

Restructuring and Performance Evaluation of Chinese Local Government: Problem, Reason, and Options of Change

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Abstract

This paper analysis the problems and reasons in the development process of government performance evaluation in china during different stages of transition. In the course of transition, the local government performance evaluation went through a process of nothing to having, from to essence, output and process to outcome, and cadre assessment, party working style evaluation, and organs construction, to government performance evaluation. This paper considers that local government performance evaluation system should include the people (officials), the wealth (budge fund) and the affairs (public service) under the goal of building a service-oriented government. The integration of officials' actions, budget fund and public affairs should be realized through setting up the institutional arrangement of local government performance evaluation, that means to realize the integration of officials' encouragement, performance budgeting and concept of livelihoods development, to initiate the management flexibility and decentralization between local government performance evaluation, between government and department, and between department and officials, to implement the management system of result promised and result oriented, and to control the result.

Keywords: Economic transition, local government performance, service-oriented government

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1. Introduction

There are many brilliant definitions about transition, one of representatives is that transition is a process with a series of institutional reform and innovation which transfer from the planned economy to market economy. The fundamental goal of transition is to straighten up relations of production, to improve the mechanism of economic adjustment, to emancipate productivity, to integrate into the economic globalization and to strengthen the international competitiveness through opening up both externally and internally. Transition goals can be generally divided into two types: one is "targeting on the economic transition", pursuing the realization of economic freedom, economic privatization and economic marketization soon, and the ways of transition are more radical; the second one focuses on enhancing the speed of economic development, improving people's living standard, and the target is seeking the stable and smooth economic development, as well as the long-term stable society, and the ways are progressive and incremental. The former is regarded as "Washington Consensus" and the later one is "Pecking Consensus".

During the process of economic transition in China, government are doing economic macro-control which is based on developmental goals, and the macro-control from government has attained great attention all the way. Especially focuses on promoting the ability of government macro-control to respond to the dynamic development of economic society. Moreover, local governments has made great contributions to the economic development in the transition process. However, the government performance evaluation at present is mainly decided according to the need for high-levels government, and it is one-sided abiding by higher-levels government's will and policies. For instance, the problem that left over by history on the issue of the taxi-sharing reform has not been solved yet in which there is asymmetry between property ownership and the executive authority in local governments.

It has resulted in the adversely choosing in local governments, deviation in officials' behaviors and lacking of attention to public interests, in that the transfer payment system is imperfect which highlights the extent of asymmetry between property ownership and executive authority.

The 18th National Congress of Party (18th NCP) has proposed that “We should continue to separate government administration from the management of enterprises, state assets, public institutions and social organizations, and build up a scientifically-functioned, optimized structured, clean, efficient, and service-oriented government that people are satisfied with”, “promote governmental functions and transfer them into creating a good environment for development, providing high-quality public service, safeguarding social fairness and justice”. Combing with the key spirit of the 18th National congress.

1.1 Objectives of Study

This study will center on the following issues:

- 1) What are the characteristics of the local government performance evaluation?
- 2) What impact on local government evaluation patterns and contents due to the economic transition?
- 3) How to define the essence of government performance evaluation system?
- 4) How to confirm the target system and how to adopt that system efficiently?

A good understanding standing of above questions will assist to relive government from government behavior distortion caused by government failure during the process of transition, and will promote government being as service-oriented government.

2. Background of Study

Since the 1990s, various kinds of government performance evaluations with different types have been springing up. The subjects of government performance evaluation mainly include the first -level government departments (provincial- level, municipal-level and district-level .), the functional government departments (political parties, organizations, authorities judicial organs, and auditing bodies.), social organizations (third-party appraisal agencies, medias, all types of enterprises and academic research institutions), as well as public levels, for instance: provincial government leading on government performance evaluation included the censorship of Hujian province in 1995, the Social Service.

Commitment System of Yantai for improving social service quality in 1994, and the Million Evaluation on Government which since 1998 gradually has been held respectively by a lot of cities such as, Shenyang, Zhuhai, Nanjing, Yangzhou, Hami, Jiangmen, etc.; district- level governments leading on government performance evaluations were for example : internal government performance evaluation in Siming district, Xiamen province in order to improve the government ability in 2001. Besides the only do the evaluation on departments of government, the targets being evaluated also encompassed political parties leading evaluation like: the government evaluation system targeting on leaders of political parties in Hebei province ,1999; and " the interim measures for the accountability of Executive Heads of government departments in Chongqing " in 2004. Among all the government performance evaluation system, it appeared some performance evaluation systems of local characteristics that were as follows: Qingdao model (1999), ZhuHai model (1999), Siming model (2001) and Gansu model (2004).

There are also different characteristics among contents and methods in performance evaluation, including objective responsibility systems, contents of evaluation for strengthening the efficiency of government, supervising and inspecting primary works oriented evaluation system, and regarding public appraisals as pattern to evaluate as well⁴, government evaluation targets design mainly include the targets on economic development, economic environment, social development, and sustainable development, government performance evaluation is also influenced by evaluation cycles and evaluation value: evaluation cycles mostly study on social economic and development cycle, government officials in tenure cycle, financial budget cycle, information acquisition cycle, etc.; however, regarding such value like growth, fairness, stability, and democracy, etc., as main value orientations in evaluation system. On the study of government performance evaluation methods, foreign scholars relatively agree with "3E" that includes economy, efficiency, and effect. With the penetration of new public administrative management, after considering "quality" dimensionality, "4E" appeared. Zhang Xiao lei narrates the help from benchmarking management towards government performance system, the public service study center of Aston business management college adopted " Balanced Scorecard " method to evaluate local government performance. Apart from that, Peng Guofu applied the basic concept of DEA model to do empirical evaluation towards the public services performance management in local city governments.

Among them, "Balance Scorecard" and "3E" classical performance evaluation methods are widely used into local government performance evaluation in China.

From the existing practices and studies of government performance management, we can see that governments are engaged in bringing in, and absorbing classical concepts of government performance management, and they focus on learn from the experience of government performance management both at home and abroad. But evaluation methods are various due to unlike economic development and economic structure, so that adopting the essence and value of western countries' government performance management into the China's local government performance evaluation is not appropriate for the situations of China. The existing studies in the world have not considered well of the fact that China is of the most typical characteristics of gradual economic transitional system throughout the world. And the study on government performance evaluation concept on China transition is quite scanty. Exploring problems and reasons of government performance evaluation in China local governments during transition will favor to adjust the value orientation in local government performance evaluation, and so governments call for designing a new performance evaluation system which is accorded to scientific outlook on development.

3. Problems and Transitional Impetus in the Local Government Performance Evaluation of China During Transition Period

R. Alison regards the government under traditional planned economic system as omnipotent government, which requires departments obey "up and down corresponding principles" and also leads inflation in government body, performance controlled by upper departments, lacking of efficient motivation structure; that means there is so less external performance appraisal organizations. At the same time, the omnipotent government pattern cannot work well on budging, expanding government scale and inefficient government are becoming obvious, which will trigger double crisis: economic crisis and social development crisis. For that reason, China government determined to legitimate "Reform and the Opening-up Policy" in 1978, which marked the opening of transition.

One of the important characteristics during transition period is that there was a mismatching problem between economy development and mature system, the key of transition is to propose different periodical renovation targets according to corresponding innovation process, and to realize all targets with the development of empirical practices.

According to existing literatures and with the development of government performance evaluation, this paper will be divided into three stages to analyze: the start time of transition, the exploring time of transition, and the development time of transition.

3.1 The Start Time of Transition (1978-1992): Under the Pressure Type Government, There Was Liability Crisis Among Local Government Officials

3.1.1 Main Problems for Local Government Performance Evaluation Appeared During the Start Time of Transition

This paper defines this period was between the 3rd Plenary Session of the 11th Meeting of CCP(Chinese Communist Party) which announced the economic system reform and the year of 1992 proposed the target to establish “market economic system of the socialism characteristics of China”, as the start time of transition. In that period, the target was to break away from the highly centralized planned economic system, and to expand the executive power to local governments and industries, however which caused administrative monopoly and local protectionism. With the continuously deepening reform of the economic system, institutional contradictions were becoming sharp gradually, government turned to off-side position and periodical misbehavior to some extent, which interfered with the economy. There were also common phenomenon’s that governments forged the actual performance objectives by making false data and unreal achievements.

And the consistency of government performance execution was not continuous due to the power transformation of leaderships, which not only resulted in the failure to offset and coordinate the shortcomings of the market, but on the other hand, it obstructed the performing efficiency of the market. Meanwhile, the serious interference from government weakened the spring of non-government performance evaluation organizations.

Disparities in motivation, information, and equivocal powers and responses, etc., which would help the occurrence and the development of the opportunism in some government officials and leaders. Thus the power deviation, corruption and inefficiency would follow to show which infringed the interests of civilians.

3.1.2 Main Reasons Caused the Problems on Local Government Performance Evaluation During the Start Time of Transition

During the start time of transition, government was confronted with a large number of new difficulties, but planned economy thinking and the rent-seeking bureaucracy distorted the reform of economic transition, and impaired the ability of government to coordinate. Government got trapped into a sluggish development and failure. Between the 1980s and the beginning of 1990s, the responsibility system was established as the main method to facilitate government's development at all levels. From the year of 1990, with the practicing of the financial independent fiscal system, local governments were getting much initiative on local financial budget relatively much more than the fiscal motivation. Because of the orientation of performance evaluation and official promotion system, local government officials were still pursuing the economic development as a promotion opportunity, so that it can be called a political motivation which was different from the financial way.

Traditional budget system: "staff-function-found" pattern, was made and executed by government itself. So the annual budget could be arranged arbitrarily, except that, the budgeting system was lack of rigorous restrictions and well action abilities. power-centered political system would lead that governments at all levels "sunk" their authorities to lower-level governments, so that it would give pressure to local governments to supply the public goods. About the development of government performance evaluation in the transitional period, given that local governments had to be under pressure to finish economic objectives which were ordered by higher-level governments, and furthermore, how is the result of finishing objectives would be connected to the interests and promotion of officials. Therefore, obligatory objectives were one of the topical characteristics for pressure type government. Driven by both local interests and pursuing government "performance", GDP and the increasing ratio of GDP etc., had become the main and strict criteria to evaluate government performance.

Practices were showing that the only- GDP as Criteria misled the behaviors of local government instinctively, and the side-effects were highlighted, such as: environmental pollution, high consumption of resources and decreasing of economic benefits.

3.2 Transitional exploring time (1992-2008): under the monarchy government, a liability crisis on government arisen due to the disparity between financial and business authority

3.2.1 The main problems existing in local government performance evaluation in the exploring time

From the Fourteenth NPC in 1992, government clearly put forward to establish "the socialist market economy system with Chinese characteristics" in 2008, in which financial crisis occurred, that was defined as the "transitional exploring time". During that time, the ratio of government financial expenditure in GDP had gained a big increase by beyond 17%. Especially in 2008, the financial expenditure was up to 33.8% in the ratio of GDP. The inflation of financial expenditure meant government had to shoulder much heavier responsibility, meanwhile, which also implied that government would be in danger of inefficiency. There were signs of "Semi-spontaneity", "arbitrary", "unipolarity", "passivism" and "imperforation" etc. Only on the condition of serious public affairs happened, then government would consider to make a rush and sudden evaluation on government performance. Although various evaluation activities of local governments were considered democratic and scientific more or less, the evaluation criteria were still related to GDP and financial revenue to promote officials and to decentralize authority, which will serious the scale of government inflation, expenditure structure distortion, local official corruption, and unbalanced development among different regions, which would hamper the development of the whole country.

Series of laws, such as, The Administration License Law of the People's Republic of China (2004), The Civil Servant Law of the People's Republic of China (2006), and The Government Information Disclosure Regulations of the People's Republic of China (2008) implicated development trait of government on strengthening the administration ability and legal system constructions.

Based on the implementation of relevant laws and regulations, the subjects and the orientation of government performance management were changed, but government at all levels, government sectors and officials could not reach complete agreement on the methods and contents of performance evaluation, because government was still emphasizing on the control of the gross amount of performance objectives through competitions among lower-level governments to accomplish objectives.

Corresponding government performance evaluation criteria were not scientific, but illogical and outdated, (like treating the input criteria of government management as production criteria). Thus it was hard to evaluate government performance objectively, and comprehensively, even much hard to figure out problems in government management and to give practical offers to improve government management.

3.2.2 Main Reasons to Cause Government Performance Evaluation Problems in the Transitional Exploring Time

In that transitional period, the main tasks of China were to develop economy, to alleviate negative effects due to government failure, and to relieve the government liability crisis. Given that local government had to hand over tax shares to central government which decreased the motive of local government after the reform practice of financial tax distribution in 1994. Therefore, local governments would not like to assist the market instead they took advantages of market to make higher government profits which lead to massive corruption cases. Institutional construction became the key to stop corruption radically. In the year of 1998, government of China formally came up with the proposal to establish the basic framework of public finance, to reform budgeting system of government sectors, to change the single account of treasury, and to apply the classification reform of government revenue and expenditure, among them, budgeting system reform came into effect initially, however, there was weaknesses to supervise and restrict government on account of binary plan between the budgetary funds and non-budgetary funds which was carried out for a long time. And in addition, maneuvering indicators reserved in departments' budget system were to some extent a little high. Besides that, concrete expenditure units, items, and usage were not so transparent and meticulous.

Outdated budgeting method (radix method), serious illogical item classification of budgeting revenue and expenditure, de-emphasis of efficiency, all that wasted a mass of public resources. The local governments particularly at the base layer were facing with bad disparity between property ownership and executive authority, which left less expenditure on development expenditure(i.e.: expenditure on education and health care. etc.).

3.3 Transitional developing period (from 2008 to so far): government management crisis was raised by non-transparent finance under the service-oriented government

Transitional developing period from 2008 to nowadays is the time to against financial crisis, and also the time to continue deepening government reform. Anti-financial crisis is primarily led by government, and positive fiscal policies and monetary policies result in inflation which caught public attention to government management. In 2008, more than half provinces have established corresponding government performance appraisal agencies, for example, Guangdong province pushed forward the scientific government performance evaluation criteria system practiced in the city sector level leaderships and evaluation trial methods, which was the first province to form a scientific and developed evaluation system. In 2009, Heilongjiang province introduced the first local regulations on government performance evaluation: Ha Erbing Government made a progress as well, its Performance Evaluation Management Regulations was confirmed the multiple governments' authority as the key parts in evaluation legally, and also meant to lead evaluation go to a normative and legal way.

Meanwhile, the systematic problem on influencing government performance efficiency has not been fundamentally resolved yet, for instance, relative central governments introduced a series of regulation to ensure their own sectors functioning well, which was helpful to clearly divide the authority between central governments and local governments, on the other hand, it needs central governments to guarantee enough fund to local governments for functioning well and properly in the budget, which would affect the comparability and transparency upon the performance evaluation outcome of local governments.

4. Design Concept and Criteria Framework of Integrated Government Performance Evaluation in China's Local Governments

4.1 Establish the service- oriented government concept in order to improve people's livelihoods, and build integrated performance evaluation criteria system in local governments. Great governance is regarded as the highest criteria for government management, the main idea of it is to participate broadly, it also means a radical change in the way of government management and government is no way as the dominant role.

Instead, market mechanism and the power of civilians in society should play a full part to get involved in making decisions, Focusing on establishing a service-oriented government, the main performance evaluation design concept of local governments should locate on "democratic", "legal", "public governmental information" and "transparent finance", to properly manage the relationship between the efficiency of public affairs, budgeting fund and the performance evaluation on government officials.

This paper highly supports the idea that the fundamental reason in government performance evaluation is due to the mismatching among "person" (government officials), "finance" (budget fund), and "affairs" (public affairs) that are the main elements constructing local government performance evaluation system. Enhance the combination between the budget output and the application outcome, regard application efficiency of financial fund and satisfaction of citizens as performance evaluation criteria, and establish a comparatively complete motivation and restriction system to help to improve the government management.

4.2 Make sure the financial expenditure field, build "perform function", "fund operation", and "satisfaction degree" as three dimensional evaluation index system

Based on the concept of people's livelihood development, local government performance evaluation criteria should surround these articles like: education, medical care, social insurance and employment, environmental protection, public safety, financial support to agricultural, transportation and delivery, food and medicine safety, culture broadcasting, etc., (figure 1).

In the overall objective setting, government should focus on the three dimensions: "perform function", "found operation", and "satisfaction degree", and on setting concrete objectives, according to the latest scientific objective classifications and government function conformed in academic field under the index of "perform function" also including the idea that set second class index rely on different fiscal expenditure and different evaluation methods of different government department; on other hand, under the index of "fund operation", objectives setting should better follow the fiscal items which government function is involved to set second class evaluation index, such as, "the efficiency of fund application", "fund guarantee, ", "fund compliance", and "sustainable development"; for the index of "satisfaction degree " , .

The index setting is suggested to follow the widely recognized "public credibility " and the "response degree "by the academic experts as the second class index for evaluating the satisfaction degree of accepting public goods and public service. Thorough those three dimensions to investigate the government's engagement degree to improve the people's livelihood, and to test the effect after operating functions and to know better the public satisfaction.

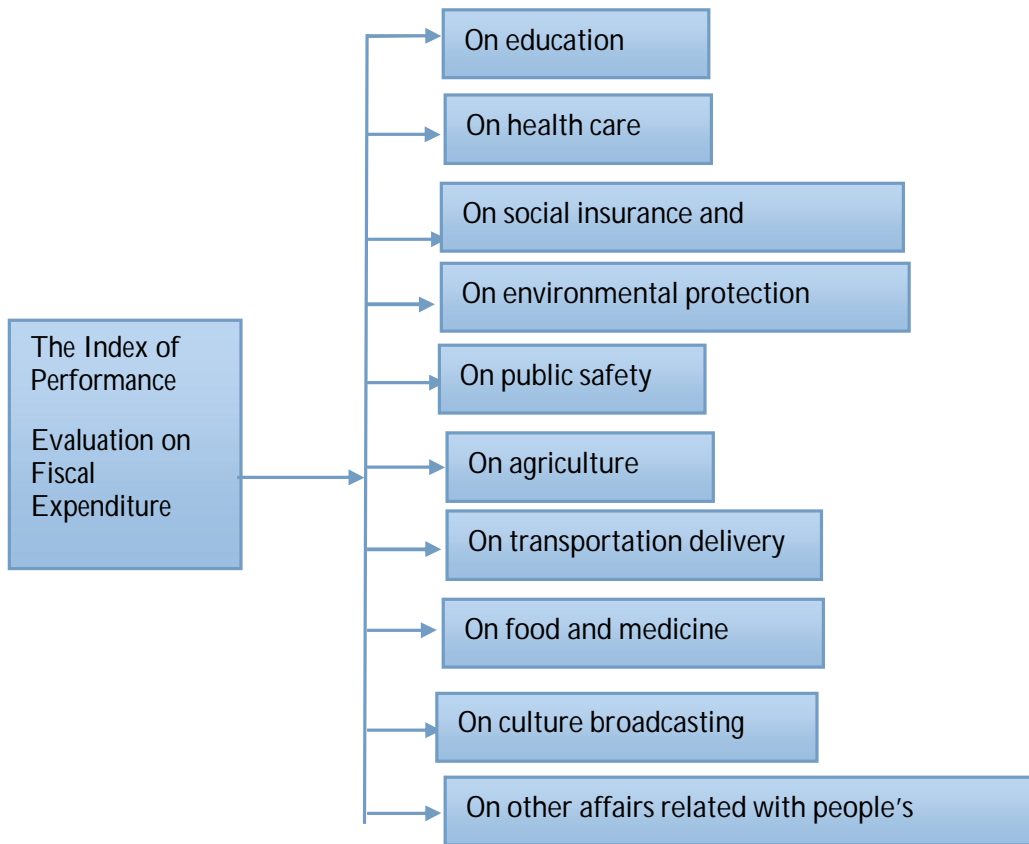


Figure 1, performance evaluation index on fiscal expenditures with the orientation of people's livelihood

Conclusion

Government should adjust developing strategies and evaluation focus timely in different stages of transition with changing internal and external factors. And should also try to rectify the government failure. At planned economy period, omnipotent government would result in developing crisis easily, during the start time of transition(1978-1992), the primary task of that time was to resolve the developing crisis, and the role of government was pressure type government with the orientation of GDP which triggered officials competed with each other, in addition, fierce competition among local governments caused a serious waste of public resources and liability crisis; during the transitional exploring period(1992-2008), government emphasized on dealing with the liability crisis, so that a lot of regulations issued and the role government played at that time was nomothetic type government.

After the fiscal decentralization reform, the authority of local government faced with distortion over the asymmetric problem between the financial power and executive authority, which to some extent caused the liability crisis; at the period of transitional developing (2008-so far), under the influence of financial crisis and credit crisis, financial transparency and the efficiency of public fund's application were highlighted, which led the crisis of government management.

Performance evaluation should orient on improving people's livelihoods through person (officials), fund (budgeting fund), and affairs (public service), those three dimensions to build an integrated government performance evaluation system. To achieve the goals of the combination among increasing the motivation of officials, performance budgeting, and the concept of on the development of people's livelihoods. And another tasks are to encourage more flexibility and decentralization of authority in management among local governments, between governments and departments, as well as between governments and officials. And to practice the result and gross control on the public production. Promoting the performance budget and interim budget, advancing the promotion mechanism, enhancing the payment and compensation system should be necessarily included in the supporting reform measures of government performance evaluation index system with the orientation of improving the people's livelihoods.

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