that follows are:

1. *Transformation of functions of government*

Corresponding to the requirements of a modern enterprise system, the functions of government should move toward macro-management such as overall planning, implementing policy, providing services, monitoring and supervising; and delegating to enterprises, market and intermediate organizations all powers and functions which do not belong to the government.

Government should make efforts to further readjust and reform the government setup, gradually transforming comprehensive economic departments into authoritative macro-control organs with unified functions and gradually turning specialized economic management departments into economic entities without government functions, into state-authorized firms engaged in operating state assets, or into management organizations of various trades. Other government departments should also make rational adjustments. China must establish a system to manage, supervise and operate state assets, with a clear definition of powers and responsibilities in order to preserve and augment the value of these assets.

2. *Balancing the relationship between the central government and local governments so that the initiatives of both are achieved.*

The limits of power to manage central and local economies will be demarcated to clarify the responsibilities, rights and financial and decision-making powers of the central government and local governments. A major step will be to unify, standardize and systematize powers and responsibilities, by institutionalising a fair tax system which delineates the scope of spending of each and establishes a payment transfer system. Efforts should also be extended to strengthen the organs of the central government and public administration, the local organs which execute economic programmes and manage various social affairs, and the organs which enforce city markets, and supervise city construction.

3. *Advance the reform of public institutions*

A system of management, operation and self-restraint, full of vitality and vigour, should be established to conform with the requirements of the socialist market economic system, and the institution's self-development law, according to the principle of dividing the government and institutions, and promoting the socialization of institutions. The basic thought behind this reform has been stated as follows: to carry out the systematized total control by means of logical planning, socialization and management classification and diversification; transform the functions of responsible departments according to the rational division of powers and responsibilities between the administrative organs and institution; provide overall planning for setups in institutions, according to the demands of the regional economy and development of social public welfare; establish an operating system to conform with the socialist market economic system, with the classification of powers and responsibilities of various levels of governments, and a management system mainly of the local governments to encourage and recruit all sections of the society to participate in the development of public affairs.