

PUBLIC ADMINISTRATION AND PUBLIC POLICY/156

PUBLIC ADMINISTRATION IN EAST ASIA

MAINLAND CHINA, JAPAN,
SOUTH KOREA, AND TAIWAN



Edited by
EVAN M. BERMAN
M. JAE MOON
HEUNGSUK CHOI

PUBLIC ADMINISTRATION IN EAST ASIA

MAINLAND CHINA, JAPAN,
SOUTH KOREA, AND TAIWAN

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CRC Press

Taylor & Francis Group

Boca Raton London New York

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Taylor & Francis Group, an **informa** business

Cover images: *Mainland China:* Great Wall in China. *Japan:* Matsumoto Castle (ca. 1504) with cherry blossom. *South Korea:* Seoul Tower with traditional Korean roof painting. *Taiwan:* Taipei 101 building.

CRC Press
Taylor & Francis Group
6000 Broken Sound Parkway NW, Suite 300
Boca Raton, FL 33487-2742

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Printed in the United States of America on acid-free paper
10 9 8 7 6 5 4 3 2 1

International Standard Book Number-13: 978-1-4200-5191-9 (Ebook-PDF)

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over, improve the lives of billions of people.

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Acknowledgments

A book like this is possible only through the sincerest dedication of the authors and others who believe in its purpose. For authors, their reward has been the chance to tell their part of the story of public administration in East Asia. The editors, coordinators, and production staff have had the honor of helping them do so. As editors, we especially want to acknowledge the work of the area coordinators of this book: Yijia Jing, Chung-Yuan Jan, Kengo Akizuki, Masao Kikuchi, and Jae Moon (who also doubled as an editor). Without their support, this project could not have succeeded as it has; they are its unsung heroes.

In particular, we want to thank a few people whose names would otherwise not be mentioned in this book: Maura May (Taylor & Francis), Moon Suk Ahn and Jennifer Kim (Korea University), Jai-Ok Shim (Korea Fulbright Association), President Se-Hwa Wu (National Chengchi University), Tony Lai (IDAS program director), Chan-Gon Kim (Seoul city government), Sybil Chen and Paloma Ho (NCCU), Matt Rankin (ASPA), Yan-yi Chang (doctoral candidate), Jay Shih (NCCU), Chun-Yuan Wang, and Akira Nakamura (Meiji University). Dr. Jan also thanks President Kuan Chung, Vice President Wu Jin-lin, and Secretary-General Lin Shui-ji (all of the Examination Yuan) for sharing their valuable experiences and knowledge of Taiwanese public administration.

In addition, some people have passed away since the beginning of this project, and we remember them at this time. Ray O'Connell (senior editor) and Professor Jack Rabin (editor-in-chief) encouraged and supported this work through Taylor & Francis. Professor Deil Wright (University of North Carolina) was a leading scholar in the area of intergovernmental relations who had a special relationship with South Korea and Japan. We are sure that they are all smiling upon us now as they see this work come to fruition. Beyond this, an untold number of people made it possible for us to work on this book through their support. This includes colleagues, former teachers, and spouses Dira Berman and Jiajing Ni, who have helped us beyond words. We deeply appreciate the support and contributions of all. We are a community and a global one at that.

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Introduction: Comments on Purpose and Method

An undeniable interest exists in matters about East Asia and its people, customs, and institutions. This book serves the needs of those who wish to learn how government works in East Asia—in particular, its public administration and related public policy processes. The focus here is on the apparatus of government: the agencies, values, context, and policies within which they operate. Whether readers are practitioners, professors, students, or simply those with plain curiosity, nowhere else will they find a book that provides such a comprehensive treatment of public administration in East Asia written by some of the most renowned scholars in the field. Moreover, the chapters are written in a style that, we hope, is accessible to many.

Admittedly, this book was born from my own curiosity about public administration in East Asia. A comprehensive treatment on the topic in English or even native languages seemed to be lacking. Of course, various books on trade policy have been written, and those on the politics of Mao sometimes give good insight into the operation of agencies in Mainland China, for example. A few edited books contain a single chapter on countries in the Asia–Pacific region as well. I strongly recommend that readers pick up 20 or so of these books and read them. This will enrich understanding, provide context, and show persistent patterns that are invaluable. What is missing, however, is “one-stop shopping” that provides an in-depth overview on matters solely concerning public administration. This book provides that essential reading. Specifically, readers will find answers to questions such as

- What is the history of public administration in East Asia?
- How are decisions made in the agencies in East Asia?
- What is the role of Confucianism in shaping East Asian public administration?
- How does the developmental path of East Asia affect public administration?
- Why is performance management emphasized in East Asia?
- What is the state of citizen participation in East Asia?

- How are ethical underpinnings of the civil service different in East Asia from those in the West?
- Why are intergovernmental relations an essential issue in East Asia?
- What are the politics behind world-class achievements in information technology?
- What is the nature of civil service reform in East Asia?
- What is the nature of efforts to combat government corruption in East Asia?

It should be noted that this is a book about *administrative systems*. Political issues about the sovereignty of Taiwan are not the target of discussion in this book. The phrases *Taiwan* and *Mainland China* used here refer to geographic areas in which administrative systems are found.¹ For example, it is a well-known fact that the island of Taiwan has a government and that people work for it; this can be studied. Chapter authors do not make any statements, implied or otherwise, about matters of national sovereignty; this is a book of knowledge and scholarship only. The editing of this book reflects this understanding, and all shortfalls rest with me and not with the authors.²

The book also has several distinctive features that we think readers will value:

- This account is written by those of the region, rather than by those outside the region. The advantage of getting the insider perspective and viewpoint is self-evident.
- The authors are all experts in their fields, having published countless journal articles and books in the discipline.
- Authors were asked to cover essentials as well as advanced points in their chapters.
- The authors were asked to write about identical subject areas for Mainland China, Japan, South Korea, and Taiwan, thus furthering comparison; this is reflected in the parallel treatment shown in the table of contents.
- Each chapter contains very useful resources to pursue further interest in specific, in-depth matters.
- Authors had broad leeway and discretion to discuss topics about that they felt were most important for others outside the geographic area to know. They could also discuss additional topics. By doing so, we encouraged the use concepts or perspectives distinctive to their areas.

Of course, I am the obvious exception to the first point. I am not an insider of East Asia. In the spirit of full disclosure, I was raised in the Netherlands, spent 20 years of my professional career in the United States, and my wife is from Brazil, which I have visited often. I have traveled several times to Africa, too. I now work and live in East Asia (see “About the Authors”). The editorial team includes two other editors of the region and me. But I think my familiarity with the West is an advantage in this effort.

For example, Western concepts are culturally and contextually embedded to a significant extent, and concepts such as “democracy” and “political neutrality” have meanings in Mainland China, governed by the Chinese Communist Party, distinctively different from those in the West. Public participation in South Korea means something very deep after 30 years of autocratic and closed group decision making under military rule. Such concepts demand articulation for Western readers lest they be misunderstood. I also used my editorial and scholarly experience to inform authors of style and content expectations in the West, all of which makes for easier reading.³

Finally, every book has a little tale to tell. This one began in the aftermath of Hurricane Katrina, which made landfall near New Orleans, where we then lived, on August 29, 2005. A few weeks after Katrina, I received an e-mail from Marc Holzer (Rutgers University), who asked if I wanted to present a paper at the Seoul Development Institute. My wife and I are still grateful for the reprieve. There, I met Moon Suk Ahn, then provost of Korea University, who invited me to teach in the KU Summer Program, which I did in 2006 and 2007. During the summer of 2006, Jae Moon (who had returned to Korea that year from the Bush School at Texas A&M University) and I hatched the plan for this book, for reasons and needs mentioned previously.

A bit earlier, in April 2006, I had met Chung-Yuang Jan (then chairperson of the Department of Public Administration at National Chengchi University, Taiwan) at the annual conference of the American Society for Public Administration (held in Denver). This conference is among the best places to meet new people in our field. Later that year, I visited him in Taiwan. In 2006, on a visit to China, I met Yijia Jing (Fudan University, Shanghai). During the fall of 2006, Heungsuk Choi (former chairperson of the Department of Public Administration at KU) introduced me to Kengo Akizuki (Kyoto University), who introduced me to Masao Kikuchi (Meiji University).

Then, in February 2007, Heungsuk Choi generously organized a conference and meeting of this book’s coordinators and a few authors in Seoul. The substantive result of this meeting is discussed in more detail later. In the spring of 2008, I spent 4 months as a Distinguished Fulbright Scholar at Yonsei University, which also furthered this book. I thank the faculty for personal and professional help. That’s the way it happened,⁴ along with many opportunities to foster and build community.⁵

Method

Considerable thought went into the development of methods used for this book project. Quite simply, a project like this requires many choices. It is surely not about slapping chapters together and putting them between book covers. What follows are the decisions we made and some of our reasons for them. In short, we followed a three-step process. First, we developed the space within which we could operate

by seeking to avoid pitfalls. Second, we decided how we wanted to fill in that space, keeping in mind our objectives and limitations. Third, we developed methods for executing our approach, ensuring the highest quality work.⁶

This book is guided by the motivation to provide information and knowledge about public administration in East Asia that is currently seen as lacking, but that alone raises more questions than answers. What type of information should be pursued? What criteria might be used to prioritize preferences for information? Why do we think such information is desirable or even available? One approach may be simply to ignore such matters, but such an approach raises problems for analysis later. It is not enough to know the historical facts of a country without also tying these back to some purpose or common body of knowledge. It is not enough to proceed from sentiments such as “everyone knows it is important” or “it is authentic.” New facts must be connected in some way; some structure is needed. Journalism is needed, but it is insufficient by itself.

Yet, danger also exists in bringing too much structure, which may presume that one is surer about one’s facts than is the case. We know very little about the questions raised at the beginning of this introduction. Indeed, at every twist and turn, uncertainty about the underlying facts in East Asia exists. If we knew, we might ask different research questions. These days, there is quite some talk about developing a theory of PA for East Asia that is somewhat different from that in the US or UK, but theory building must proceed from a solid foundation of facts. It is evident that exploratory research that gets the facts right is needed. In short, there are problems and dangers of bringing too much or too little advance thought to this project.

We decided to proceed by providing a scope of general topics that constitute essentials, as well as specific concerns that are relevant to a modern, international audience. Such an approach increases the likelihood of relevance; it provides a context for prioritizing and, within that, great leeway for authors to discuss whatever they feel constitutes the basic understandings about their topic.⁷ In comparative studies, such an approach is not uncommon. Comparative research faces numerous challenges. Careful research designs are often stymied by a lack of comparable or quality data; this is a barrier to doing theory-inspired, empirical research. One is often lucky enough to find comparable data that are useful in some way, period.⁸

There are also realistic problems of gaining the collaboration of expert scholars who, as successful people, are overextended and committed to their own research agendas. Establishing a common framework that is broad enough to accommodate the interests of other scholars, while providing enough guidance to allow meaningful conclusions later (everyone wants a successful project), is a viable and useful strategy.

During the meeting of coordinators (and a few authors) in Seoul on February 25, 2007, the first order of business was the selection of subjects within the broad frameworks. Obviously, not everything can be covered. For better or worse, the topics are those presented in this book. Some, such as information technology and ethics, were included because of growing interest and relevance around the world.

Others, such as public policy decision making, were included because of previously reported likely differences. Still other topics that might not have much relationship to those chosen were excluded; for example, even within the discipline, budgeting and finance often stand apart.

Table 0.1 shows which topics were chosen, as well as what we asked authors to focus on as they wrote the chapter for their respective geographic areas. This, too, was decided by the coordinators of each geographic region at the Seoul meeting. It is only through such teamwork for an edited book that the ground can be covered.

The group of editors and coordinators developed detailed outlines for each chapter. Some items urged authors to provide essential facts and contexts of their topics in East Asia, whereas others were closely related to core concepts that are part of public administration theories in the West. By doing this, we wanted the chapters to bring out new facts as well as to connect with Western readers.

The problem of too much or too little guidance was carefully debated for each chapter, and authors were free to deviate from topics in this outline. It was the judgment of those present that this approach would bring out the best by authors in their home countries while, importantly, increasing the possibility of subsequent cross-analysis of the different chapters later. Some readers may feel that we provided too much guidance, whereas others may feel that we did not go far enough. Readers can make up their own minds as to how well we and the authors succeeded. The sequence of chapters provides the best possible introduction for authors, going from the general and broad to the specific and narrow.

The final part of our method was quality control. Authors were selected based on their expertise and reputation for their subject matter in their home countries. All manuscripts went through a three-stage review process. In the first review, they were reviewed by coordinators and others in the country for coverage (scope), accuracy, currency, and objectivity. They were also reviewed by me as editor to ensure coverage that would allow for cross-analysis later. The manuscripts were sent back to the authors, who then resubmitted them. In the second review, I edited the language, format, and structure of the chapters to maximize readability and facilitate comparison; I spent between 3 hours and 3 days on each manuscript. The chapters were then sent back to the authors for final review. In the third review, copy editors of Taylor & Francis fine-tuned the language and made it suitable for publication.

Thus, the result is now this book. It might be noted that what is one person's "basic understanding" is sometimes another person's "exploratory research." I also hope this book increases familiarity with public administration in East Asia and thereby plays a useful role integrating our world just a little bit more. Readers should feel free to contact the authors, all of whom have e-mail addresses that can be found on the Internet.

Evan Berman

Table 0.1 Detailed Chapter Outlines Provided to Authors

First chapter: history and context of public administration Context and driving forces in the development of public administration (PA) (include administrative culture, societal culture, institutional description of government, definition of the public sector, including special districts, if any; note: the chapter focuses on central government) Historical periods of PA (focus on practices, not development of PA as a discipline, though may additionally mention that) Administrative values (inherent in the historical periods, but also in relation to any core values in Western PA: equity, democracy, accountability, relationship with the legislature, efficiency of government, role of government in society (restricted versus extensive or invasive); such a focus on “values” could help link the discussion to the broader global literature on PA) Emerging issues
Second chapter: public policy processes and citizen participation Development of civil society Citizen input in decision making (narrow), participatory democracy (broad) Public-policy-making process (include formulation, implementation, and evaluation stages; the point is to go beyond formulation in legislature) Cases of and innovations in citizen participation Problems of policy-making processes Policy networks (include nongovernmental actors) Give examples or cases
Third chapter: intergovernmental relations (IGR) IGR reforms Driving forces Legal basis and barriers Fiscal relationships Results of IGR reforms Include description of local government as involving special districts, public authorities, schools, taxing districts, etc.; again, discuss any unique features in the administrative system (e.g., Japan has very few special districts) Give examples or cases

Table 0.1 Detailed Chapter Outlines Provided to Authors (Continued)

Fourth chapter: public service ethics and corruption Ethics laws and legal compliance, especially unique features of the administrative system (e.g., nature of financial disclosure) Nature of corruption: individual (e.g., bribery) as well as institutional and organizational (e.g., revolving doors); give examples or cases Efforts to inspire ethical behavior through moral leadership of senior officials, ethics training, codes of ethics, ethics audits, performance measurement relating to ethics, etc.; discuss unique features in the administrative system; give examples or cases Chapter may include international ranking (e.g., by Transparency International or others)
Fifth chapter: performance management reforms Definition of performance management; discuss program and organizational-level reforms (individual-level reforms, e-government, and IGR are discussed in other chapters) Brief overview of history of performance management in the administrative system; include discussion of relevant laws and legal framework Performance management reforms during the last 10 years in detail; provide examples; could include budgeting and agencification Outcomes of performance management reforms—cases, systematic evaluation, etc. Examples or cases insofar as they are unique to the administrative system (e.g., avoid examples of balanced scorecards or citizen surveys that are common and already reported in the international literature)
Sixth chapter: civil service systems Selection of workers and managers: civil service exams are a unique feature relative to the West Status of civil servants in society Benefits and compensation Relationships between civil servants and elected officials Major reforms in recent years (cases, foci; note: this should <i>not</i> be more than 30–40% of the chapter) Include individual-level performance management in this chapter (it is not part of the preceding chapter)

(Continued)

Table 0.1 Detailed Chapter Outlines Provided to Authors (Continued)

Civil service culture at the microlevel (human interactions, bureaucratic culture, comparison with West?) Give examples—this could be an interesting and important contribution
Obstacles for civil service reform
Examples or cases
Seventh Chapter in section: e-government
Main actors and institutional development
Cases and examples relating to improving (1) internal government efficiency, (2) service to citizens, (3) e-democracy
Explanations of why the administrative system is doing or not doing well in the realm of e-government; driving forces, and outcomes
Infrastructure of IT and access (“digital divide”)
E-government in local government
Privacy and other legal concerns

Note: Each of the book’s four sections discusses an East Asian country and is divided into seven chapters.

Notes

1. The public administration of Hong Kong and Macao are subjects of a second book: *Public Administration in South East Asia: Thailand, Philippines, Malaysia, Hong Kong, and Macao* (estimated publication date: Fall 2010).
2. One wonders how far one should go with such statements. Surely, phrases can be lifted out of context and, in this manner, trouble can be created. Whether this is done intentionally or unintentionally, it says more about the reader than about the author’s intentions. Again, none of the authors imply any political statement on the future of Taiwan through their words or their participation in this project. This is a book about administrative systems, not countries.
3. I carefully tried to convey the meanings and intentions of the authors. Although most chapters were written in English, a few were not and some translations required a good deal of work on the part of the editorial team. As but one example, we were puzzled by one translation of what it might mean for managers to “turn into a feather bed.”
4. This is a paraphrase of the legendary U.S. news anchor of the *CBS Evening News*, Walter Cronkite (1916–2009), whose trademark send-off phrase was “and that’s the way it is on [that day’s date]” at the end of each newscast.
5. For the record, during 2006 and 2008, we visited many countries in East and Southeast Asia (Japan, Thailand, Singapore, China, South Korea, Hong Kong, Macao, etc.), always visiting people in our field at universities. Frequent visits to Asia increased my familiarity and also offered evidence of increased globalization in our field.

One thing led to another and now we live in Taiwan. I especially thank Chung-Yuang Jan for making all of this possible. My vision of globalization of our field is shared by National Chengchi University, which has an English-language PhD program closely related to our field. My wife, Dira, a psychotherapist, is responsible for programs that increase the happiness of 1,000 international students at NCCU. The story line of globalization and familiarity is a common one among people who now live and work in East Asia.

6. Undoubtedly, some people would have made these choices differently. The world of academia loves debate, which we welcome.
7. Frameworks for defining essentials are readily found in numerous books on such matters in our field, for example. As a starting point, one can even look to educational curricula to get a sense of what needs to be covered.
8. See, for example, O. Eglene and S. Dawes (2006). Challenges and strategies for conducting international public management research. *Administration & Society* 38 (5): 596–622. They note four categories of errors in such research: nonequivalency of key concepts, cultural stereotypes, universality assumptions, and poor comparative analysis.

Chapter 1

Public Administration in East Asia: Common Roots, Ways, and Tasks

Evan Berman

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1.1 Introduction

Great interest and fascination exists about East Asia. For many years, people have been interested in its culture and ways; from Buddhism to Zen, and from modern electronics to cars, East Asia has become a growing part of the ways of other people. Marco Polo (1254–1324) was among the first to take note, and his curiosity extended to its governments too. Outside East Asia, people may, often rightly, suspect that governments in East Asia have something to do with these countries' unique features and strengths. Not only do government bureaucrats execute policies and programs, but they also often give rise to new ones and shape how decisions by politicians are carried out. Public managers design programs, direct resources, work with community leaders and elected officials, and work diligently until success, by some measure, is ensured. Government, at its best, is a cooperative and proactive undertaking that involves many actors in society, and public managers are often at the heart of that.¹

For people working or studying government, there are practical reasons to increase knowledge about public administration in East Asia. In an increasingly global world, understanding how policies are made in other settings and how public managers see their roles and opportunities is essential to establishing productive working relationships. Similarities are sometimes mistakenly presumed to exist; the roles and powers of governments in East Asia are a bit different from those in the United States. Different conceptions exist about the “political neutrality” of civil servants. Countries do not prioritize or define “democracy” in exactly the same way, and not every government or population is prone to viewing abortion as a preeminent moral issue, for example. As the production of knowledge has become more globally dispersed, a need exists to better understand the historic and present contexts and facts of different locales. These facts and contexts shape policies, programs, how managers work, the role of laws, and outcomes. The need to increase familiarity of public administration in East Asia is increasingly felt by scholars throughout the world, as well as by scholars and students in the region.²

For a long time, there has been a need for a book that would bring together understanding and analysis of public administration in East Asia. This chapter provides an essential overview of public administration in East Asia based on syntheses of other chapters from this book. Readers interested in the methodology used to develop these chapters should consult the book's introduction. Because this is a book about *administrative systems* (rather than countries), the phrases *Taiwan* and *Mainland China* used in this book refer to the geographic areas in which these administrative systems are found. At the time of this writing, the sovereignty of the island known as Taiwan is hotly contested, but authors do not make any statements, implied or otherwise, about the future status of Taiwan. This is a book of knowledge and scholarship only.³ All authors agreed, through their participation,

to honor this understanding because this is a sensitive issue to many participating Chinese authors. Regarding the island of Taiwan, the known and uncontested facts are that it has a government for which people work and that can be studied. The editing of this book reflects this understanding and use of language. All shortfalls rest with me, not the authors.⁴

In comparative works, cautions about cultural relativism and cultural provincialism are always appropriate. Cultural relativism refers to the principle that activities and beliefs of other peoples should be understood in terms of their cultures, whereas cultural provincialism refers to the danger of one's own cultural worldview blinding one to seeing other, different points of view. Try as we might to reach these ideal standards, at least they provide constant and powerful reminders to guard against closed-mindedness and instant judgments, no matter how right they appear at the time. As editor and author, I made sure that this chapter was reviewed by editors and coordinators of the region.

But the knife cuts both ways. In a chapter in his book titled, "Some Warnings about Studying the Chinese Scientifically," in the subsection "We Are Unique!" Michael Harris writes⁵:

All groups value their identity and creations (and) a culture or nation is one such grouping. [G]roups, especially when they feel under attack (or even under scrutiny), are likely to close ranks and assert that they are special, different or unique from other cultures or nations. The claim of distinctiveness nourishes a group and sustains the pride of its members. Groups avoid making cross-cultural comparisons and challenge any comparisons that are made. They will claim that the investigator did not adequately understand the culture examined, that the measures distorted the real cultural phenomena, or that the interpretations of the results were biased. (pp. 1–2)

The word "unique" was omnipresent in many initial manuscript submissions. People familiar with the history of East Asia should not be surprised; people in all four geographic areas—Mainland China, South Korea, Japan, and Taiwan—have a history—and often present day experience—of being threatened or under attack. The corollary sense of national or historic pride is strong, and using the term "unique" may simply reflect prevailing society sentiments. The term "uniqueness" is also designed to create or justify separation from others. It is easy to claim being unique in without critical examination or access to comparative facts. In truth, familiarity with public administration practices in East Asia is not widespread, even among many scholars in the region. The chapters in this book now provide the basis from which to identify commonality among the administrative systems of East Asia; it even examines the case for regional distinctiveness.

1.2 A Matter of Perspective

Regional distinctiveness is not a well-defined concept, but it surely points to such concepts as culture, history, and specific contemporary expressions that are important in some way. Distinctiveness concerns unique or distinguishing features that are both important (“defining”) and enduring in nature. Distinctiveness is not found in trivial or insignificant matters, and it is not of a fleeting of nature; although it may change, it is typically connected to a people’s culture that is rooted in their past and thus enduring. History gives rise to culture, which gives rise to distinctiveness. Indeed, it is often observed that peoples with distinctive, common group (or isolated) histories tend to develop distinctive cultures too.⁶ Is there regional distinctiveness in the public administration of the four administrative systems of Mainland China, Japan, South Korea, and Taiwan? If so, what is it? All modern governments face fairly similar tasks (raise revenue, provide education, health, security, etc.), but they may vary in how they go about these matters, sometimes because of their history, culture, or present conditions.

The following 28 chapters provide understanding of their subject areas, but were not designed to answer the preceding question. Although one can imagine a dry accounting approach that tabulates areas of commonality and differences among the four administrative systems found in these chapters, such an approach, however insightful, is insufficiently designed to identify regional distinctiveness satisfactorily. If we are to use this material to address this question, a creative and imaginative approach is needed.

The *first* approach is that of a “bird’s eye view” that identifies and examines relationships among the administrative systems of history and of the present day. It asks, did administrative system X have something or do something that affected administrative system Y? Did administrative system Y articulate core values, have key challenges, or adopt important policies that affected administrative system Z? Based on such interactions and relations, is there a tale to be told of a common or shared past (history) that leads to common, perhaps even distinctive, roots of their administrative systems today? Answering these questions requires that one maintain the right distance.

Analogously, pictures of the Earth taken from outer space point out commonalities among countries that are almost impossible to see when standing on land. Here, we “hover” above the four administrative systems of East Asia and focus on identifying time-bound patterns of interaction. The chapters in this book provide plenty of grist, facts, and pointers to make this bird’s eye view a rewarding and well-textured one.⁷

The *second* approach recognizes that public administration is in part the product of how people see their relationship with government and other people. It is about the ideas that people have in their minds about what and how public administration should be. This approach looks into these regional ideas about public administration and, more broadly, the cultures from which they come. Rather than standing above the region, now we seek to go deeply into it. Specifically, East Asia is

well known for its Confucianism philosophy, which provides ideas about relations between people and about the proper roles of people in society. Contemporary culture is shaped by these understandings and provides valuable insights into the priorities of people and how they deal with specific situations; it provides the foundation and other building blocks on which public administration stands.

The *third* approach, then, identifies common tasks and challenges of public administration mentioned by the authors of these chapters. History and culture are important elements and sustaining forces of distinctiveness, but they do not always provide the substance—the items that constitute regional distinctiveness today. Tasks and challenges are also born out of present day conditions and circumstances that are not always related to the past.

Of course, commonality does not make for distinctiveness vis-à-vis the rest of the world. Here, I identify histories, cultures, and tasks that differ from those that are common in the United States. The selection of the latter speaks to the strong influence of U.S. thought concerning public administration in the world market (a majority of book sales are expected to be in the United States) and, admittedly, the convenience of familiarity (see my brief biography in “About the Authors”).

However, I am also keenly aware that U.S. culture is itself highly distinctive (such as in its exceptional degree of individualism and fundamental distrust of strong, central government) and endeavor to consider this aspect when making conclusions. Also, I am able to take some perspective from the companion book, *Public Administration in Southeast Asia: Thailand, Malaysia, Philippines, Hong Kong and Macao*, which is soon to be published. Each of the following sections discusses the results of the preceding approaches and tells about common roots, common ways, and common tasks.

1.3 A Bird's Eye View

Public administration in East Asia has common roots that live on today. All authors note the historical emergence of civil service exams that are basic to entering the profession. Among the four administrative systems, they originated in China in AD 587 and were first used in Korea in 958. Japan adopted them in 1887. Civil service exams have been available to Taiwan since the beginning of its current administrative system in 1949. The roots of these tests lie in the tradition and expectations that mandarins are of good character and among the best and brightest in society. In all administrative systems, these tests are administered through the personnel departments and continue to be seen as highly demanding. Both in the ancient past and the present, they were designed to ensure that only very well-qualified candidates would be recruited by government.

Most administrative systems have different exams for different levels of entrance grades. The spirit and rigor of these exams are similar to those of bar exams for lawyers in the United States. Kim reports that competition in civil service entrance exams is very stiff; in South Korea, only 2,900 of 187,562 applicants were selected

in 2006 for the lowest grade of civil service.⁸ In Taiwan, Su (Chapter 28) reports that 78.3% of civil servants have a college degree. Beyond this, in some administrative systems for some functions, promotion requires passing a similarly highly competitive exam as well. Authors report that such tests contribute to a positive image of public officials in society.

The four administrative systems also have more recent legacies of strong bureaucracies. All these systems have unitary government structures. This means that all powers not devolved to lower levels of governments reside with the central government, which reserves the right to recall its delegated powers and override decisions of lower levels. Also, until relatively recently, central government bureaucracies played powerful, “dirigiste” roles, advancing economic development and directing society in other ways. Bureaucrats have been very powerful in South Korea, Japan, and Taiwan, but have lost some of that in the wake of recent democratization and decentralization efforts. Those in Mainland China still have extensive power and seem able to shape decisions of large companies and force important decisions upon society. Strong Chinese measures in the wake of health crises, food scandals, and economic competition are just some examples of the strength of bureaucrats’ power.

The historical record of the development of strong bureaucracies also ties countries in East Asia together. Japan first began to build a strong bureaucracy after the Meiji Restoration in 1868, when the emperor regained power over feudal lords, established a unitary government, and began modernization. Mainland China has a long historical record of dynasties with strong and effective central governments; however, at the beginning of the industrialization of the late nineteenth century, the Qing dynasty was in disarray and coming to an end. By that time, Japan had an effective central bureaucracy. It occupied Taiwan in 1895 and sought to show it as a model colony, introducing an effective central government that made efforts to improve the economy and infrastructure.

When the KMT (Kuomintang) was ousted from Mainland China and moved to Taiwan in 1949, it inherited this government structure. Japan assumed complete colonial control over Korea after 1905 and likewise established a strong bureaucracy. Though Japan harshly subjugated Korea and its people for its own gains,⁹ this bureaucracy nonetheless became the basis of its own strong bureaucracy at the end of U.S. military rule in 1948. Mainland China rebuilt a strong central bureaucracy under the Communist regime, beginning in 1949 under Chairman Mao.

Ingrained into many people and leaders of the four administrative systems is also the abject history lesson that the absence of strong central government spells times of chaos and great suffering. This occurs either by (1) inviting foreign invasion with ensuing loss of sovereignty and human suffering, or (2) being unable to prevent feudal lords from incessant warfare against each other. In Mainland China, the end of the Qing dynasty and the ensuing republic (1912–1949) constituted a period of great instability and warring factions and inability to protect its interests in Taiwan and Korea, which China lost.

The ineffectiveness of the late Chosun dynasty in Korea created the opening for foreign invasions, inflicting great suffering on the Korean people. The U.S. Navy's superior weaponry¹⁰ forced concessions from the Japanese in the early 1850s and was one of the reasons forcing Japan to seek modernization to protect its sovereignty against foreigners, which it saw as threats. World War II brought further suffering to the people in Mainland China, Korea, and Taiwan and eventually to those in Japan. Not surprisingly, all four administrative systems have been characterized by strong central governments since World War II. In modern times, the role of the administrative system is strong in society, and central government is the core of the administrative system.¹¹

Another common feature is the slow emergence of democracy in the four administrative systems, with an emphasis on freedom from restrictive rules, including the freedom to speak up and demonstrate. All people like freedom, but democracy as an institutionalized system is not of this region. In various forms, citizens in the postwar period have been restricted or have had little input in the four administrative regions. Korea experienced varying autocratic rule, military rule, and martial law until the 1980s. Taiwan experienced martial law until 1987. In both settings, citizens' rights were obviously restricted.

The allied occupation drew up a parliamentary constitution for Japan in 1947, but in practice a powerful and closed bureaucracy made many decisions for the people. In Mainland China, where citizens are presumed to be represented by the Communist Party, they have had little freedom to voice opinions effectively or even relocate. In all four administrative systems, early demands for democracy are closely associated with the freedom to speak up and express oneself, including demonstrating and forming political parties. Japan has experienced calls for democracy since the early 1970s, Korea and Taiwan since the 1980s, and Mainland China since about 2000.

The experiences of South Korea, Taiwan, and Japan show that the demand for participation in each instance dramatically and quickly curtails the power and initiative of previously strong bureaucracies. Consultation and societal consensus building with the public is now called for, which places substantial power in the hands of politicians rather than bureaucrats. Public agencies are capable of working with the public, of course, but the public wants change from previously autocratic policy making of the past; society now wants to see more subservient public agencies under political and public control and direction. The strong, autocratic, and sometimes dirigiste bureaucracies of the past are no longer accepted. Japan seems to have experienced this since the early 1980s and South Korea and Taiwan since the late 1990s.

To be sure, civil servants are still respected, but a little less so than before. Members of the public still want agencies to protect them in various ways and to increase opportunity for them. With economic prosperity have come increased demands for participation and public control and resentment for past autocratic and exclusionary rule, not to mention more sophisticated demands from a more prosperous population. Those currently concerned with the rise of Mainland China

as a new global superpower would do well to consider the developmental paths of these other administrative systems, as well as to recall similar concern with Japan's rise as an economic superpower in the early 1980s. Trees grow tall, but not as high as the sky, regardless of their uniqueness.

The preceding features begin to tell a story of distinctive, historical roots of public administration in this region. Concisely stated, they tell the story of being conquered and experiencing great suffering and of putting trust in both civil servants and strong, central government for protection. Good things sometimes happen for its citizens when their central governments are strong; bad things often happen when their central governments are weak. This continues today (e.g., China's rise to economic power). They also show some modern shifts whose consequences remain to be settled by history. A less proactive central government may not be in the best interests of small or even large countries in an uncertain global world; a new balance between the public sector taking initiative and democracy may need to be established before too long in both content and process.

Though the preceding trends are also common to some other countries, the preceding history surely tells a story that is vastly different from that of U.S. public administration, which has roots in a strong thirst for individual freedom and distrust of large government. Many Americans believe that bad things happen for them when their central governments are strong. This has given rise to a very different set of long-standing facts: providing broad access to civil service (hence, not seeking demanding civil service entrance exams), having a weak federal system in which federal and state governments operate largely independently of each other (as do many of the other, mainly local, 87,000 governments in the United States—a number whose significance often is overlooked¹²), and a system of checks and balances that thwarts any possibility of a strong central government. Notable exceptions are found in defense, technology and health. Regions have different histories that are reflected in their own versions of contemporary public administration.¹³

1.4 Culture as Mind, Mind as Culture

"Culture" has many meanings and definitions that include shared attitudes, values, goals, and practices that characterize a group, as well as an integrated pattern of human knowledge, belief, and behavior. The concept is a bit amorphous, to say the least, and often finds useful meaning in the context and purposes for which it is used. Quite simply, how people see themselves and their roles toward others, how they see their role in society and that of society's institutions (like government), and what they believe is appropriate and instrumental action in different circumstances powerfully shape what practices actually occur. Public administration is a realm in which these beliefs are played out. It is shaped by what many people, usually over a very sustained period, have come to see as a set of useful and proper purposes, relationships, means, and ultimate values of public agencies and the people who are in them.¹⁴

1.4.1 Individual/Group

Consensus exists that Confucian philosophy is key in and distinctive of East Asia. This is not because Confucius (551–479 BC) was Chinese and thus from this region, but rather because the philosophy has had a very strong guiding impact on its culture. In brief, Confucius lived during a period of great social and political crisis in China, and his teachings sought to help people and kings create order and peace. Confucianism identifies five basic human relationships in society¹⁵ and instructs people how to fulfill their roles appropriately in relationship to others as well their own values and assumptions. Confucianism includes ethical and moral principles of virtue (especially loyalty, honesty, and politeness), as well as benevolence, humanity, and self-reflection.¹⁶

In Confucianism, relationships are hierarchical (even among friends, who take turns leading) and the reciprocal duties of subordinates and superiors are central. Duty and responsibility are defining words in Confucian thought. Confucius believed that if everyone performed his or her duties, then society would be harmonious and stable, and war would not ensue. These are key end goals and, like all great teachings, commentaries and branches exist on all these matters.

Modern cultures are affected by many forces, of which traditional “roots” are but one. Authors in this book note elements in modern human relations that conform to Confucian traditions. Family relations are central among the basic human relations in Confucian thought, and “familism” is the practice of modeling relationships, groups, organizations, and society after family structures. Familism is ever present in East Asian culture. For example, at work, people should try to get along as a functional family; especially important is the duty toward one’s supervisor, who has the responsibility of heading the workplace “family” in a way that is a bit analogous to a father (parent) heading a family. Duties emanate from one’s roles toward one’s boss, co-workers, or citizens. “The notion of accountability being embedded in such personalized relationships is consistent with the Confucian heritage and traditions, which emphasize fulfillment of duties,” writes Jan (Chapter 23).

In East Asia, the mind sharply focuses on *roles*,¹⁷ *correct behavior*, and *harmony* in relationships.¹⁸ Duty provides the opportunity (or “space”) to contribute to others and thereby leads to a place in society and in the group, material rewards, and fulfillment.¹⁹ Saying “no” does not come easily. Failure to contribute or conduct that violates moral or group norms is frowned upon.²⁰ East Asia is a group-based work culture that fosters committed, cooperative, courteous, and very hard working civil servants, driven and sustained by a sense of duty toward their groups, hierarchical relationships, preferences for harmony, and the advantages that these relationships bring.²¹

1.4.2 Organization

The impact of East Asian culture on organizations is foremost in human relations (and hence roles and decision making), rather than on the structure of organizations.

Organizations take on traditional Western bureaucratic form, but relations are strongly *hierarchical*, which is consistent with the Confucian view of important relations. Titles matter, defining ranks, roles, and the expected behaviors of others. Harmony is maintained by reciprocal relationships, such as between a superior who, like a father, is expected to be benevolent, and subordinates who, like sons and daughters, are expected to be obedient and to observe propriety (correct behavior for their position).²² Hierarchy is also present in co-worker relations; those with less tenure are subordinate to those who have more, which affects how decisions are made (e.g., who speaks last).

Even in organizations with relatively flat formal structures, relationships are hierarchical. The paternalistic orientation of familism also makes East Asian organizations highly *leader centric* (there is only one father); subordinates, even managers, are often reluctant to show self-initiated leadership unless it has been explicitly demanded or sanctioned by leaders. Beyond this, familism also provides a self-evident basic framework for relations among organizations in the unitary state: The central government leads, and all other levels have their appropriate, subordinate familial duties to fulfill.²³ Hierarchy is often rooted in familism, a desire to avoid chaos, and concern for chain of command.

Job descriptions are few and vague because workers take their cues about job tasks and responsibilities from their superiors. East Asian bureaucracies have many rules to inform subordinates of what is expected of them, but rules can be and are put aside by leaders (though increasingly with caution where concerns of corruption are high). Because identities are attached to groups foremost, Western notions of professionalism hold less sway. As Jan notes, “Western notions of professionalism, job descriptions and employment contracts have arguably less impact on people’s actual job content on a daily basis than their perceived duty towards their supervisors.”

Consistent with preferences for harmony, trust, and conflict avoidance, chapters in this book show organization-wide *consultation* and *consensus*-based decision making. Even seemingly minor decisions are sometimes run through multiple departments before a leader signs off; diverging opinions are debated until consensus is reached. Leaders often have “open door” policies for everyone. Important but nonurgent decisions may take months or even years to make. Though time consuming, doing so builds trust at lower levels of the organization (who are given voice), minimizes resentment against agency leaders (who can avoid giving their opinions by letting others give theirs), and ensures implementation through prior acceptance.²⁴ Organizations in Korea and Japan are thought to exemplify these matters more than those in Mainland China and Taiwan, but scholarship on this is not well established.

Confucianism has increasingly negative connotations to some, causing bureau-pathologies, such as authoritarianism, formality, fatalism,²⁵ compassion,²⁶ and factionalism. The argument is that the culture of practice and orientation increases the propensity of East Asian organizations for these and other problems. The pitfall of strong groups is, well, “groupism” and factionalism, which in turn impede intraorganizational communication and lead to the observed behavior of “working hard but achieving little.” Groupism can cause work to be done inefficiently and

poorly by failing to draw on support from other group members (who have their own duties), failing to utilize support outside the group, having little accountability toward tasks in order to maintain harmony, and engaging in rivalry between some members; group culture does not always mean high-performance team culture! Standards often need to be added.

Another pitfall of hierarchy is authoritarianism, which breeds faction forming and revolt;²⁷ political faction forming has a long history in East Asia that modern leaders seek to avoid. A third pitfall of hierarchy is excessive dependence on leaders and rules for direction. Akizuki (Chapter 9) states that “bureaucrats act only after the law allows them to” and notes that “excessive reference and dependence on a legal framework leads to a lack of flexibility.” Self-directed initiative, acting on the purpose (goal) rather than the letter of rules,²⁸ and looking beyond the immediate confines of one’s job are often lacking; this conduct may be seen as inappropriate (not knowing one’s duty) or risky (inviting disharmony). The discussion of performance strategies gives attention to these problems.²⁹

The influence of American and European culture on East Asia should also be noted. The sharp edges of formality have surely worn down in past decades, leading to more relaxed relations at work. Authoritarianism in human relations is out and democracy is in, though relationships are still often decidedly hierarchical. A degree of individualism and creativity is now accepted and, in some cases, even expected. Leaders are also likely to articulate performance standards more clearly.

1.4.3 End Purposes

Historical experience and episodic crises in such areas as security, economy, and the environment continue to sustain values of a paternalistic administrative systems state that protects and provides for its citizens. Duty and pragmatism are recurring elements in deciding what to do; the debate is neither philosophical nor imbued with legal argument. Citizens need to be “nourished” in ways that build up a strong nation that is globally competitive and keeps its citizens content. This includes instilling a good dose of self-reliance and responsibility, just as parents would do for their children. By and large, citizens appear willing to follow reasonable restrictions or directives that the administrative state puts on them as the price to be paid for the protection that provides excellent universal health care and education, retirement security, and rising prosperity, for example.

A strong administrative system is expected and desired. For the administrative system, the matter turns on goals and practical approaches for strengthening the nation and citizens in a competitive and sometimes very dangerous world. Public discourse often is about administrations’ directions or their failures to determine a direction, typically in specific policy areas such as security and the economy, as well as environment and health issues.

In policy debates, Confucianism has only a weak background presence and is viewed with reserve and skepticism in more “open” or active manifestations.

Confucianism and traditional cultures are blamed for uncompetitive practices and have been used as justifications for unpopular ones. Several authors in this book note corruption originating from interactions of business and the political elite. Confucianism and traditional values did not stop that and may have furthered it by promoting obedience to hierarchical leaders. Confucianism and traditional values are also blamed for leaders' initial reluctance to develop a modern welfare state, relying instead on family support and even other employees to address the needs of workers, as well as on legal enforcement of filial obligations for care of older adults.³⁰ East Asian policy makers prefer modern theories that provide more certain and pragmatic guidance in pursuit of their ends.

In all four administrative systems, the historical and cultural practice of embedding accountability foremost in individual morality and in the duty of positions and relationship is now widely recognized as inadequate. The demand for participation, democracy, and business participation in the global economy has led to increasing emphasis on strengthening the rule of law in the last 20–40 years. Consensus now exists that the rule of law is an essential foundation of administrative systems and interactions in society. Jing (Chapter 2) states that “the post-1978 period highlighted a gradual internalization of modern legal standards by Chinese public administration,” and he notes increased protection of human rights, litigation rights, and due process protection. Jan (Chapter 23) writes:

Laws are key to establishing and maintaining democracy [in Taiwan], and there is evidence that people have mustered a respect for the rule of law....Laws regarding freedom of information and access and input into administrative decision making exist and find active expression.... Laws are protected and safeguarded; there is strong vigilance and concern for not going back.

Consensus exists about the central importance of the rule of law, as well as the need for more effort to realize it fully.

In conclusion, the East Asian familism and duty-based culture surely is distinctive; it shapes how people see themselves, how they deal with others, and what they believe the role of administrative systems is. It fosters committed, cooperative, courteous, and hard-working civil servants in strong groups with consultative and consensus-based decision-making practices. It leads to policies that comprehensively protect and nourish citizens. By comparison, the U.S. culture is distinctive in its own right, emphasizing individualism, contractual obligations (rather than relationship-based duty), community responsibility (rather than toward groups), respect for the law, and preference for quick decisions. Individualism and distrust of strong central government also lead to policies that provide limited security and “nourishment” of citizens. Seen this way, the two cultures could scarcely be more different (though all cultures have points of mutual understanding, of course).³¹

1.5 Common Challenges

Although governments face many similar tasks (defense, economic growth, health, etc.), their priorities and developmental needs may vary in place and time. The chapters in this book show that the four administrative systems in East Asia share common priorities. The way that they give expression to these challenges and priorities also shows regional distinctiveness that is rooted in history and culture. The following sections focus on these priorities and also show the formidable ability of East Asian people and their institutions to adapt and innovate pragmatically with foreign models and practices to fit their ends.

1.5.1 Participatory Government

All four administrative systems endeavor to increase democracy in their public policy processes, understood as giving citizens increased voice in decision-making processes. Government needs to be subservient to the people and serve them. The shift was sparked by transitions from autocratic to democratic governments in Taiwan and South Korea in the late 1980s, and citizen discontent with exclusive policy-making processes in Japan in the 1990s in the wake of economic slowdown and government response to the 1995 Kobe earthquake. The Chinese Communist Party also recognizes the need for citizen participation to ensure stability and reduce resistance from citizens and society for government policies. As Dong, Yang, and Wang (Chapter 5) state regarding Mainland China, “Establishing a harmonious society requires that government officials put the public interest first and use it to guide their activities and management....The shift from ‘the party and the country first’ to ‘people first’ is a significant advancement in the Chinese governing process.”

Initial experiments with participatory government by giving voice to citizens have been anything but smooth. Mainland China’s experiences with “democracy” (e.g., Tiananmen Square protest in 1989) and various violent Korean demonstrations raised alarm among leaders, especially given cultural preferences for harmony and conflict avoidance. Since then, East Asian administrative systems have developed processes that fit well within traditional public policy processes of consultation and consensus forming. Authors describe these variously as policy circulation or bottom-up policy-making (*ringi* in Japan).

Like consultation within organizations, these are intended, as Lah (Chapter 17) describes of public administration in South Korea to “collect opinions and build broad consensus among government, interest groups, experts, and related parties in each stage of the policy-making process.” This creatively extends well-known organizational processes of consultation to those of society. A cultural preference is for developing “institutionalized channels” of communication, consultation, and consensus building that, as Lah states, “nurture the democratic policy-making culture.” The channels need to provide an effective way of expressing, receiving, and

deliberating opinions from many different segments of society (citizens, interest groups, business, other agencies, etc.). It might also be noted that the word “opinion” in East Asian culture is more than just an idea; it is tied to the position of the person speaking it. In a hierarchy, the control of citizens over government means that government must acknowledge its subservient place by carefully considering each of the opinions of its citizens.

The broad-based consultative approach has led to interesting innovations. Korean government runs more than 400 “policy communities,” which are conferencing groups that collect opinions and build broad consensus among government, interest groups, experts, and related parties in each stage of the policy-making process. In city government, consultation and consensus building on large, important projects can involve hundreds and hundreds of meetings in which people give input, work toward consensus-based decisions, and address individual complaints and circumstances. These processes occur in each phase of the entire project. Huang and Tu (Chapter 24) describe that, in Taipei, agency heads have an e-mail inbox that allows citizens to write to complain or give suggestions. Public agencies in Taiwan have developed policies for official registration, investigation, and response within a certain number of working days for each e-mail received. In 2006, about 4,000 e-mails were sent to Taipei city government through this channel each month, and the number is increasing.

In both countries, difficult policy issues now make use of very comprehensive participatory government strategies, including conferences, deliberative polling, online forums, scientific surveys, e-mail boxes, multiphase scenario workshops, and so on. In Taiwan, mediation commissions are required by law in smaller local governments (towns, villages, and small cities); they are designed for putting an end to all manner of conflict, such as those between neighbors or couples as well as land and government disputes. Doing so decreases the caseload of courts and conforms with the customs of society to settle disputes outside court.³² In Korea, conflict resolution strategies are developed too, and a law is being debated that would institutionalize prescribing the establishment of communication channels between participants of a given policy agenda. Government officers, interest groups, issue experts, and nongovernmental organizations (NGOs) may have deliberative discussions, and mediation and coordination of conflicts can be made.³³

By contrast, efforts in Japan and Mainland China are in the beginning stages, but also follow the cultural practice of creating channels for extensive deliberation and consensus forming. Japan has encouraged the formation of NGOs to give shape to civil society and hopes that they will become a key channel and institutionalized mechanism for citizens to have effective voice in all stages of public policy processes. In China, the goal of “scientific and democratic” policy making was adopted by the Chinese Communist Party and the Chinese government in the late twentieth century. Being “scientific” means to involve experts and respect their opinions during the policy making, and “democratic” means using participation by citizens and related interest groups, as well as a broad range of policy makers. Yet, as

Li and Zhu (Chapter 3) note, there have been “many slogans but few actions” and “few initiatives with many controls.”

Historically, participatory government is hardly a new idea to East Asia, but efforts to find effective expression in modern times are. Authors state that outcomes are still not satisfactory and that more needs to be done, including institutionalization and evaluation. The public demand for participation is strong. There is regional distinctiveness in preferences in using participation and consultation for consensus building and avoiding open conflict (lack of harmony), for casting consultation very broadly (among all relevant actors in society), for developing participation and consultation channels that are institutionalized and effective, and for pragmatically developing and innovating processes, as needed. These preferences are clearly not fully realized. There are clearly social forces that hold them back and others that need to be considered, such as the central government that has to acquiesce and make it happen. Yet, a clear common task among the four administrative systems is to develop these processes further.

1.5.2 Local Governance

Among the four administrative systems, decentralization of the central government is noted as a common task that is recognized as an important factor in their future development. Each adopted unitary systems after World War II befitting their culture, history, and circumstances, but now centralized decision making is seen as a chief obstacle to growth and a poor way of dealing with increasingly complex local problems and local demands for voice. Decisions need to be pushed out. This insight is not new. Lan and Chen (Chapter 4) state that, in 1954, Chairman Mao wrote that “attention should be paid to the expansion of local power, more local independence, and allowing local governments to do more things....Our country is so big, so populous, and so complex. Having both the central and local governments mobilized is better than having only one of them mobilized.”³⁴ They write:

Mao paid attention to the decentralization practice in Europe as well as in the United States and thought that division of power was their secret of good economic development. He admitted that central government had centralized too much power and it was too much for him to handle. China should learn from the United States’ decentralizing its central power into 50 states.³⁵

This obviously did not happen in 1954, not in Mainland China or in any of the other administrative systems of East Asia. All authors agree that increased local autonomy (and governance) is still in early stages of development, occurring for about 20 years now. It is driven by demands by local voices, democracy, special conditions (e.g., overdevelopment in Tokyo), and growing confidence and trust of central government in the capacity of local government.³⁶ In all administrative

systems, numerous functions have been transferred or delegated from the central to local governments, and sometimes a few new local entities have been created too. In the unitary state structure, central governments maintain oversight, resolve conflicts between local governments, and coordinate boundary-spanning issues. Additionally, in Mainland China, state enterprises have been privatized and some debate pushed out to the People's Congress, too, as way to push out decision-making duties of the State Council.

In all four administrative systems, the current key issue is to reduce the financial dependence of local governments on central governments in order increase autonomy in decision making; for example, intergovernmental fiscal transfers in Korea as a source of local revenues in nonmetropolitan cities is about 50–70%.³⁷ As Chen and Lue (Chapter 25) note, “Money speaks loudly in IGR [intergovernmental relations].” In Mainland China, a concern also exists to ensure an effective checks-and-balances system of more powerful local leaders.

The essential dilemma is well summarized at the end of Chen and Lue's chapter about Taiwan; they state that, with a long tradition of centralized governance, the struggle is with “finding a proper way to reconcile local demands for democracy and autonomy with needs for authority and stability.” The problem is reframed in familial terms:

An analogy can be drawn to describe IGR in Taiwan as a movement from “central dominance to paternalist decentralization,” where the central government acts as if it were the parent of a teenage child. On one hand, parents want their kids to be independent in the long run, but they cannot help taking over issues that might go wrong if managed by the teenage child. On the other hand, the teenager wants to be independent, but blaming the parent will always be attractive in easing the burdens of responsibility. How IGR in Taiwan could break this “paternalist curse” depends on future development....

The ultimate test, which seems to be well understood by policy makers, is not the implementation of any particular strategy (called “decentralization” or whatever), but rather whether local entities can sufficiently create new opportunities and strengthen the nation through local governance in a unitary framework.

1.5.3 Corruption

Corruption has become the bane of citizen trust in government. All four administrative systems experience corruption involving politicians, bureaucrats, and business. Lee and Jung (Chapter 19) describe that, in South Korea, “the political elite then used their regulatory power to solicit political funds from the *chaebols* [business groups] in return for privileged business deals and political contributions.” Kamiko (Chapter 12) states that typical cases of corruption in Japan are related

to bid rigging: “Backroom intervention by government officials in the process of tender is frequently discovered,” resulting in payments to officials who can guarantee or further selection.³⁸ Such payments include cash, as well as discounted stocks, club memberships, below-market real estate, and so on. Dong, Yang, and Wang (Chapter 5) describe that, in China, in the 1980s, agencies often had their own business and control to key industrial resources: “Some people in the private sector resorted to bribery to gain access to these resources.” Today, user fees, fines, permits, and regulatory processes provide leverage for corruption.

For politicians, running political campaigns has become increasingly expensive in Taiwan, South Korea, and Japan. The need to raise cash often causes them to draw on business sources, which in turn leads to corruption. Chen and Juang (Chapter 26) note that, in Taiwan, “vote buying for the KMT [leading party] candidates in the elections has become rampant...[and] the KMT [has] turned to local factions...many of which ha[ve] ties to criminal networks.” Political corruption often affects bureaucrats.³⁹ Corruption in each of the administrative systems is far more frequent than “incidental.”

According to Transparency International, general perceptions of corruption in countries rank Japan 18th among 180 countries in the world (tied with the United States), Taiwan is 39th, South Korea is 40th, and China is 72nd.⁴⁰ The low ranking of China undoubtedly reflects what Dong, Yang, and Wang describe as “lack of enforcement of the law and rules.” Notwithstanding that China’s prosecutorial offices investigate over 40,000 cases annually and have increased the severity of penalties, “many believe that the chance of being investigated is low.” The rankings of Taiwan and South Korea reflect ongoing, high-profile attention to corruption cases; for example, in 2009, both countries saw their former presidents investigated for corruption that extended to family members. Roh Moo-hyun (South Korea) committed suicide before being indicted on charges of influence peddling and corruption, and Chen Shui-bian (Taiwan) was arrested and incarcerated pending trial for money laundering and corruption.

Japan’s higher ranking reflects the “institutionalized” form of *amakudari* (“descent from heaven”), through which senior bureaucrats land attractive postretirement employment in business using, as Imanaka (Chapter 14) states, “aggressive ways” to achieve this. Amakudari may be offered for having given businesses preferential treatment, and those receiving it are expected to secure further advantages for their new employer through their former co-workers. Although Japan also has high-profile political corruption cases, amakudari is less visible to the public eye—a factor that affects these rankings.

A task for all administrative systems is to increase the effectiveness of their anti-corruption programs. In all four systems, the rule of law has been sharply strengthened in all aspects of life, including in ethics. Jing (Chapter 2) notes that “the traditional Chinese public administration was not a system of rule of law, but of man, and, in the ideal case, of moral man”; however, moral man may fail and not all leaders are moral. In the 1990s, China raised the level of penalty, including capital

punishment, for conviction of corruption. Nonetheless, the effect of anticorruption measures has been limited. Law is necessary but is not enough in anticorruption efforts. In 2005, the Chinese Communist Party (CCP) Central Committee issued the “Summary of Establishing a Sound System for Punishing and Preventing Corruption,” emphasizing the importance of anticorruption education, institutions, and oversight, and setting the goal of a comprehensive framework by 2010.

South Korea, Taiwan, and Japan already have extensive strategies. Those of South Korea and Taiwan are a bit young, receiving great invigoration after democratization in the late 1980s. Today, both have modern policies, such as financial disclosure for elected officials; real-name transactions in banking (Korea); vigorous investigation of corruption allegations; whistle-blowing protections; restriction of postemployment opportunities; greater transparency through e-government transactions, permitting, and bid tendering; and the adoption of new codes and ethics education for civil servants. Most of these efforts were developed or reinvigorated in the last 5–10 years.

The regime of Japan’s anticorruption programs and laws is much older, dating to 1947 or before. Japan has also structured its retirement benefits to promote ethical conduct: Benefits increase sharply only after many years of service and then become generous; an employee who is dismissed (or encouraged to leave) receives little retirement benefit at all. Japan has long put emphasis on ethics training of individuals, which has been further strengthened in recent years. Yet, addressing *amakudari* has long proven difficult and tied to its hierarchal culture. As Kamiko (Chapter 12) states:

Following the tradition from the bureaucratic world before World War II, most central government officials, especially those entering the service with the highest qualifications, retire much earlier than the compulsory retirement age of 60...This is to ensure that those who joined the ministry later do not overtake their predecessors and become their predecessors’ boss. Therefore, the rule is that if one cannot remain in the ministry without becoming a subordinate of a younger colleague, the ministry asks that person to retire. When the ministry asks someone to retire, the ministry feels compelled to offer him or her a job with comparable income because the official retirement age has yet to be reached. Thus, it is very difficult to discard the practice.

Change is difficult, but not impossible.⁴¹ Revolving doors have been curtailed elsewhere. Imanaka reports that the 2007 National Civil Service Law includes anti-lobbying rules and postemployment rules that, though narrowly construed, start to address this problem.⁴²

For centuries, many authors have noted that corruption in East Asia is more common and attached to less stigma than in the West. Caution is appropriate using

regional culture as a possible explanation for corruption because corruption is often rooted in organizational culture and “sector” practice. Yet, compared with the West, East Asian culture does seem less given to ideals as normative and guiding principles and more to group norms and their benefits. Materialism is common as motivation, and gift giving is common as a means to establish bonds. For individuals, the act of corruption comes perhaps a bit more easily within this context. The Japanese anticorruption emphasis on education, material rewards and punishment, and group exclusion makes clear sense. It should also be noted that, as in other countries, structural reform of corruption often becomes difficult because there are a lot of vested interests.⁴³

1.5.4 Performance

The need for reform reached a critical mass in many countries, including the administrative systems of East Asia, during the 1980s. Chang and Zhou quote Deng Xiaoping as stating in 1982 that “administrative agencies are over-bloated and overlapped, duties are not clear. Many people are not qualified. They are not accountable. They lack vitality, knowledge and efficiency...the situation has been reaching to an intolerable degree.”⁴⁴ Performance reform in East Asia has been used not only to address these matters, but also more broadly and fundamentally to

- push out responsibilities from the central government to local government (decentralization), business, and civil society (outsourcing)
- align central agency activities with strategic and national priorities (top-down budgeting, organizational restructuring and consolidation)
- improve performance (“agencification”; performance evaluation of agencies, programs, and individuals; information technology)
- improve citizen experiences and interactions with government (e-government)

New public management efforts, available since the early 1990s, have been a favored vehicle for addressing these matters. Leaders in South Korea and Taiwan sought to make extensive use of performance reform possibilities coinciding with the timing of democratization and the transition from authoritarian regimes in the late 1980s. In both countries, e-government attained world-class levels, using IT to improve the experiences of citizens with government greatly, as well as increasing administrative efficiencies. Agencies’ functions were evaluated (reduced, transformed, eliminated, or built up as needed) and decentralization pursued. Privatization was undertaken and performance evaluation given greater weight in civil servants’ promotions and raises in salary.

By and large, efforts in South Korea seem to have been more assertive, effective, and far reaching than those in Taiwan, reflecting greater leadership commitment in South Korea. As Lee and Moon (Chapter 20) note, “Every administration

in Korea has established special committees for administration reform,” which are seen as a main vehicle of implementing presidential priorities. By contrast, in Taiwan, decision making seems to have been given to “ad hococracy”—groups and organizations external to the formal executive establishment of consensus building and consultation.⁴⁵

Japan and Mainland China did not experience the “seismic” forces of democratization that Taiwan and South Korea did in this period, and their uses of performance reform are fewer and later. Japan was classified as having low new public management (NPM) emphasis in the 1990s and has passed laws only since 2000 to promote local governance (in part to address overconcentration in Tokyo), “agencification,” performance evaluation (to promote accountability and transparency), and budget reform to “strengthen executive leadership of the cabinet and the prime minister.”

Mainland China undertook numerous cutback and consolidation programs (“retrenchment”) in the 1980s and 1990s, mainly to reduce the financial cost of government, streamline decision making, and address “bureaucratism.” But only in March 2008 did Premier Jiabao Wen state that the Chinese government will introduce performance management, though Zhou (Chapter 6) shows many examples of such reforms already occurring at the subnational level.

Also, Japan and Mainland China began their e-government efforts a bit late, though both are now strongly committed to IT. China’s focus is mainly on administrative efficiency and economic development. Electronic interactions with citizens are few, and China censors citizens’ access to the Internet because it fears that this can threaten political stability.⁴⁶

It is useful to remember that the performance challenge is not only to encourage excellence, but also to address practices and attitudes that are detrimental or counter-productive to program and policy development. All four administrative systems have made efforts to roll back practices that impede excellence. For example, Su notes:

During the authoritarian era, some special examinations were reserved for military officers or otherwise privileged people. Such closed examinations were relatively easy to pass and had the impact of allowing loyal members of the political party in power to occupy key positions in the civil service—a common practice among many developing countries and regions to keep firm control of the government. However, with the advent of democratization, such “back door” practices have disappeared to a great extent.

Su also reports other problems that are quite common around the world, such as burdensome and untimely recruiting processes: “With little chance to escape from this cumbersome recruiting process, some public organizations would rather keep an incompetent employee than dismiss him or her and apply for a replacement.” Performance requires efforts that further it, as well as those that remove practices that impede it; the two are often very different.⁴⁷

All four administrative systems have undertaken some steps to begin increasing individual performance. Mainland China and South Korea increased individual performance through tougher standards and competition for internal promotion. Kim (Chapter 21) states that, in South Korea, “promotion to a higher grade is determined by the promotion review committee by selecting candidates based on performance, skills, specializations, career history, and evaluations. The number of candidates in the applicant pool is determined by two to three times the number of vacant positions.” Criteria include integrity, performance, and contributions to policy development. Beyond this, in Seoul, initiative, creativity and new ideas are now demanded by leaders for subordinates’ promotion and salary raises; at higher levels, individual performance contracts are used to ensure orientation toward results.

Furthermore, democratization, downsizing, NPM reforms, and increased attention to ethics have probably done much to address outdated bureaucratic attitudes, which Deng Xiaoping once described as including “looking down on the people, departing from reality, having ossified ideology, blindly observing absurd regulations, avoiding decision-making, indifference to efficiency, irresponsibility, betraying trust, blocking each other, retaliating against others, and cheating superiors as well as subordinates,” among other problems.⁴⁸ There seems consensus that more is needed to ensure individual performance; these problems are also a powerful reminder that very high entrance standards through civil service exams are insufficient to ensure performance. The previously mentioned pitfalls of cultural strengths often have yet to be acknowledged and addressed fully.

Administrative systems in East Asia use performance management as a vehicle for implementing important reforms, often with very high political leadership; however, the constellation, timing, and emphasis of specific efforts vary depending on the specific conditions and imperatives of the administrative systems. A major problem in each of the administrative systems is how to know the outcomes of these reform efforts. For example, although performance evaluation has been underway in Japan for nearly a decade, Kikuchi (Chapter 13) notes that an issue is “insufficient staff competency for evaluation activities. The MIC [Ministry of Internal Affairs and Communication] is responsible for...evaluation...However, the MIC and the other ministries are lacking competent human resources...The MIC has started to hire evaluation professionals from academia and professional consultancy.” There are good reasons, of course, for wanting to know the real extent of performance problems and achievements, as well as the impact of reforms and the extent to which they are in fact pursued.

Ironically or logically, a common theme of these tasks is greater empowerment and initiative. Society is strengthened when more people and institutions are mobilized. Participatory government requires the empowerment of citizens; increased local governance requires increased empowerment of citizens, civil society, and local civil servants; and increased performance requires greater initiative and, hence, empowerment of employees and managers. Empowerment of public managers is key

in supporting the development of participatory government, local governance, and new policies and programs that citizens and nations desire. They will need to learn to take more initiative in a democratic world. Concomitant with greater empowerment is the need for “*ex post*” rather than “*ex ante*” (restrictive, controlling, and permission seeking) accountability mechanisms to ensure trust and initiative and a harmonious society.

1.6 Conclusion

Public administration in East Asia has common roots, ways, and tasks that are also regionally distinctive. It has common historical roots in the experience of being conquered and experiencing great suffering and of putting trust in civil servants and strong, central government to protect its citizens. Ingrained into many people and leaders of the four administrative systems is the abject historical lesson that the absence of a strong central government spells times of chaos and great suffering. This stems from centuries of Confucianism and the modern day cultures that have been formed from it. East Asian cultures have strong orientations toward hierarchical relationships, group-based cultures, and harmony in relationships. These orientations produce a group-based work culture that fosters committed, cooperative, courteous civil servants who work long hours. Policies are a bit patriarchal that aim to nourish a strong citizenry in ways that build up a strong nation for a globally competitive world and also keep them content.

Along with common strengths from culture come common challenges, such as groupism and factionalism, “working hard but achieving little,” leader-centric organizations and a lack of self-directed initiative, and a good deal of materialism. The discussion of performance strategies in this book shows attention to these matters. East Asian culture seems less given to ideals as normative and guiding principles and is, perhaps, therefore a bit more pragmatic.

East Asian public administration also has common tasks in strengthening participatory government, local governance, anticorruption, and performance in myriad institutional, organizational, and individual contexts. A common theme among these tasks is that of seeking greater empowerment and initiative from citizens, societal organizations, local governments, employees, and managers. Addressing fears of chaos requires a need for new, *ex post* accountability mechanisms, still under initial development, to ensure trust and a harmonious society. The democratization experiences of South Korea and Taiwan have put these administrative systems well ahead of those of Japan and Mainland China, and all authors state that much remains to be done in all administrative systems.

Commonality does not imply distinctiveness, but the preceding includes distinctive elements, such as the emphasis on familism, a favorable orientation toward hierarchy and duty, strong group culture, the culture of courtesy and pragmatism, very broad-based, bottom-up consultation, and so on. No name has

yet been devised to describe the regional distinctiveness of public administration in East Asia, so I hereby propose one: The style of public administration in East Asia is “duty-based, consultative pragmatism.” By comparison, then, I label the style in the United States as “powerful, accountable minimalism.” (The United States likes powerful institutions, but citizens and leaders also want them be minimalist about their place in society, giving other citizens and institutions maximum freedom.) Many people have long found distinctive commonality in the region, and now they may find it in its administrative systems, too.

Commonality is not always seen to translate into community, understood as shared pursuits or (secondary) identities in East Asia. A sense of common heritage or problems among practitioners and scholars in the East Asian region is weak or nonexistent; the administrative systems in East Asia today have had the experience of developing in near isolation from each other. The de Tocqueville notion of “self-interest properly understood,” which gives rise to community participation, the development of associations, and mutual growth, has been very slow to come to intraregional cooperation in East Asia—often even within its geographic systems. Undoubtedly, factors impeding the sense of community and appreciation for its benefits are historical rivalries and abuse, ethnocentric groupism that sees little value in dealing with others, materialism that seeks immediate and tangible benefits, denial of the past, and immediate priorities and loyalties toward one’s own organization.

But times are slowly changing, and East Asian leaders have now recognized the usefulness of dialog and ties as conflict-reduction strategies, as well as open trade as a vehicle for economic growth; ties and connections have recently sharply increased among the business and policy communities. Perhaps in the near future cooperation and dialog might be expanded to include public administration. As Kikuchi (Chapter 13) presciently notes, “It is desirable to share the experiences with neighboring administrative systems in the East Asian region, which have more or less similar administrative cultures, not only for better public administration in Japan but also for the region as a whole.”⁴⁹ The opportunity to learn from others and share in common pursuits is also the opportunity to build up one’s own strength.

Of course, the argument of commonality and distinctiveness goes only as far the chapters in the book allow and as that which can be written in a single chapter here. Readers may feel that important aspects have been overlooked, such as budgeting and finance, or insufficient emphasis placed on the role of central government, the relationship between government and society, key internal management systems, or the influence of Americanism or European “continentalism,” for example.

Others may be skeptical of some of the arguments presented. Distinctiveness also goes only so far, and difference is often a matter of degree. Public administration is a reflection of local traditions, cultures, and conditions, but the administrative systems of the world often seem to have a lot in common too. I hope debate spurs consideration and scholarship.

There is little doubt that public administration in East Asia is relevant to the practice and advancement of public administration knowledge in the world. Indeed, elsewhere I argue that “globalization and the global economy have come to public administration.”⁵⁰ Although globalization is a good reason for people to be interested in the practices of other administrative systems, distinctiveness and differences are another. In 1932, U.S. Supreme Court Justice Louis Brandeis coined the famous phrase “laboratories of democracy,”⁵¹ referring to U.S. state legislatures being a source of innovative approaches dealing with problems. Today, globalization has spread democracy and modern problems around the globe, and innovation occurs wherever there is the will to deal with problems in fresh, new ways. The chapters in this book show that East Asian administrative systems are no exception. South Korea and Taiwan, in particular, have shown the inclination to pioneer new solutions for their public administration challenges, and we may suspect that deeper exploration of Japan and Mainland China would find many new innovations there too. In short, the laboratories of public innovation are now everywhere in the world, including in East Asia.

Notes

1. Indeed, people in agencies suspect that the public gives a bit too much weight to the voice of politicians in understanding what gets done and how it gets done. Surely, politicians play important roles in oversight and accountability. Policy making matters, but politicians are not the only ones involved in that, even if they often command the honor of inking or blocking the deal, sometimes in full media coverage. As leaders in executive roles, they cannot possibly make or initiate all the decisions that are needed to run agencies. Decisions receive numerous inputs, and the book's chapters on public policy making support the view of consensus-based decision making in government work.
2. See Berman, E. 2009. Time for renewal: How retirement and internationalization affect public administration today. *PA Times* 32 (5): 21–24.
3. One wonders how far one should go with such statements. Surely, phrases can be lifted out of context and, in this manner, trouble can be created. Whether this is done intentionally or unintentionally, doing it says more about the reader than about the intentions of authors. None of the authors imply any political statement on the future of Taiwan through either their words or their participation in this project. A similar clarification is provided in the book introduction. All quotes in this chapter are taken from final drafts of chapters in this book and may differ from the final versions printed here.
4. Regarding the geography of the matter, we note that Mainland China, as a region, is part of the People's Republic of China, which includes other administrative systems as well, such as those in Hong Kong and Macao. These are in fact the subject of a second book: *Public Administration in Southeast Asia: Thailand, Philippines, Malaysia, Hong Kong, and Macao* (estimated publication date: Fall 2010).
5. Harris, M. 1991. *Beyond the Chinese face: Insights from psychology*. New York: Oxford University Press.

6. There are numerous examples of this in the world. We just moved from New Orleans, Louisiana. A state of just four million people has produced jazz heard the world over for many generations now. The indigenous tribal people of countries are often celebrated for their culture too.
7. This approach is also useful to avoid the problem of analyzing the details and missing the larger point, which seems inherent in the “dry accounting” approach. One is also mindful of the dangers of acting like a blind man who thinks, while touching an elephant, that it is some kind of horse.
8. Kim also reports in *Civil Service Reform in South Korea* that “noncompetitive recruitment examinations are administered as a supplementary method when competitive recruitment examinations cannot fulfill recruitment of necessary talents.” He reports that tight labor markets may have affected these results and provides a brief description of these tests.
9. There is consensus that Japan colonized Korea for its imperial purposes and extracted from the population and land what it could. In the parlance of today, Koreans experienced massive violations of human rights, dignity, property, and the environment in the process. Taiwan’s and Korea’s experiences of Japanese occupation were vastly different.
10. U.S. Commodore Matthew Perry made two expeditions to Japan, in 1852 and 1854, in which the United States forced Japan to open its ports to U.S. naval and merchant interests
11. I thank Jay Shih for this sentence, as well as other suggestions that strengthened this chapter.
12. This largely reflects a very strong propensity for local government rather than central government. The United States has 35,356 special districts (almost all local or regional), 13,522 school districts, 16,505 townships, 19,431 municipalities, 3,034 counties, 50 states, and, of course, one federal government. Although the federal government is the largest, it employs only about 20% of all civil servants in the country. Source: U.S. Census. 2002. 2002 Census of governments: Government units in 2002. Washington. D.C.: U.S. Department of Commerce, GC02-1(P). http://www2.census.gov/govs/cog/2002COGprelim_report.pdf
13. These are obviously not the complete stories of either East Asia or the United States, but they are distinctive and core essentials. One can also note opposite fears: In East Asia, there is deep-seated fear of chaos and disorder caused by the absence of strong government; in the United States, there is deep-seated fear of repression caused by the presence of strong government. Fear is, sadly, a common denominator of many peoples around the world. In both administrative systems, people must grapple with the consequences of their choices: in East Asia, how to deal with overprotective governments (limited choice) and, in the United States, how to deal with underprotective governments (inadequate security in health, retirement, etc.). Both regions seem to find their answers, often in pragmatic ways and sometimes borrowing from each other.
14. To be sure, “culture,” as used here, is not about artifacts such as painting or dances of a people. It is foremost about their beliefs. But the definition does not mean that individuals are always conscious of what they are thinking or that have an impact on the structures around them. Rather, the concept points to the phenomenon that groups, over time, seem to adopt norms and practices that are consistent with what many of them think is appropriate and useful.

15. The five basic human relationships are (1) ruler to ruled, (2) father to son, (3) husband to wife, (4) elder brother to younger brother, and (5) friend to friend. The first four are seen as hierarchical relations, and even the latter involves elements of that too. Three of these deal with family, which was basic to Confucian thought. Of the five relations, father to son was thought the most important and the model for relations of rulers to the ruled. Like a father, rulers are to set moral examples and rule with a paternalistic attitude toward subjects.
16. A basic exhortation is that people should cultivate in them qualities common to “saints, scholars, and gentlemen.” The method of cultivation was self-examination (reflection).
17. East Asians seem ready to accept their duty and condition and look no further. Many Westerners are prone to introspection about their happiness and meaning in life. This difference may help explain why Western notions of psychology are not so popular in East Asia.
18. For example, managers are apt to lament a lack of “harmonious relationships” that stem from subordinates, other departments, or program clients incorrectly understanding or fulfilling their roles. Such managers may be quick to instruct subordinates on their proper roles, which they see as their (paternalistic) duty.
19. Clearly, this concept of duty is not to be confused with legal or contractual obligations, which play secondary roles. Emotionally, fulfillment may be a bit akin to a mother’s duty (responsibility) toward her children, the execution of which brings fulfillment, as well as commitment, reward, cooperation (or efforts thereto—some employees are said to be like “rebellious teenagers”), meaning, and place in society—the same qualities mentioned in the text.
20. The concept of “face” connotes a person’s conformity with expectations and social behavior recognized as valid by others considering her or his social standing, position, and age. The loss of face can lead to alienation and ostracism in group or community settings.
21. It is well documented that Westerners are prone to many faux pas in East Asia. Being task oriented and deriving one’s roles based on objective task requirements are apt to lead to behavior that inadequately reflects one’s role and is hence inappropriate. Although this is true in the United States too, it is much more so in East Asia because group takes precedence over task. The high achievement of Asian groups is a testament that the two are highly compatible.
22. Confucianism mentions relations between older and younger brothers as a key relationship. Co-workers with strong bonds may refer to each other as “younger brother” and “older brother.” As an extreme example, in Korea, managers who went to the same high school but graduated at different times are expected to maintain their older- and younger-brother relationships throughout their careers. The “older brother” may refuse to work under the “younger brother” in later years, and this has been used as a reason to disallow promotion of the latter.
23. In HRM, familism also causes organizations to take care of their members, providing well-run dining halls, good retirement security, excellent health care for families, access to continuing training and, in the past, sometimes vacation resorts.
24. This avoids the often observed problem in the United States that “strong” but single-person leadership results in stop-go patterns of implementation because subsequent efforts are resisted later.
25. Also, East Asian cultures are imbued by Buddhism, which teaches the sources and cessation of human suffering. Buddhism is broadly compatible with Confucianism, which also uses self-reflection (meditation). However, Buddhism is sometimes thought

to further fatalism through its doctrine of reincarnation and reducing suffering in order to find acceptance of one's position and circumstances. Although I believe these to be misinterpretations, the arguments are made.

26. Most Western readers would be hard pressed to find fault in compassion, yet "compassion" is often used to refer to making exceptions.
27. One of the few instances in which Confucianism does not urge obedience is toward malevolent leaders; revolt is then seen as subordinates' duty.
28. With regard to the latter, one observes the "rule of rules"—that is, the "rule of the letter of the law"—but not always "rule in the spirit of the law," or the ability of subordinates to develop their own strategies in pursuit of goals.
29. Quite obviously, group culture does little to advance task orientation and standards. This problem has been long acknowledged by many companies in East Asia and is increasing in some public agencies. The experience is that when leaders direct orientation toward task and standards, the group culture is then highly effective implementing them, including research on these matters.
30. Walker, A., and C.-k. Wong. 2005. *East Asian welfare regimes in transition: From Confucianism to globalization*. Bristol, England: Policy Press. The matter of filial obligation refers to Mainland China.
31. Of course, all cultures have their similarities too. This helps people communicate across cultures—for example, we are all people who work for elected officials. Modern East Asians are a bit more individual oriented and concerned with their rights, and U.S. public managers are increasingly a bit more skilled in consensus building and group work. Both groups also value democracy. But the cultural practice is surely distinctive.
32. In Chinese culture, going to court is associated with costing a lot of money, time, and energy and the possibility of ending up in prison. To wish someone *guan fu* is to wish upon that person these troubles; it is associated with bad luck.
33. For those skeptical of deliberative consensus building, the importance of a citizenry committed to a pragmatic but paternalistic administrative system should not be overlooked. At the time of writing, the United States is once again discussing health care reform. Although most citizens there do not enjoy low-cost access, and one in six is uninsured, recent efforts to improve the situation through regulatory overhaul and government-led programs by the current Obama administration have led to an outpouring of public hostility and concern. In meetings conducted by U.S. senators, "many of the attendees blamed their anger on the government's increasingly socialist slant. 'This is the Soviet Union, this is Maoist China,' one man yelled, 'The people in this room want their country back.' Another shouted, 'You are trampling on our Constitution!'" By contrast, when U.S. senators held up the British National Health Service (NHS) as an example of what is wrong, an outpouring of support from British citizens was the result: "We love our NHS!" was said and shared as general sentiment. See Human Services, Office of the Assistant Secretary for Planning and Evaluation. 2007. *Overview of the uninsured in the United States: An analysis of the 2007 current population survey*. <http://aspe.hhs.gov/health/reports/07/uninsured/index.htm> (accessed August 10, 2009); Eruptions at Sen. Specter's town-hall meeting, *New York Times*, August 11, 2009; Britain responds to criticism of its universal health system, *New York Times*, August 14, 2009.
34. See Chapter 4. Mao, T. 1997. *Selected works of Mao Tsetung*, vol. 5, p. 275. Beijing: Renmin Press.

35. See Chapter 4. Yang, H. 2005. *On intergovernmental relations (Fujiguanxilun)*. Beijing: China Social Science Press.
36. As Kikuchi writes, in 2001, Prime Minister Koizumi of Japan sought to execute radical reform according to the principle of “entrust to the private sector what they can do, and entrust to local governments what they can do.”
37. In Korea, metropolitan governments are much more self-sufficient, relying only on 4–30% of national taxes. Fiscal dependency in Taiwan is 60–80%, in Japan about 35–40%, and in Mainland Chinese about 44% for provinces. The fiscal dependency in the United States is about 22%.
38. Sometimes competitors are in on the deal too. By allowing each other to succeed in turn, all businesses gain a slice of the public pie, and public officials are brought under control.
39. Additionally, citizen expectations cause it: “The late LDP [leading political party] faction leader Watanabe Michio once stated that a Japanese Diet member always carries a white necktie in his right pocket and a black one in the left, hurrying from one ceremonial event to the next and leaving generous sums of money as gifts.” Sone, Y., and M. Kanazashi. 1993. *Bishûaru zeminâru. Nihon no seiji*, p. 126. Tokyo: Nihon Keizai Shinbunsha. Times might have changed this, but just a little.
40. Source: Corruption Perception Index 2007. A low ranking means less corruption. The least corrupt countries are Denmark, Sweden, New Zealand, Singapore, Finland, Switzerland, Iceland, the Netherlands, and Australia. It should be noted that Hong Kong ranks 12th. http://www.transparency.org/news_room/in_focus/2007/cpi2007/cpi_2007_table (accessed August 11, 2009).
41. This is also a nice illustration of group taking precedent over efficiency. With regard to change, at some point the pot can boil over, of course. This will likely involve consensus of some kind and political leadership.
42. Imanaka writes:

As regarding anti-lobbying rules, retired officers who gain a post at a company are prohibited to appeal to the public servants about a contract or decision on his or her present company or related company within two years after their retirement which relates his or her duty in five years before their retirement. In addition, a retired officer cannot approach a contract or decision which the retired officer made by [himself or herself]. If a civil servant is approached [by] a retired officer, that servant has to report it to the reemployment inspector. Violation of these rules is subject to criminal liability.

For more on reemployment, see Woodall, B. 1996. *Japan under construction: Corruption, politics, and public works*. Berkeley: University of California Press.

43. A difference is that the U.S. public is notably more concerned with interest group corruption of the legislative process, which plays a larger role there than in the unitary states of East Asia.
44. See Deng, X. 1980. Civil service reform in Mainland China. In *The leadership system reform of the party and state*, August 18, 1980, at the Expanded Politburo Conference. 202.120.24.188/upload/publish/img/106924951180.doc (accessed December 9, 2007).

- 45. Sun, M. 2008. Rhetoric of action? An assessment of administrative reform in Taiwan. *Journal of Asian Public Policy* 1 (1): 52–70 (see p. 59).
- 46. Yang and Xu state (see Chapter 8):

The Chinese leadership has a paradoxical love–hate relationship with the Internet: They believe the Internet can help China’s reform and modernization, but they also fear that it may threaten political stability, which has been viewed as vitally important since the fall of the Eastern Europe and Soviet systems. The Internet is sometimes considered a battlefield without bloodshed, where Western countries may launch “peaceful revolution” campaigns against the socialist authoritarian regime. Therefore, the leaders let citizens know what they want them to know and prevent any information that may damage the image of CCP or arouse social discontent.

- 47. Elsewhere, for the United States, I show that the problem lies more in mediocrity than in outright poor performance. Mediocrity (just enough performance to keep one’s job) allows for such problems to occur as mentioned in the text. See Berman, E., and J. West. 2003. What is managerial mediocrity? Definition, prevalence and negative impact (part 1). *Public Performance & Management Review* 27 (2): 7–27. Also see Berman, E., and J. West. 2003. Solutions to the problem of managerial mediocrity: Moving up to excellence (part 2). *Public Performance & Management Review* 27 (2): 28–50.
- 48. See Chapter 7. Lee, H. Y. 1983. Changing patterns of political participation in China: A historical perspective. Paper prepared for the Workshop on Studies in Policy Implementation in the Post-Mao Era, Columbus, OH (June 20–24, 1983), p. 28.
- 49. Eason, my Taiwan student assistant, commented after seeing this chapter: “Why does it take a foreigner like you to lead in developing this book?” This comment seems to share the same sentiment and acknowledges the near absence of intraregional cooperation.
- 50. See Berman, E. 2009. Time for renewal: How retirement and internationalization affect public administration today. *PA Times* 32 (5): 21–24.
- 51. See *New State Ice Company v. Liebmann* (285 U.S. 262, 311).

MAINLAND CHINA

1

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Chapter 2

History and Context of Public Administration in Mainland China

Yijia Jing

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2.1 Introduction

China has a long history of centralized administration, stretching over several millennia. This chapter presents a macrolevel overview of China’s administration history and present status, which began with the current transformation of China’s public administration in the late 1970s. This chapter examines many contemporary issues of public administration in China and shows how they are affected by past and present contexts, including fundamental values, past lessons, and political realities. Overall, this chapter shows China’s public administration as a giant system with political, economic, demographic, and cultural dimensions (some highly unique) that is incrementally and steadily shifting toward modernization.

**2.2 Historical Legacy of Administration
in Mainland China**

China has a multimillennium administrative history that is divided into three stages: royal, state, and public administration. Although the period of royal administration was the longest by far and mainly shaped by domestic factors, the state and public administration periods involve many external challenges to the system.

2.2.1 Royal Administration (Prior to 1912)

Royal (or kingly) administration started with the Xia dynasty in the twenty-second century BCA; a centralized and complex administrative system did not appear until 221 BC when Qinshihuang ended the “warring states period” and united China. Royal administration experienced a long-term, gradual evolution, leading to its very delicate and complex structures and institutions (Li 2006; Zhao 2008) and to its outstanding performance in aspects such as public finance, public works,

and relief. Without steam engines and telegraphs, it had governed a population of over 200 million since the late eighteenth century (e.g., Durand 1960).

Yet the highly personal system lacked a built-in mechanism to sustain development and prevent entropy. Every dynasty would sooner or later fall into extreme socioeconomic inequality, corruption, and political disorder. The ancient Chinese history showed a roughly 200-year cycle of new dynasty, prosperity, decline, peasant rebellion, and another new dynasty. Nonetheless, the ebb and flow of dynasties was able to support an ancient civilization that was both continuous and known for its many and diverse achievements.¹

China's ancient administration was characterized by several features. First, compared to other ancient civilizations, it developed a highly centralized structure of power. The emperor was an absolute ruler holding legislative, executive, judicial, and spiritual powers. Checks on the emperor's power were weak and not formally institutionalized. Major central and local officials were appointed by and accountable to the emperor. Second, a formal examination system, *kejuzhi*, was adopted during the Sui dynasty (581–618) with a purpose to recruit talented and educated literati as governmental officials and avoid the ossification of social status structure (Twitchett 1979). The emperor was the examiner of the final stage of the three-stage examination that was held every 3 years. Bureaucracy was expected to serve the empire and represent the interests of the people rather than to serve aristocratic factions or bureaucratic blocs.

Third, morality was officially recognized as the base of good governance. Orthodox education and examination were strictly based on Confucianism and its later ramifications (Zhang 1993). Officials were evaluated by their loyalty to the emperor, their understanding and practice of the Confucian philosophy, and their dedication to the popular well-being. Finally, despite the generalist trend and the focus on moral tenets, relatively sophisticated administrative institutions like revenue collection, personnel management, administrative inspection and anticorruption, hierarchical control, and military institutions were developed and covered by laws and regulations. A system of division of labor was developed to cope with daily administrative issues. Ancient bureaucrats were specialists called *li* (different from *guan*); they were officials selected through examinations. *Li* were the standing forces of the bureaus and possessed professional skills, capabilities, and institutional knowledge. Although *guan* assumed political leadership, their backgrounds and career tracks hardly equipped them with the administrative competence of the *li*.

2.2.2 State Administration (1912–1978)

The first Opium War (1840–1842), conducted by England against the Qing dynasty (1644–1912), brought China into its modern history of unprecedented national crises. Through violent revolution, the Qing dynasty was ended by the Republic of China (ROC, 1912–1949), which was replaced by the People's Republic of China (PRC, 1949–present) in the same way. Between 1912 and 1978 was a period of

modern state and nation building. China's administration was determined by the competition and compromise between two major Western political ideals: liberal democracy and state socialism. As a result, the administrative system mainly served the authoritative state with a Leninist party² and functioned as an instrument of political struggle.

2.2.2.1 1912–1949 Period

The early stage of the ROC was a period of warlord battles and disintegration. The Kuomintang Party (KMT) founded the Nationalist regime in Canton in 1925 and established the State Council as the highest executive branch. It was a highly integrated party–state system and was maintained after 1928 when KMT reunited China in name. In 1929, the five-chamber system (*wu yuan zhi*), including the executive chamber, the judicial chamber, the legislative chamber, the examination chamber, and the control chamber, was established according to Sun Yat-Sen's five-power theory.

Although such a system was designed in accord with the checks-and-balances ideal, decision making was finally subject to the Central Political Committee of KMT (e.g., Chien 1942). Due to the Japanese invasion (1931–1945), the two civil wars (1927–1937; 1945–1949) between the KMT and the Chinese Communist Party (CCP), and the warlord control over many provinces, the administrative functions of the ROC mainly served wars. Although it endeavored to introduce many modern institutions, it was not very successful—for example, the comptroller-general office with independent authority of budgeting.

2.2.2.2 1949–1978 Period

National security and social transformation were the CCP's two primary missions during the first three decades of the PRC. Imitating the USSR socialist regime, the society was organized as a “state syndicate” that operated according to central plans and under omnipresent party and administrative control (Wu 2001). The administrative system served proletarian revolution³ and economic nationalization. The administrative power was concentrated in the central government and major party leaders at all levels of government. The party and the government had overlapping organizational structures, which afforded the CCP direct control of administration.

The economic sector was to a large extent a part of the administrative system, which used strict plans and quotas to decide prices, capital investment, industrial inputs and outputs, and distribution of consumer goods. Capital accumulation of heavy and military industries was rapidly realized by suppressing consumption under the state resource-allocation system (Lin, Cai, and Li 1998). State-owned enterprises (SOEs) were owned and operated by central or local governments and accounted for more than 80% of total industrial output during 1960 and 1975 (State Statistical Bureau 1996).

The government's organizational chain and functions were expansive, leaving little room for the emergence of a civil society. The administrative system was driven by the communist ideology and focused on class struggle.⁴ When it failed to do that, it was challenged and even partially or fully replaced by teams of cultural revolutionists controlled by radical left-wing party members during the Great Proletarian Cultural Revolution (1966–1976). Revolutionary consciousness and proletarian background were the overwhelming criteria in recruiting and evaluating governmental employees and officials. During this period, a vicious cycle of administrative swelling–downsizing–reswelling–redownsizing appeared (Liu 2001).

2.2.3 Public Administration (after 1978)

After the third plenary of the CCP's 11th National Congress in 1978, peace and development were recognized by the party as the world's prevailing tendencies. By adopting the reform and opening up policy, the CCP shifted its priority to economic development. It was in this period that the Chinese administrative system, in an experimental and gradual manner, began to incorporate the modern values of public administration and expose itself to popular control. To establish a socialist market economy, China's administrative system began a major transformation toward public administration (discussed in the next section).

Yet, the recent modernization efforts emerge from the background of China's administrative history, which sets the context and starting conditions of these efforts; they include processes and values that strongly influence efforts today. Two fundamental path-dependent effects⁵ stand out. First, is the *politicized bureaucracy*. Due to the nonexistence of popular election and a competitive party system, control on bureaucracy was a major leverage to maintaining political power. Political compliance was assigned a higher priority than expertise in evaluating bureaucrats. Such a system tended to hinder the efforts to make the bureaucracy more professional.

Second is the *moralized, but sometimes immoral bureaucracy*. Moral doctrines easily substituted for rationalized institutions and the spirit of rule of law; the opaqueness and complexity of the bureaucratic system further helped bureaucrats evade results and accountability. The traditional dominance of bureaucracy on society and its moral self-sufficiency made law abidance primarily an obligation of civilians. Bureaucratic dysfunctions commonly occurred due to high-powered, self-seeking behavior as well as the rigid conformity to rules or routines. Not only did these routinely displace organizational goals, but they also led to distorted, selective, and even predatory policy implementation and administrative practices.⁶ Immorality was easily induced by the misaligned incentive and control system.

Modernization, which has shown such an irresistible momentum in the past 20 years in China, is affected by these legacies, though modernization is also used as a means for breaking through these barriers.

2.3 Role of Public Administration in China’s Governance System

2.3.1 The Organizational System of Public Administration

China is a unitary country and the hierarchical chain of the government extends from the State Council to rural township governments and urban street governments. Table 2.1 shows the vertical structure of China’s public administration system in 2004. From town to provincial levels, governments are responsible to both local people’s congresses at their equal levels and to their superordinate governments. The lowest level, the self-government organizations in rural and urban areas, is partially administrative and is not a formal component of the administrative system.

The energy or inertia, performance, and inability of the public administration system are to a great extent determined by its role in the general governance system. China’s public administration system is composed of three parts. The core comprises the governmental agencies such as the Ministry of Finance and Ministry of Education. Beyond that are the administrative agencies of the court, People’s Congress, People’s Political Consultative Conference, CCP and eight democratic

Table 2.1 Vertical Structure of China’s Public Administration System (2004)

<i>Level</i>	<i>Administrative Units</i>	<i>No. of Units</i>
Central	State Council	1
Province	Four directly supervised municipalities; 23 provinces (including Taiwan); five minority autonomous regions; and two special administrative districts (Hong Kong and Macao)	34
Municipality	283 Municipalities, 17 regions, 33 minority autonomous regions	333
County or district	862 Districts; 374 county-level municipalities; 1,464 counties; 117 minority autonomous counties; and 55 others	2,862
Town or street	36,042 Towns; 5,829 streets; 1,404 minority autonomous towns	43,275
Self-government organizations	625,147 Villagers’ committees, 80,017 urban residents’ committees	705,164

Source: Ministry of Civil Affairs. 2005. *Handbook of the administrative jurisdictions of People’s Republic of China.*

parties, Youth League, Trade Union, Women's Union, and a couple of other mass organizations. Employees of these agencies are recognized as civil servants and are subject to civil service laws. The periphery of the public administration system is composed of public service units that are sponsored by and work under the direction of administrative agencies. In 2004, there were 10.63 million civil servants, in addition to 25.34 million public service unit employees.

The central people's government, called the State Council, is the highest executive organ of state power. The State Council is composed of a premier, vice-premiers, state councilors, ministers, the auditor-general, and the secretary-general. The premier is nominated by the president, approved by the National People's Congress (NPC), and appointed and removed by the president. Other members of the State Council are nominated by the premier, approved by the NPC or its standing committee, and appointed and removed by the president. A single term of office is 5 years and two successive terms are the maximum. In 2008, the State Council directed 27 ministries and commissions, 16 bureaus, four offices, and 14 public service units, which in turn directed their counterparts at provincial levels.

2.3.2 Relationship of Politics and Public Administration

Article 3 of the 1982 constitution ordains that the executive branch of the state derives its power from and is accountable to the NPC. The constitution also recognizes the supreme political leadership of the CCP on all the state apparatuses. Although the State Council is expected to carry out the CCP's principles and directions that are translated into policies and laws by the NPC, direct control from the party is deemed as necessary and has been firmly exercised (Chan and Li 2007).⁷

According to its charter, the CCP holds the political, ideological, and organizational leadership of the state. Political leadership refers to the monopoly of major decision-making powers and the control of the direction and pace of administrative reforms and development. Ideological leadership refers to the party's dominance in shaping the culture and ideology of the society and the bureaucratic organizations. Organizational leadership refers to the authority in appointing officials in public organizations. The CCP establishes a parallel organizational structure to that of the government. Party committees exist at all governmental levels and in all governmental agencies. Some party and governmental agencies are just one group of people with two signs—for example, the State Council Information Office and the CCP's External Propaganda Office.

Integration of the CCP and public administration is one important feature of China's public administration. Most governmental officials are party members, and most leading officials at all levels assume leading positions in compatible CCP branches. When making and implementing policies, officials have dual identities as civil servant and party cadre; the relative importance between the two depends on the nature of the issues in question.

2.3.3 New Directions and Missions of Public Administration

China's modernization in the post-1978 era was rapid. The increasingly complex and diversified society greatly changed the administrative environment. Administrative rejuvenation was sought by adjusting the CCP's leadership in the government. Reforms aiming at party–government separation were attempted in the 1980s and were later replaced by a mild reform agenda of party–government division of labor (Tao-Chiu and Chan 1996). Integration between the party and the state was partially inherited. Although the CCP successfully maintained its leadership over public administration, transformation of China's public administration had to be explained by the change of the CCP itself. Since the late 1970s and especially during General Secretary Jiang Zemin's terms, the CCP has gradually remodeled itself from a revolutionary party to a ruling party (Jiang 2006a). Pragmatic rather than political roles of public administration have been emphasized. Directional changes included the following.

First, economic growth and development became public administration's primary mission. Under Deng's urging, the 14th National Congress of the CCP in 1992 adopted a socialist market economy as the fundamental goal of economic reform. To introduce market mechanisms, investments and pricing in major economic areas were gradually liberalized or deregulated. Specific economic ministries were dismissed. SOEs were incorporated or privatized (Ma 1998). From 1978 till 2004, the share of SOEs and state-holding companies in national industrial output decreased from 77 to 35%.

Second, provision of social services was adjusted in favor of a limited government. Pre-reform China was characterized by a high level of welfare in a low-income country (Guan 2000). The market reform successfully exempted government's responsibility in providing or delivering social services like urban housing and employment. The urban work unit system and rural commune collapsed, leading to the crash of the organizational foundation of government penetration in the grassroots society. Grassroots governance was partially shifted to self-government organizations, including villagers' committees and urban residents' committees. An emerging trend in recent years is that governments expand services for rural residents and marginal populations. Nine-year obligatory education was first implemented in rural areas in 2007. Subsidization of rural areas by urban areas is coming into being.

Another important change is that China's public administration has actively engaged itself in the international community. Institutional learning and transfer, as well as international cooperation, were on a fast track. International image and reputation became of great concern to the Chinese government. International standards and values of public administration have been gradually adopted. China has been taking an increasingly active role in global issues like pollution abatement, bird flu control, and regional economic integration.⁸

2.3.4 Changing Civil Service

Before 1978, the party-directed, class-struggle-centered administrative system was characterized by the nomenklatura system at upper levels and by the recruitment of politically qualified cadres, mainly from industrial workers, peasants, soldiers, and students, at the grassroots level.⁹ After 1978, modern civil service was gradually introduced. Modern ideals of bureaucracy, like specialization, meritocracy, due process of law, and accountability, were gradually recognized and adopted; however, other public administration currents, like NPM (new public management), also aroused much enthusiasm from China's public administration scholars and reformers.

Both the system and the people of public administration grew more instrumentally rational to serve and adapt to the modernization of Chinese societies. A job responsibility system was adopted in the mid-1980s (Chow 1993). In 1988 the Ministry of Personnel was founded. In the next year, the central government began state civil servant examinations to replace the old labor allocation system in staffing nonleading administrative positions. In 1993, the *Provisional Regulations for State Civil Servants* were promulgated, which for the first time introduced civil service to replace the cadre system. The State Administration School was founded for administrative research and education in 1994. Recruitment, training, retirement, compensation, evaluation, and promotion of personnel were normalized gradually. Chinese bureaucrats grew younger, better educated, and more professional.

This progress finally led to the adoption of the State Civil Service Law in 2005 with a clear emphasis on professionalization. Political neutrality is not emphasized by this law, which recognizes party leadership on personnel policies and management. China's civil service had an obvious dominance of economic-technocrats with a background of engineering, SOE management, or economic planning (Liu 2001). Only in recent years have a few officials with a diploma in humanities and social sciences been promoted to leading positions in the central government.

2.4 Public Administration Values

The traditional emphasis on morality and the lack of well-designed and strictly implemented institutions make values a crucial means of control on public administration. Under the undifferentiated party-state regime, the CCP is the major value engineer. Values of public administration are greatly influenced by those of the CCP. Accordingly, the pre-1978 period featured the values of class struggle, ideological purification, and hierarchical control. In the same way, the CCP's pragmatic governance goals shaped the public administration system in the post-1978 era.

2.4.1 Basic Public Administration Values in China

Since 1978, the governing practice of the CCP had served the demands of a developmental state (Xia 2000). After the 1989 turmoil, strategic goals of the CCP were crystallized as reform, development, and stability. Chinese leaders realized that development is the final goal and prepares favorable environments of reform, reform provides momentum for development, stability is the precondition of reform and development, and stability must be obtained by solving social conflicts through reform and development. Although these values may conflict, the crucial task of public administration in China is to explore fully the reciprocity among them in a dynamic and incremental process.

2.4.1.1 Reform

Reform became an orthodox rhetoric late in the 1970s; in fact, it had been a frequently used slogan by the PRC's administrative system even before 1978, although in a different sense. Quite similarly to Western practice, reform has been deeply incorporated into the political culture with strong symbolic consequences. Announcing a major reform symbolizes legitimacy and effective leadership, without necessarily bringing about the expected results or even bringing the policy into implementation.¹⁰ Since 1978, major administrative reforms have been launched in 1982, 1988, 1993, 1998, 2003, and 2008—the years when new governments were elected. Reorganization, downsizing, and market facilitation were major tasks of these reforms (Ngok and Zhu 2007).

Reforms in public administration, like reforms in other areas, are incremental. Before they are formally adopted and fully applied, trial-and-error initiatives and policies are first tried in selected jurisdictions or issue areas where reform goals are relatively easy to achieve. Dual-track transition is the common practice and also causes many problems—for example, serious rent-seeking behavior (Fan 1994). Consequently, the general path of reform is to start with tentative policies and end up with formal institutions. Local initiatives and reform attempts are greatly relied on.

Lack of formal policies and regulations easily leads to uncertainty, risks, and distorted intergovernmental competition and local protectionism (Young 2000). Further, reluctance to deal with vested interests and structural changes explained why reforms before 1998 were trapped in the vicious cycle of downsizing and expansion. Although the pros and cons of incremental reform for China are yet to be evaluated, it is generally believed that firm control of the party is not only the cause of incremental reform, but also a fundamental premise of the success of incremental reform (Murphy, Shleifer, and Vishny 1992).

2.4.1.2 Development

Development was another dominant discourse in public administration. From the late 1970s, poor economic performance and the insufficiency in political

reform made economic growth a critical pillar of popular support to the Chinese government. Development became a fundamental justification of political legitimacy. This is reflected by Deng Xiaoping's assertions that "development is the real trump card," "it does not matter whether a cat is white or black if it catches the mice," and "touch the stones to cross the river" (Deng 1993).

At the beginning, development was narrowly focused on economic growth. There was a fever in local governments in competing for a high growth rate of gross domestic product (GDP) and foreign direct investment, which became a critical, sometimes the single, criterion for cadre evaluation and promotion. Local officials found it hard to balance long-term and short-term goals, outcome and output, environment and growth, and fairness and growth. Exaggeration of statistical data became once again popular. Before the late 1990s due to insufficient budgetary appropriation, administrative agencies were de facto permitted to engage in profit-making business to subsidize their operating expenditures. Even the military forces were involved in business and smuggling (Jiang 2006b).

Hu Jintao assumed the CCP's general secretaryship in 2003. In response to the rising social polarization and subsequent social unrest, the "efficiency first, justice considered" principle has been gradually replaced by a new blueprint of a "harmonious society" that assigns increased weight to social justice and comprehensive and sustainable development.

2.4.1.3 Stability

After the 1989 turmoil and the avalanche of socialist regimes in the USSR and Eastern and Central Europe in the early 1990s, social stability, got prominent priority. Foreign investment, market reform, and growth are not possible without stable social and political environments. It was announced that "stability dominates all other concerns" (Deng 1993). Ideological, political, economic, and coercive means were applied with more sophistication to maintain social control.

The stability mandate in public administration refers to two things: the maintenance of party leadership and the avoidance and resolution of social conflicts. The 2005 State Civil Servant Law makes it clear that civil servants should implement the guidelines and courses of action of the party and observe the principle that the "party administers cadres." Contrary to Western ideas, political loyalty of the civil service to the party was deemed as the basic safeguard of stability. Since the 1990s, reversing the decade-long unfavorable change, the incomes of civil servants have continuously increased and now positions in the government have become a hot choice of graduates from elite universities. Exit mechanisms were also carefully designed to accommodate the reforms. The heavy downsizing efforts of the 1998 reform were not seriously resisted due to the enormous efforts of relocation and compensation (Lan 2001).

Stability concerns make it common sense that reform should be gradual and continuous and avoid radically implemented comprehensive plans. Further,

reform in general should not start from depriving vested interests, but rather from “enlarging the cake.” Reforms should be avoided if the short-term transitional cost is too high to guarantee long-term sustainability. Redistributive policies were consciously avoided in China’s early reform stages.

In recent decades, corruption has grown to be a major problem affecting social stability. It is generally believed that the 1989 turmoil was largely due to the social discontent on corruption. The 2006 Corruption Perception Index ranked China as 70th in the level of corruption among the 163 countries and regions—identical to the ratings of India, Brazil, and Mexico (Transparency International 2006). Corruption led to economic damage and consumer welfare loss that amounted to 13.2–16.8% of GDP in the late 1990s (Hu 2001).

Partial reform, weak law enforcement, and absence of effective checks on cadres were major reasons for corruption. In addition to individual corruption, market reform activated the organizational interests of public agencies and their self-seeking behavior. This was especially demonstrated by the predatory pricing policies and handsome compensation plans of monopolistic governmental enterprises like China Telecom and China Electricity, whose opposition delayed the enactment of the 2007 antitrust law. Although the Chinese government has launched serious anticorruption efforts (a recent case involved the arrest of Shanghai’s first party secretary, a member of the political bureau of the CCP, in 2006), corruption still shows a rising trend in these years.

2.4.2 Inputs of Modern Public Administration Values

While it was in a fast process of modernization and globalization, China’s public administration was also influenced by some universally recognized modern public administration values. Unlike Western public administration, these values are not derived from the separation-of-powers regime and their balance is not based on the competition among powers, but rather on the CCP’s inner consensus. Their application is still not so consistent and comprehensive, yet their cumulated effects are far from insignificant.

2.4.2.1 Democratic Values

Democratization of China’s public administration system features three aspects. First, the People’s Congress, the legislature founded in 1954, has strengthened its legislative and supervisory functions at various governmental levels and imposed on government the increasing burden of legal and managerial accountability. The People’s Congress’s role in approving executive appointments, assessing and approving budgetary plans, and supervising the operation of governments has been improved in recent years by establishing and enforcing normative institutions and procedures.

Second, the public administration system was made more transparent, accessible, and humane to the society. Although a government information act is not

available yet, citizens' right to know has been taken care of incrementally; for example, e-government, such as Web sites, was required for governments at and beyond the county level. In 2003, the head of the Ministry of Health and the mayor of Beijing were deposed due to their failure to respond effectively to the SARS infection and to disclose relevant information to the panic-stricken public.

Third, the policy-making process was made more accessible to the citizens. Direct citizen participation was encouraged so as to incorporate public opinion or consumer attitudes into decision making, especially in areas of public utility pricing and social services. Public hearings, including administrative penalty hearings, price hearings, and legislation hearings, have been initiated since the late 1990s, although the hearing results have been consultative rather than binding (Yang and Lauer 2003).

2.4.2.2 Managerial Values

Managerial values highlight efficiency, economy, and effectiveness, and they necessitate the building of a professional and instrumentally rational civil service. Without shaking the party control on bureaucracy, the personnel system experienced reforms in various aspects:

The scale of civil servants was firmly restricted. Between 1978 and 1993, the number of civil servants increased by 143%, yet such growth decreased to 4% between 1993 and 2004 (State Statistical Bureau 2005). Downsizing was accompanied by streamlining the internal structure of the government and its agencies to enhance efficiency and coordination. Rounds of reorganization reduced the number of ministries and commissions to 27 in 2008.

The personnel management system was reformed and normalized, focusing on establishing a merit system. A classification of political officials and professional officials came into being. An official's compensation and seniority are now determined not only by his or her current job position, but also by the rank that is attached to the person.

Various pilot performance management schemes were created and applied to examining individual, organizational, or program performance, dating back to the early objective responsibility system in the 1980s (Chan 2001). "Reinventing government" gained much applause in China in the mid-1990s.

There was active innovation in public management. Multiple tools of government actions have been in experiments, such as tax incentives, subsidies, grants, contracting out, franchising, and vouchers.

2.4.2.3 Legal Values

The traditional Chinese public administration was not a system of rule of law, but of man, and, in the ideal case, of moral man. The post-1978 period highlighted a gradual internalization of modern legal standards by Chinese public administration.

First, protection of individual rights was improved. The 24th constitutional amendment passed in 2004; it added the phrase “the state respects and protects human rights” to the 33rd article. Business practice in China has demonstrated a “credible commitment” of property rights protection by local governments (Perotti 1995). On March 16, 2007, the Property Rights Law was enacted and became effective on October 1, 2007. This law *de facto* equalizes the protection of private ownership to that of state and collective ownership.

Second, administrative laws prospered and the legislative focus went beyond administrative empowerment to equal rights protection. Various substantive and procedural rights of individuals were specified and administrative relief channels were established. In 1990, the administrative litigation law was enacted to ensure the equal status of nongovernmental actors in their lawsuits against administrative agencies.

Third, procedural due process in public administration activities was strengthened. In addition to the enactment of some special administrative procedural laws—for example, the 1996 Administrative Penalty Law and the 2004 Administrative Permission Law—a comprehensive administrative procedure law has been under official consideration for almost two decades (its 14th draft was developed in May 2006). This incoming law, like the 1946 administrative procedure act of the United States, brings the judiciary to public administration by introducing legal procedures and promoting values like transparency, accountability, participation, and limitation on intrusiveness.

The preceding efforts were impressive, yet their effectiveness was hindered by two facts. First, despite the formal authority of the People’s Congress in making laws and supervising their implementation, the government is *de facto* accountable to the party. Second, the law enforcement is softened due to the nonindependence of the courts.

2.5 Evolving Administrative Capacity

Administrative capacity has been a changing concept in the PRC due to its short but turbulent administrative history. Before 1978, administrative capacity mainly referred to the centralized and direct control of social and economic resources and the strict and efficient implementation of centrally made plans. Social mobilization was also deemed a major way to obtain control and leadership. After 1978, the reform and open policy reshaped the task environment of public administration and consequently its external expectations. Considering China’s peculiarity, administrative capacity building is highly contingent on (1) streamlining the central–local relation, and (2) adjusting administrative structure and functions.

2.5.1 *Restructuring the Hierarchical Chain*

The huge size of China makes the central–local relation a traditionally thorny issue of governance. The core question is how the central government can effectively

control and motivate the local government. There are three aspects of major adjustments; decentralization is the overwhelming trend:

Jurisdictions of central and local governments were delimited according to economic and administrative principles. Market-preserving federalism was used by some scholars to describe *de facto* central–local division, under which “the subnational governments have primary authority over the economy within their jurisdictions,” while “the national government has the authority to police the common market and to ensure the mobility of goods and factors across subgovernment jurisdictions” (Montinola et al. 1995).

The fiscal system was also decentralized to stimulate local enthusiasm in collecting revenues and to facilitate the large-scale economic construction in the charge of local authorities (Jing and Liu 2009). Fiscal decentralization, in addition to the dilapidated taxation system, led to a weak state and a weak central government in collecting and distributing economic resources (Wang and Hu 1994). Local–state corporatism blossomed due to the direct link of local economic growth, local fiscal revenues, and cadres’ compensation and promotion (Oi 1992). In 1994, the central government had to introduce the tax-assignment system to “replace the old, discretion-based system of revenue-sharing with a new rule-based system of revenue-sharing” (Wang 1997).

Such measures were effective in strengthening the state and the central government. The proportion of budgetary revenues in national GDP rose continuously from the lowest point of 10.7% in 1995 to 19.3% in 2004. In addition, the extrabudgetary revenues—the directly observable extractive capacity of the state—reached 22.6% in 2004. By accounting for 27.7% of fiscal expenditures but 54.9% of the fiscal income in 2004, the central government obtained the upper hand in influencing local decision making (State Statistical Bureau 2005). Fiscal disciplines were further strengthened in 1998 by replacing provincial central bank branches with nine cross-province branches. The central bank’s enhanced autonomy in making credit policies made it no longer the “cash cow” of local governments.

Compatible with the transfer of responsibilities to localities, after 1984, the “one-level-down management” personnel system replaced the “two-level-down management” system. Local officials were delegated full authority in appointing their direct subordinates (O’Brien and Li 1999).

Although decentralization did promote the vigor of localities, economic localism harmed nationwide policy implementation, market formation, and even political stability. The Chinese public administration system is always afflicted by the choice between decentralization, which leads to disorder, and recentralization, which leads to stagnation. Conflicts of interest between the central and local governments and between local governments still lack institutionalized ways of settling

disputes. Sound legal principles and well-designed institutions are to be established to streamline the overall performance of the system.

2.5.2 Remodeling and Upgrading Administrative Functions

Administrative capacity is highly dependent on public administration's functional adaptation to external demands. There were three major changes. Shedding, shrinkage, and transformation of governmental functions were first. To facilitate the operation of a market economy, governments were forced to refrain from being direct participants and return to the role of rule makers and adjudicators. Administrative directions and plans gave way to legal and economic means. Specific industrial or economic ministries and bureaus like the Electronic Industry Ministry or Coal Ministry were revoked or demoted, with the general principle to incorporate their operational components and maintain some of their regulatory functions. Since the late 1990s, SOEs have been incorporated or privatized and become subject to hard budget constraints and market disciplines.

The increased blurring of boundaries in providing public services was second. In recent years, continuous administrative reforms and market development led to serious resource diversification and externalization. This, combined with the 13% annual growth of fiscal revenues since 1978, created a significant incentive for governments to utilize external resources through market means. Collaborative service delivery developed quickly (Jing and Savas 2009). A simple estimation shows that from 2002 to 2004, the aggregate level of service outsourcing was roughly a third of the total and exhibited a trend of annual increase by about 1% (Jing 2008). Public service supply has become an open system with significant external dependence. Yet, due to the incapability of governments in managing cross-boundary transactions, contractual disputes, loss of money, and corruption are more frequently reported.

The rebuilding of the social embeddedness¹¹ of the public administration system was third. After the collapse of the rural commune system and the urban work unit system, the omnipresent state penetration declined. State retreat and the weak civil society created a vacuum of governance. As a response, many social organizations emerged, some of which were created, led, and financed by the government. These organizations, like villagers' committees and various industrial associations, are not governmental agencies, yet they assume some administrative functions and help implement governmental policies. Corporate social responsibility is also promoted by the government as a way of social self-regulation. Nongovernmental organizations (NGOs) are fast emerging, yet their autonomy is still largely constrained due to their legally required affiliation with governmental agencies.

2.6 Globalization of China's Public Administration

Modernization and globalization of China's public administration proceeded together. Globalization provided not only the momentum for modernization, but

also its frame of reference. Since the early 1980s, China's public administration system has begun actively to learn administrative theories and practices of Western industrialized countries. Various types of learning and exchange have been attempted (Zhang 1993). There has been a continuous process of the transfer of knowledge, institutions, and values from the external world.

Administrative globalization in China concentrated on pursuing efficiency and largely evaded sensitive political issues, thus incurring less political constraint. Consequently, international research and practice were relatively easy to adopt to reshape and empower China's public administration, leading to innovations and reforms. In the late twentieth century, the major results of international learning included the introduction of modern civil service and the shift toward a market-based government.

Yet, betraying the Wilsonian view, isolated endeavors in transplanting international practices are apt to fail due to the lack of appropriate political and institutional infrastructures. One example was that, in 2003, the Shenzhen municipal government, inspired by the NPM movement and especially the "next step" initiative of the United Kingdom, proposed an "administrative triplication" reform that split the administrative system into three equal sections: policy making, implementation, and monitoring. The basic idea was to introduce the checks-and-balances mechanism within the administrative branch as a makeshift political separation of powers. Although nationwide attention and enthusiasm were aroused, this initiative finally ended at the discussion stage.

Another important aspect of the globalization of China's public administration was its increasing engagement in international issues. The increasing international contact and cooperation were first of all pushed forward by China's burgeoning externally oriented economy. In 2004, China's foreign trade was next to that of the United States and Germany. Its national GDP became the world's second largest in 2009 and is estimated to be equal to that of the United States in 2040 (Goldman Sachs 2003). In the post-1978 period, China has actively joined international and multilateral organizations and frameworks and signed important treaties (Kim 1990).

Consequent to the fast networking practice has been the self-adjustment to international standards, conventions, and expectations. The "peaceful rise" strategy has also made it a must for China to be a "responsible stakeholder" and to incorporate the interests of its partners into its decision-making functions. Domestic issues and policies are increasingly exposed to international appraisal and pressures, such as foreign exchange rate, environmental preservation, and intellectual property rights protection.

2.7 Conclusions

Administration in China evolved over multiple millennia and involves three periods: royal, state, and public administration periods. The public administration period after 1978 is associated with the increased modernization of Mainland China.

Although the Chinese Communist Party continues to hold political, ideological, and organizational leadership of the state and plays a dominant role in shaping ideology and policy, modernization crowds out the ideology-driven, old-type bureaucratic system and is also used to reduce many bureau pathologies of the past. Current public administration is often guided by the need to reconcile different guiding values of reform, development, and stability.

Some important developments in Chinese public administration today are increased delegated authority from central government to local governments, a shedding of direct participation in economic activity (a return to rule- and policy making), support of many social programs and organizations in urban and rural life, participation on international issues, and the development of a modern civil service system. Although the reform and transformation of China's vast public administration is a long and incremental process, when looking back, it is easy to note many remarkable strides in the past two decades.

Notes

1. The four great inventions of ancient China—the compass, gunpowder, papermaking, and printing—are representative discoveries that symbolize the development of China's ancient civilization.
2. Both Kuomintang Party and Chinese Communist Party were organized or reorganized according to the organizational principles of the Communist Party of the Soviet Union, such as democratic centralism, firmly structured national hierarchy, and party leadership on the parts of the military and the state.
3. Proletarian revolution refers to the efforts to establish a classless society, often through violent means. In 1966, the Great Proletarian Cultural Revolution was launched by the party to prevent restoration of the capitalist regime. This movement led to 10 years of civil chaos and disturbance.
4. Class struggle was a central instrument prescribed for the Great Proletarian Cultural Revolution, with a focus to repress the capitalist elements or their representatives within or outside the party.
5. Path dependence refers to the historical influences on the status quo. It is “a way to narrow conceptually the choice set and link decision making through time” (Pierson 2000, 256).
6. For relevant literature, see Manion (1991), O'Brien and Li (1999), and Lu (2000).
7. Public administration in China can hardly be understood from a politics–administration dichotomy perspective.
8. For the Chinese government, the way it did so also demonstrated its commitment to a negotiation-based global governance.
9. The nomenklatura system refers to the control of a small group of party–state elite over key administrative positions in all spheres of society, including governmental, economic, and social organizations.
10. Refer to March and Olsen (1983).
11. Social embeddedness is the strength and intensity of the administrative system's social ties to its social context. Refer to Hung (2005).

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Chapter 3

Public Policy Processes and Public Participation in Mainland China

Ruichang Li and Qianwei Zhu

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3.1 Introduction

In the People’s Republic of China, public policy processes are often semicryptic, semiclosed, and semidemocratic processes. Public policy making has tended to be highly arbitrary, though these processes increasingly follow more standardized or predictable ways. The situation has turned for the better since the beginning of the twenty-first century. In 2003, the Chinese Communist Party (CCP) put forward the idea of “scientific outlook of development”¹ to shape China’s public policy processes. China’s agencies and departments of the central government and provincial governments are shifting their focus from decision making to implementation, thereby helping to further policy implementation and resolve contradictions between policies. This chapter describes the basic characteristics of China’s public policy processes, including recent efforts to increase public participation.

3.2 Basics of China’s Public Policy Processes

In most general terms, China’s public policy processes (PPPs) involve two separate policy-making and implementation structures: that of the CCP and that of the government (L. Zhang 2004). This is shown in Figure 3.1. By and large, the CCP is the principal policy-making actor, ensuring that policy decisions of the government follow party ideology and its goals for the country. The CCP also wields influence by determining the appointment of higher level officials (e.g., State Council members) as well as members of the National People’s Congress (NPC), China’s highest legislative body. Major pieces of legislation always have the input and impetus of the CCP, which, through its powers of appointment, can also effectively prevent legislation from being passed. In recent years, the role of the NPC has been enhanced by its increasingly becoming, at the urging of the CCP, a forum for discussing policy proposals and mediating between different positions within the government or between the party and the government.²

China has a unitary government, which means that lower levels must obey the directions and orders of higher levels of government. There is no presumption of

processes can hardly be controlled or overseen. Public policy is often a circulation of policy making and implementation. Usually, a policy is publicized by the State Council and implemented by local government. Any problems found during the implementation process will be readjusted and republicized by the People's Congress. This is called a circulation, and it is a frequent practice of China's public policy.

In addition, since the reform and opening up, the lack of experience and expertise in such areas as the economy, civil activity, and administration has caused officials increasingly to conduct pre-policy-making and preimplementation sessions before any official (or legal) document is publicized. Consequently, China's public-policy-making system demonstrates a slightly pluralistic and multilayered structure, even as the Central Committee of the CCP (CCPCC) sits as China's top authority and the State Council sits at the top of the administration pyramid. Even at that level, policy making in central government often involves extensive consultation and consensus building in which information from other levels of government is considered too.

Finally, while the preceding focuses on the interlocking relations of two separate policy-making and implementation structures (namely, that of the CCP and that of the government structure), a view of PPP as consisting of agenda setting, policy making, policy implementation, and policy evaluation also finds acceptance in China (Lasswell 1970; John 1988). However, policy evaluation is often a sheer formality that receives no serious attention by governmental officials and, as practical matter, the policy-making process is hard to discern because it is still quite closed (hard for outsiders to identify what actually occurs) and subject to significant manipulation behind the scenes. Democratization of the internal institutions of the party and of the general society and the political system is only at an initial stage in China. Contrary to the Western focus, policy implementation (as described before) is seen as a key stage that determines the quality of the policy process, while some people give emphasis to the agenda-setting process. Very little literature on China's PPP exists.

3.3 Stages of the Public Policy Process

3.3.1 Getting Policy Issues onto the Policy Agenda

Getting policy issues onto policy agendas is the essential first step of policy making. Many issues are competing for the attention of the public and the leaders. The following factors are important in determining whether policy issues can get onto the agendas.

3.3.1.1 Consensus Forming

The process of consensus conforms to two basic principles of the CCP: Individuals submit their policy ideas to their organization, and local government submits

ideas to central government (Zhu 2006). In the process, two types of consensus are to be achieved. The first concerns whether officials who would put the issue on the policy agenda are able to achieve political consensus, and the second concerns whether administrative departments and units can reach agreement about the technical implementation aspects of the proposal. The first type requires consensus and political agreement, whereas the second is both political and administrative in nature.

Consensus for public policy is usually required among the CCP, the government, and the People's Congress. Sometimes consensus is also required of the Central Committee of the CCP and the military department. In general, the political leadership of the CCP makes it rare or impossible for either the government or the People's Congress to oppose its policy proposal, but this does not mean that the CCP faces no institutional constraints. For example, the annual budget appropriation is often under the control of the government, making it difficult for the party to cut the budget.

The nature of consensus building is persuading and debating, which is known as conducting ideological work or intercommunication. The CCP plays a key role in such consensus forming, and consensus among all political entities is needed for issues to be put on policy agendas.³ In contrast, although administrative departments must reach an agreement, only a majority of agencies needs to agree. Some informal ways of opinion collection can be used to make sure that most important agencies share the same policy vision.

3.3.1.2 Conformance with Principles

Policy issues that are put on the policy agenda should be consistent with basic ideology and policy directions of the CCP. A major guideline for public administration after 1978 is that they should conform with the fundamental principles of reform, development, and stability, as understood by the CCP. In principle, any work, including some of the major decisions, under such a guideline can be passed without difficulty. A core idea of reform is greater tolerance for mistakes and unconventional thinking while learning from trial and error. As Deng Xiaoping has said, "We should cross the river by feeling for stones. If it is on the right track, we open up. If wrong, we correct and close" (Deng 1994).

Development is the key purpose, which is mainly understood as economic growth; the belief that development equals economic growth still makes sense. In 2002, top leadership proposed the outlook of scientific development, suggesting an adjustment to the narrowly focused view of development such as the growth of GDP. Finally, stability is required for maintaining reform and development. If anything unstable occurs, authorities can use all means to maintain stability, and building a harmonious society is seen as a new requirement for stability.

Some principles have also been put into the policy-making process:

Proposed policies should be practical and realistic and thus be based on, and proceed from, actual conditions. The policy-making process should be more rational, accessible, and participatory, capable of reflecting the real demands from the environment.

“From the masses, for the masses” means that the policy process should have a bottom-up path to empower the people effectively and serve them.

“No investigation, no say” means the PPP should utilize careful research before it reaches any conclusion.

These three principles are designed to help ensure that policy making is undertaken rationally on a scientific and democratic basis.

3.3.1.3 Advice from Higher Levels

Whether a policy issue can be entered in a policy agenda depends on whether it receives favorable advice from higher levels. There are two kinds of advice. The first is that, before each year, the higher levels of government will set major issues of priority, and it is common sense that subordinate governments should pay sufficient attention to them. Issues of focal importance are more readily approved and supported by higher levels. Second, innovations or other new efforts must be approved by a higher level. Innovation is a favorable channel to win attention from higher levels and praise from citizens. Although innovations are often risky, favorable advice from higher levels is necessary in both gaining legitimacy and preventing harm in times of failure.

3.3.2 Individual Impact of Policy Makers

Policy makers, especially party leaders,⁴ play important roles in pushing policy issues to be put on the policy agenda. There are usually two ways in which this happens. The first is that they achieve consensus by using their personal relationships with other policy-making participants. This occurs not only when they initiate new issues being brought to the policy agenda, but also when policy makers and party heads play important, decisive roles in issues or controversies that come their way. They can bring new players into the process and encourage the development and study of issues until consensus has been reached to put them on the policy agenda.

The second way is that a party head makes his final position clear at a formal meeting to push the adoption of a policy. In China, public statements by policy officials are often final statements about their thinking on some matter (rather than, for example, efforts to inject new ideas into ongoing discussion). It is often assumed that consensus building efforts have already taken place that are sufficient for a policy maker now to make his or her conclusions known.

The following example illustrates leaders' involvement in China's PPP. In 1979, peasants of Anhui Province voluntarily promoted a significant rural reform of fixing output quotas for individual households. A year later, Wan Li, then head of the Anhui CCP Committee, conducted an inspection and highly praised the system. On January 31, 1980, national leaders of the Political Bureau of the CCPCC listened to the report by the Anhui CCP Committee and the State Agricultural Committee. At his meeting, huge contentiousness was aroused as the future of the system faced great challenges. At the meeting, Deng Xiaoping made an excuse, saying that it was too sudden for everyone to be prepared, so as to leave enough time and room for making the right decision (Zhang 1995).

Later, Deng Xiaoping not only transferred Wan Li from Anhui to Beijing in order to obtain detailed information, but also consulted a great volume of materials. Wan Li was appointed secretary of the Secretariat of the CCPCC and vice premier of the State Council. After 2 months of deep deliberation, Deng Xiaoping talked with Hu Yaobang, Wan Li, Yao Yilin, and Deng Liqun, respectively, suggesting that Wan Li propose this issue to the chief secretary for further discussion (Zhang 1995). Hu Yaobang, Chen Yun, and others were fully supportive, as were many other party leaders. Thus, general agreement was reached on the matter.⁵

Later, according to Wan Li's recollection, China's rural reform would not have been so successful if Deng Xiaoping had not offered his support. Without him, the fire of reform would have been put out by the fight at the 1980 meeting. This example shows the decisive influence of senior policy makers on a rural reform agenda so that it could become a major policy.

3.3.3 The Policy-Making Process

Policy making in China can be divided into three categories: legislative policy making, administrative policy making, and political policy making. Generally, legislative policies are made by the People's Congress and its Standing Committee, administrative policies by its administrative organ, and political policies by the CCP. Usually, the agenda setting of legislative policy making is the most open and of longest duration; the other two are closed and highly confidential. Key issues usually involve all three; the general sequence goes from political to legislative to administrative.

3.3.3.1 Legislative Policy Making

The People's Congress, China's top legislative body, holds meetings twice a year. One meeting is supposed to be a long and decisive one, while the other is only a congregation of the deputies or a briefing made by the Standing Committee. At the urging of the CCP, the People's Congress has increasingly become a forum for debating legislation; in 2000, the NPC promulgated the People's Republic Legislation Act, which regulates the general process of legislation and how citizens and social organizations participate (i.e., through public hearings, suggestions, or appeals that

disclose mistakes in laws by a letter to the congress). Within the People's Congress, interest groups, especially those representing business interests, are emerging and competing, though the CCP still effectively controls its membership.⁶

Although the People's Congress almost always approves bills and work programs that are brought before it, bills sometimes take years to draft; they are only introduced for voting after a general agreement has been reached and opposition has been overcome, though unanimity is certainly not ensured these days. The People's Congress has become a frequent forum for reaching agreement on matters about which different opinions exist within the party, within the government, or between the party and the government.

3.3.3.2 *Party Policy Making*

There are usually four kinds of meetings during the party policy-making process: (1) the office meeting of the party secretary, (2) the standing committee meeting of the CCP Committee, (3) the plenary session, and (4) the enlarged meeting of the CCP Committee. The first two meetings are core and routine meetings held at least once a week. Before 2006, the office meeting was most important in deciding whether or not a policy issue could be added to a policy agenda.

Usually there are five or six deputy secretaries in one party committee above county level, and each of them focuses on his specific area of governmental work. The chief administrative officer, who is at the same time the standing deputy secretary, plays a decisive role in such a meeting. Deputy secretaries have the right to make motions and to vote and thus are able to override objections and clinch decisions. After the implementation of the system of one chief secretary and two deputy secretaries in 2006, the policy-making power of deputy secretaries has been largely confined. In some instances, secretary office meetings have been closed or incorporated into the plenary sessions. Therefore, the issues that should be submitted to the plenary for further discussion largely depend on the party secretary.

The Standing Committee of the CCP Committee generally comprises the secretary, the number 1 deputy secretary (concurrently the chief administrator), the number 2 deputy secretary, the minister of organization, the minister of propaganda, and the head of the United Front Work Department. Despite the number 1 deputy secretary, whose job is largely restricted within the administration system, other Standing Committee members all maintain their routine work within the party organization. Due to the extreme importance of personnel work, the secretary and the minister of organizations predominate.

If the CCP Committee is unacquainted with specialized areas such as the economy or urban construction, an enlarged meeting may be called. Before the secretary system launched, enlarged meetings were few and sometimes used as propaganda meetings to convey major decisions made by the CCP Committee and the government. However, after the secretary system was created, enlarged meetings became

widely used to obtain actual trends and expertise from people highly involved in professional governmental affairs. The deputy executive officer and responsible persons of other key functional departments become frequent attendees for enlarged meetings.⁷

The plenary session is a noticing or briefing meeting basically for soliciting opinions or handing down decisions on major affairs within the party or on critical national or regional development issues.

3.3.3.3 Government Policy Making

Paralleling the party policy-making process are types of meetings for governmental policy making: the office meeting of the chief administrator (governor, mayor, county magistrate), the Standing Committee of government, the enlarged meeting of the Standing Committee of government, and the plenary session for government officials. Generally speaking, these four meetings are similar in function and in process, but in addition to summarizing weekly working processes and arranging new tasks, the office meeting of the chief administrator is rather significant in discussing and deciding what kinds of issues are to be submitted to the Standing Committee and the plenary session for further discussion. The office meeting is a key event for turning policy issues and policy agendas into concrete policies. The enlarged meeting of the Standing Committee of government and the plenary session for government officials are often issue based and are not regularly held.

As might be expected, higher levels of government determine the scope of discussions at the meetings of lower levels of government. By illustration, the Chongqing government publicized the No. 189 Act, called Regulation on Policy-Making Process of Major Municipal Decisions of Chongqing (November 11, 2005), and listed the following major issues to be decided by the Standing Committee or the plenary session:

- proposing local code drafts and making governmental regulations
- making domestic economy and social development schemes and annual plans, mapping out major measures on macrocontrol and the reform of “opening up”
- preparing financial budget and fiscal capital arrangements
- overall plans for urban construction, land use, exploitation and utilization of natural resources, environmental protection, etc.
- emergency programming and adjusting of major accident and traffic control measures
- important government investment programs, management of state-owned assets
- planning or adjusting industrial development and layout
- big steps of political construction on grassroots democracy
- deciding on measures of land management, employment, social security, education of science and technology, culture and health
- other major but basic and strategic issues at large

Importantly, the CCP Committee and the People's Congress must be consulted about decisions on such issues and they can be reported to the Congress for a final resolution.

In short, policy making in China is a complex activity that involves different structures, levels, and meetings. Through the processes, (1) the power of the CCP is realized and maintained, (2) consensus among officials and participants is sought and obtained, and (3) control by higher levels of government over lower levels of government is exercised.

3.3.4 Policy Implementation

Policy implementation in China focuses on ensuring that policies of higher levels of government are carried out and that lateral coordination happens with the People's Congress, government, and the CCP at whatever level, as well as between governmental agencies. From a vertical perspective, lower level governments need to implement the policies decided by higher level governments by interpreting the policy first; this allows quite a bit of discretion. This is especially true in the economic policy area, which is characterized by decentralization in China. Policy experiment has been a very popular strategy for China in moving toward policy innovation and institutionalization (Heilmann 2008).

In the same government level, the implementation involves the major executives of the government (e.g., mayors and vice mayors), the functional departments, and some coordinating institutions. Although the chief executive is responsible for the implementation performance in general, the vice executives have their respective coordinating areas and will head coordinating institutions if there are some. The functional departments will carry out the policies. Quite often, the chief executive assigns the work to the vice executive or the coordinating committee or leadership team, which in turn hands over the work to functional departments by calling a meeting that divides the labor among the relevant functional departments. In this process, the personal charisma of the committee head or the vice mayor makes a difference. A lack of personal capability may lead to the loss of support from functional departments, whose heads may seek direct contact with the chief executives (i.e., make an "end-run").

Implementation also leads to task specialization and coordination. Normally, the chief executive leads the work in the large, focusing on fiscal control and personnel issues. Other deputy executives lead several government functions respectively, and vice mayors' authority varies from place to place. For example, in Shanghai, the mayor is in charge of the overall work and the standing vice mayor takes charge of fiscal, finance, state-owned assets, supervision, personnel, authorized staff, cooperation and exchange, people's armed forces, registration of suggested bills, files, institutes of public administration, population management, statistics compiling, price control, restructuring, port management, energy (power) construction, and institutes of research and development, while at the same time assisting in auditing, planning, and engaging the army. A second vice mayor, who leads manufacturing, takes charge of foreign trade and economic cooperation, foreign assets,

foreign affairs, traveling, Hong Kong/Macao affairs, ethnic/religion groups, overseas Chinese affairs, etc., as well as engaging the United Front Work Department of the CCP Municipal Committee.⁸

Coordination between different agencies can be achieved in different ways. The most common is that the mayor or vice mayors have meetings to deal with cross-boundary issues. In China, the Commission of Development and Reform is a special agency that is responsible for comprehensive economic and social development and has some coordinating functions. For many policies, the agency specifies the relevant agencies and their respective responsibilities, and one agency (or a mayor or vice mayor) may be recognized as responsible for overseeing the performance of every involved agency and for coordinating their work. For some special issues such as food-safety management, a coordinating committee may be established that is composed of relevant member agencies and headed by a mayor or vice mayor or the head of a major member agency. These mechanisms remain the same for higher and lower level governments.

Of course, some policy making is needed in the course of implementation, and it has been well observed that policies are often shaped and changed in the process. Policy implementation is also disrupted or affected by the factors discussed in the following sections.

3.3.4.1 New, Different Opinions from the Upper Level

Sometimes, problems arise in the process of policy implementation that may lead to policy adjustments at the central level. Also, turnover of leadership may reset priorities between different policy issues. For example, since the 1990s, local government has started the *enclosure movement* for the construction of college towns and science and technology parks, which appropriated and wasted large areas of arable land. In 2005, Premier Wen Jiabao put a stop to transferring farmland into building land for the purpose of land protection. Sometimes new opinions of the central government arise as result of the following factors.

3.3.4.2 Negative Impacts on Key Stakeholder Interests

A policy is likely to be disrupted during its implementation in order to protect key stakeholders' interests, including those of administrative departments. As an example, beginning in 2001, China started to import soybeans from Brazil to meet domestic demand. However, problems soon occurred because the cheap imported soybeans made domestic soybeans hard to sell and further caused a spike in the soybean oil market; the production and sales of squeezing machines were beyond control. Therefore, the Agriculture Department had no choice but to negotiate with the Trading Department to import soybean meal instead of soybeans to check the expansion of the food-processing and machine-manufacturing industries.

Unfortunately, because the meal was even lower in cost if made into oil, the oil price kept dropping, which made it a disaster for the domestic squeezing

market. Finally, the Agriculture Department publicized the “Safety Regulation on Genetically Modified Agricultural Products” to restrict the import of soybeans so as to protect farmers’ interests. But as soon as the act came out, Brazil protested strongly against it in the World Trade Organization, and the Commerce Department had to revoke its regulation and rediscuss the problem. In conclusion, soybean imports are not only a tariff-related question, but also a protection question for domestic agriculture that involves coordination among different departments, sometimes with differing interests.

3.3.4.3 *Subordinate Preferences and Capabilities*

Policy implementation is usually a main task for grassroots governments that are also concerned with strengthening local conditions. This can cause them to resist implementing central government policies. Real estate was a strong force for GDP growth, and in 2005 and 2006, local governments kept resisting the macrocontrol policy on real estate publicized by the central government.

Concern for local conditions can also cause local governments to modify or formulate additional policies that make existing policies palatable for those who are affected. For example, in the 1980s during the implementation of a birth control policy in rural areas, the fact was taken into consideration that members of a household without a boy are usually subject to bullying and insecurity in old age. Thus, the village party head can allow families whose first child is a girl to use possible methods to ensure a high rate of having a boy. If the second child is also a girl, both village and township governments should be encouraged to establish a welfare fund for the aged to ensure them a pension and to help them abandon the ideology of having a boy.

Subordinate preferences also play a role in the problem of being asked to implement numerous policies in the face of limited resources and local conditions. Discretion exists, and implementers also make changes in their own interest. Some Western scholars use the term *selective implementation* to describe this, especially in connection with the very problematic and aggressive execution of unpopular policies in rural areas caused by officials’ zealous hyperresponsiveness to immediate party or government superiors, regardless of local conditions and populace reactions (O’Brien and Li 1999). They also see this as being reinforced by numerical quotas and goals for local-level officials (e.g., methods of tax collection and birth control sometimes leading to actions whose lawfulness is questionable), as well as rotation of party and government officials that gives them short terms in localities. Grassroots democracy, such as the election of the villager’s committee, has been one way by which due constraints are imposed on local leaders to curb such “misimplementation.”

3.3.4.4 *Resistance of the People and Society*

Because people and enterprises are, in the end, the “policy takers,” their acceptance of policies counts a great deal. Policy implementation may fail when facing

resistance from these stakeholders. For instance, in the 1980s, migrants who stayed for more than 3 days needed to apply for a temporary residence permit. But because 3 days was too short a period and migrants were too large a group, this policy failed and was not enacted. Sometimes, policy implementation can also be resisted by core interest groups (e.g., households that refuse to move in compliance with government's urban reconstruction projects).

3.4 Public Participation during the PPP

The goal of scientific and democratic policy making has been pursued by the CCP and the Chinese government since the late twentieth century. Being scientific means to involve experts and respect their opinions during the policy-making process. Being democratic includes: (1) public participation (citizen and related interest groups and individuals) in the policy-making process; (2) expert participation, allowing experts to express different views and informing the public of experts' opinions to increase their knowledge and win their support; and (3) negotiation and compromise among policy makers.

Public participation has received increased attention in China in recent years, and various Chinese scholars are contributing to new ideas for it. For example, Wang Shaoguang (2006) believes that the agenda-setting process can be divided into six modes that identify different actors and the degree of public participation:

In the closed-door mode, the agenda proposer is a policy maker who thinks it unnecessary to win or have public support in the agenda-setting process; no public participation occurs.

In the mobilization mode, policy makers use all possible means to arouse public interest and support after an agenda has been set.

In the inner recommendation mode, an agenda is proposed by a think tank closely connected to core powers.

During the social mobilization mode, a think tank publicizes its advice in the hope of using public opinion to push the policy maker to accept the agenda.

The celebrity effect mode is used to describe the submission of proposals by noble-minded patriots to major governmental agencies or leaders.

In the external pressure mode, policy advocates employ public opinion to accumulate pressure on policy makers in order to compel them to change old agendas and accept new ones.

New ideas are thus being developed about the role of citizens. The following sections describe three basic realities about public participation in public policy.

3.4.1 *Many Slogans but Few Actions*

The central government has stated on several occasions that local governments should encourage public participation in daily affairs at the grassroots level, but few governments have taken such action.⁹ Policy-making organizations have been called upon to establish participatory institutions such as public hearings on major issues of public interest to avoid arbitrary policy making (Jiang 2002).

On May 21, 2003, Premier Wen Jiabao proposed in the first meeting of the State Council that the government should focus on making progress in scientific policy making and administration by law and reinforce administrative supervision. He emphasized that the decision made by central government is highly related to the domestic economy and social development; thus, it should be based on scientific and democratic policy-making processes to ensure its validity. The State Council, together with various departments, should set up policy-making mechanisms that combine knowledge, expertise, and public deliberation and reconcile opinion of leaders, experts, and the masses. A policy-making accountability system should also be established (Wen 2003).

This meeting marked a milestone in high-level consensus about the role of the public in policy making and was important to lower government levels too. In October 2003, the requirement of increasing political openness and public participation was raised at the third plenary session of the 16th CCPCC, seeking to utilize social talents and modern information technology more fully in increased openness and participation (Hu 2003). In January 2004, the plan of investment restructuring, which had been under development for 5 years, was approved at the standing meeting of the State Council.

The new plan requires that decision making in government investments be more scientific and democratic, mandating (1) sufficient and reasonable professional consultation, feasibility study, and project evaluation; (2) expert appraisal for major projects; and (3) public participation in the decision process. It shows the strengthening of political openness and that public participation has become a major gap for mechanism completion (Ji 2004). Later, at the second session of the 10th National People's Congress in March 2004, in his report on government work, Premier Wen Jiabao stated a need for further improving the combined system of public participation, expert demonstration, and government policy making to ensure a scientific and valid policy-making process, including dealing with major issues (Wen 2004). In 2008, the Government Information Opening-Up Act, in which a citizen's right to know public information is guaranteed, was promulgated.

Despite the many rules of public participation, local governments rarely show high enthusiasm in bringing them into effect. These rules are hardly institutionalized so as to create a structure of incentives. In other words, decision makers do not face the consequences of being punished if there is no public participation as is expected by the rules. Local governments are afraid that there can be much waste of time and a serious reduction of administrative efficiency if participation imposes

too much constraint on them. Alternatively, governments may prefer to involve more experts in the decision process; their participation may help improve the quality of the policy, rather than making it a slow and chaotic process.

3.4.2 Few Initiatives but Many Controls

Generally, public participation in the PPP occurs at the beginning period of agenda setting. Once the agenda is decided, authorities start to use public opinion to ensure policy approval and implementation. The truth is that, in the policy-making process, citizens are not able to see the specific issue clearly or give opinions. Moreover, the media in China are government controlled, so they can help the government convince the public to accept its policies. The public has little input—let alone control—over policy decisions.

In recent years, some nontraditional ways of participation emerged and were successfully practiced in some cases. For example, the building of the Maglev train line between Shanghai and Hangzhou was seriously opposed by those who would have to relocate and those whose health and life quality would be significantly affected. In addition to other means, local people in Shanghai organized a “quiet walk” along Nanjing Road in Shanghai and forced the government to give up that project. The Internet also plays an increasingly important role in disclosing citizen emotions, leading to governmental responses.

3.4.3 Few Formal Channels but Many Informal Ways

There are still not enough formal channels for public participation. Public hearings and open mailboxes are relatively mature ways. Some local governments have undertaken pilot tests of participatory budgeting, through which local communities can decide the priority of the building of some public works or participate in the discussion of issues on the agenda of the local People’s Congress. However, in general, formal institutions of public participation are limited and weakly enforced. In contrast, citizens can express their policy preferences in quite a few informal ways, such as all kinds of protests, persuasion through interpersonal channels, and use of the Internet to disclose information or grievances. The effectiveness of the informal ways varies case by case, depending on many factors that can be quite uncertain.

In general, public participation is a concept that has been endorsed, but not yet fully or richly implemented. Undoubtedly, this will be a focus of future Chinese policy making.

3.5 Conclusion

China’s public policy processes are strongly influenced by the Chinese Communist Party, which effectively controls the appointment of senior officials and legislators

and gives approval to legislation and new policies that are put forward. Control by the CCP is exercised through a parallel structure at all levels of decision making: central, provincial, county, municipal, and township governments. Consensus forming, including consultation, is a key characteristic of the agenda-setting process as the CCP seeks to avoid factional discord and open challenges. Consensus forming normally involves many different stakeholders, and controversial matters can take up to a few years to resolve. Policy proposals and legislative bills and proposals that are formally submitted have typically already garnered consensus and thus been approved.

China is a unitary state and, as such, the central government wields great power, including supervision over lower governments. Although policy making is often described as a top-down process with lower governments implementing policies formulated at higher levels, bottom-up processes also exist and lower governments also shape the policies of higher levels as they deal with local situations. Local problems with policies, including contradictions of policies, are often brought to higher levels of government for resolution. This, in turn, can bring quite senior policymakers into the process, causing them to issue new opinions or orders.

In recent years, calls have been made for more “scientific” and “democratic” policy-making processes. The former term means policy making that is based on facts and learning from the results of initial efforts—hence, breaking away from the ideologically driven efforts of the past. The latter means policy making that is open to the input of citizens and experts—hence, breaking away from the formerly closed and secretive policy making of the past. This chapter has discussed steps toward increased citizen participation, though it is widely believed that more effort is needed.

Notes

1. According to the official statement, scientific outlook of development focuses on comprehensive, coordinative, and sustainable development, by pursuing balanced development between rural and urban areas, between different regions, between economy and society, between human beings and nature, and between domestic development and global participation.
2. The People’s Congress enjoys various powers, especially in legislation and policy making. The number 9 document internally released in 1991 by the CPC defines the policy-making power and legislative power of the People’s Congress. The document was called “Several Suggestions on Enhancing Guidance on Legislation.” Tanner (1994) believes that it enhances the legislative power of the NPC, especially in making economically related laws, because it allocates legislative power to governments and the People’s Congress at the county level or large municipal level. Thus, though the party-first mode has not been changed, the policy-making power of the People’s Congress has been strengthened.
3. It is said that this style of consensus building differs from that in the West, which Chinese scholars believe to be based more on bargaining.

4. Party leaders are the members of party committees at national and local levels and those who head the party branches of various public organizations.
5. Later, the policy was adopted and promoted across the country. Peasants got the land. Moreover, Deng's continuing support ensured that the land was not subsequently taken away by any policy reversal (Zhang 1995).
6. Some seats in the People's Congress are reserved for non-CCP members, though their role is not like that of opposing parties in Western governments.
7. Through these meetings, supportive people are discovered by the secretary and organization departments for future management candidates.
8. The vice mayor who leads social affairs takes charge of labor and social security, health care, industry and commerce administration, quality and technical supervision, food and drug administration, civil affairs, regional affairs, public access, social stability, etc. and engages the municipal Political and Law Committee. Another vice mayor, who leads urban construction, takes charge of urban construction and management, real estate development, water supplies, traffic, amenities and environment, greening (including forestry), civil defense (fire protection, flood and typhoon control, earthquake resistance), and safety and, at the same time, assists domestic economy and social information construction and environmental protection. Finally, the vice mayor who leads culture, education, and sanitation takes charge of science and technology, education, sanitation, population and birth control, culture, broadcasting and television, press and publication, sports, IPR, public affairs consultation, literature and history, women and children affairs, etc. and engages the Municipal Publicity Department, labor unions, the Youth League, and women's associations.
9. The report, presented during the 16th session of the CCP in 2000, suggested that a right decision is the major premise for success in governmental work. Therefore, the policy-making mechanism should be improved by increased familiarity with public conditions and the public will, broadly collecting public wisdom, and earnestly valuing public resources in order to propel science and democracy in policy making.

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Chapter 4

Intergovernmental Relations in Mainland China

G. Zhiyong Lan and Guoquan Chen

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4.1 Introduction

The Chinese government is a complex and multilayered system of governance. It is large, about the size of the United States,¹ with a population 4.4-fold larger. Yet, it is not a federal system—one that is familiar to Western understanding. How is the Chinese intergovernmental relation structured? How does it work? How did it arise? What are the associated current issues of concern? This chapter addresses these questions.

4.2 Present Structure of the Chinese Government

China’s government structure is roughly illustrated in Figure 4.1. In form, it appears to be a typical modern government in which three branches—the legislative (the People’s Congress), the judicial (the court system), and the executive (the State Council) branches—coexist to formulate a system of checks and balances. Operationally, however, although the National People’s Congress holds the power to approve or

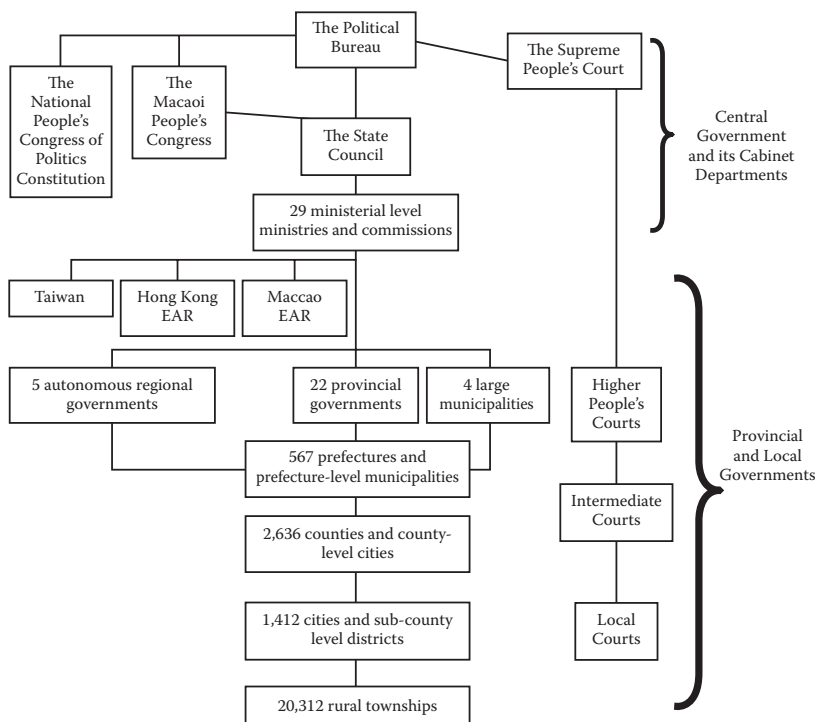


Figure 4.1 A road map of China’s central regional relations. (Adapted from Lan, Z. 2002. *Chinese Public Administration Review* 1 (3/4), pp. 209–220.)

disapprove all the important laws of the country, the Political Bureau of the Chinese Communist Party (CCP) is the *de facto* highest decision-making body. It can exert significant influence over vital national policies, and it influences which candidates are elected to the National People's Congress, which key attorneys are appointed to the judicial branch, critical verdicts made at the supreme court or other legal bodies, and which high-level government officials serve in key executive positions, such as the presidency, premiership, and state council cabinet ministers. This is done in a more organized way than the way in which a Western political party influences the appointment of key governmental personnel when it wins an election.²

Typically, important policies are first construed and discussed in the congresses held within the party and then referred to the people's congresses for further discussion and approval. The National People's Congress of Political Consultation is the national-level organization through which elected members from all other parties as well as people from all walks of life articulate their voices, introduce policy initiatives, and provide political consultations. In recent years, as China's reform has progressed, the National People's Congress and the National People's Congress of Political Consultation are starting to play increasingly important political roles.

Until fairly recently, China had 28 ministerial cabinet departments and commissions. However, the First Plenary Session of the 11th National People's Congress (March 11, 2008) approved a restructuring of the cabinet system and turned it into 27 ministerial-level cabinets. A few of the ministries were consolidated, recreated, or abolished. The list of the new ministries is presented in Table 4.1.

The Conference of the National People's Congress implemented the guiding principles for administrative reform proposed at the second plenary session of the 17th National Congress of the party in 2008 and approved its proposals to expedite administrative reform and reform State Council's cabinet ministries. The party congress considers administrative reform a key to promote development strategy, to promote social justice and social harmony, and to secure the rights and privileges of the people in a socialist democratic society—all of which are reform guidelines advanced by the central party leadership (Report of the 17th Party Congress, March 11, 2008).

It should be noted that, in China, the term "local governments" means all types of subnational governments, including provincial/municipality, prefecture, county/city, and township governments.³ At the subnational level, there are 22 provinces (populations range from 25.4 million in Gangsu to over 92 million in Henan; the island province of Hainan, which was established in 1988, has a population of 7.6 million), four large municipalities enjoying provincial-level administrative privileges (Beijing, 12.6 million; Shanghai, 14.7 million; Tianjin, 9.6 million; Chongqing, 30.8 million), five autonomous regions (Guangxi, 47.1 million; Inner Mongolia, 23.6 million; Xinjiang, 17.7 million; Ningxia 5.4 million; and Tibet, 2.5 million; these are populated mostly by people of Zhuang, Mongolian, Uigur, Hui, and Tibetan ethnicity) (*China Statistical Yearbook* 2005), two special administration

Table 4.1 Cabinet Ministries after the Reform

Foreign Affairs	Supervision
Defense	Civil Affairs
State Development and Reform Commission	Finance
Education	Public Security
Science and Technology	State Commission on Minority and Ethnic Affairs
Hydraulics	Security
Agriculture	Legal Affairs
Commerce	National Assets and Resources Commission
Culture	Housing, Urban and Rural Construction (new)
Health	Transportation (new)
National Population and Family Planning Commission	Industrial and Information (new; replaced Communication and Industry)
Bank of China	Human Resources and Social Security (new, replaced Ministry of Personnel)
Bureau of Comptroller	Environmental Protection (new; replaced Ministry of Labor and Social Security)
Railways	Abolished Commission on National Defense Sciences

Source: Web page of the Central People’s Government of China (http://www.gov.cn/gjjg/2005-08/01/content_18608.htm).

regions (Hong Kong and Macao); and one out-of-control province (Taiwan), which has, at various times, tried a variety of tactics to claim independence.

Other than the five provincial-level autonomous regions, there are also autonomous prefectures or counties in other provinces such as Qing Hai, Yun Nan, and Gui Zhou, where there are significant sizes of ethnic minority populations (China has 56 officially recognized ethnic groups). The constitution clearly stipulates that the principal governmental leaders, such as the chairmen of the autonomous regions

(either at the provincial, prefecture, or county level), should be ethnic minorities. The people's congresses at the corresponding levels have the authority to make local laws that are suitable for the region's culture, customs, and political heritage. The constitution even allows some of these regional governments to have local public security troops for the purpose of maintaining local stability. These privileges of the autonomous regions are subject to the approval of the appropriate authorities at the central government level.

Under the provincial level, there are administrative prefectures and administrative prefecture-level municipalities (which are medium-sized cities with supervision authority over a few adjacent counties), counties, and townships. The governing of a country of such diversity and disparity is of significant challenge. China is a country not only of large size but also of diversity; it also consists of 56 different ethnic groups spread around the country, with a 1 to 22 ratio in disparity in income (per capita GDP ratio between Guangdong Province and Gangsu Province) (Lan 2000; *China Statistics Yearbook* 2005).

4.3 Historical Development of China's Intergovernmental Relations

To many, a big question is why China has not adopted federalism, a mechanism that Western countries have successfully implemented over the years. The trajectory of China's intergovernmental relations development can help answer this question. In a nutshell, China's intergovernmental relations can be divided into three distinctive periods: the feudal stage, the republic stage, and the People's Republic stage (Yang 2005).

4.3.1 Feudal Stage

China's feudal stage was considered to have started in Zhou Dynasty, roughly 1066 B.C. However, the first emperor that united China was Qing Shihuang (The First Emperor of China) who built China's first united Empire in 221 BC. Emperor Qin centralized political, economic, and administrative power; abolished the old system in which sons of the emperor were allocated a piece of conquered land; and established the county system in which local magistrates were centrally appointed (usually sent by the emperor from regions other than their hometowns). The vast land and resources (including the people) were considered the property of the emperor, who had the freedom to impose taxes and demand their services. He standardized language, measurements, scales, and money and had interstate highways built. The emperor had a strong control over the army. The supervisory unit was independent of the administrative system and the military, reporting directly to the emperor or his close aides.

The emperor possessed all the powers to establish, revise, or abolish laws and executive orders. In such a system, power was highly centralized. Naturally, local resistance to central control was strong. Also, because of the large territory, it was

often difficult for the central government to control everything fully. In remote areas where the emperor's influence was small, local powers tended to formulate a resisting power, grow, and seek opportunities to overthrow the central government or establish an alternative state. Despite the efforts at central control by successive emperors, local leaders in many areas of China enjoyed considerable autonomy. Central control can hardly be 100%.

Two well-known sayings characterized central–local relations in China during this long period of historical time. The first one described the people's antagonistic attitudes toward the central government: “The heaven is high, the emperor is far away, there are so many magistrates living on the back of a small amount of laboring people, what can we do but to rebel?” The second showed that after a period of chaos, the country would regroup under a new leader who had the ability to stabilize the situation: “The general trend on Earth is when it is divided for long, it will be united, and when it is united for long, it will be divided.” Conflicts between local governments were either resolved by resorting to complete central verdict or through negotiation among local leaders.⁴ When chaos broke out in local areas, the central government might or might not be effective in quickly restoring order.

Qin Shihuang's legacies lasted for a long time—until 1911, when Sun Yatsun's Democratic Revolution overthrew China's last feudal dynasty (the Manchurian Rule, which incidentally is pronounced as Qing, a different Chinese word). It is interesting to note that of the over 2,000 years between Qin Shihuang's time (259 BC) and the end of the last Qing dynasty (AD 1911), China went through many dynasties. It basically followed a path of centralization, decentralization, chaos, and then centralization again. The country became prosperous and stable when it was centralized under a capable emperor and chaotic when central control was lost. Local governments were mainly contributors to the central government, with the exception of the southern Song dynasty (1127–1279), when the emperor lost control over the vast northern territory and concentrated on building South China's economy. The Qin model has been the one that has worked for China when viewed from the perspective of building and maintaining the state.

4.3.2 The Republic Stage

The years between 1911 and 1949 are characterized by change, turmoil, division, and struggles among various forces such as reformers, bourgeois revolutionaries, military warlords, conservative feudal forces, and international forces. This period can be subdivided into Northern Warlords Rule (1912–1928) and Nanjing Government Rule (1928–1949) (Yang 2005). After the 1911 Democratic Revolution led by Dr. Sun Yatsen, he announced the establishment of the Republic of China and the government was seated in Nanjing—the southern capital of China. However, his executive orders could not reach beyond the city wall.⁵ As a compromise, he conceded his power to Yuan Shikai, a powerful military warlord in the North and a former military official in the last feudal dynasty (Qing).⁶

During Yuan's rule (1912–1916), a national movement existed in support of local autonomous governance. Starting in 1907, the Qing government issued a number of charters for local autonomy, including the “Constitutional Rule for City and Township Autonomy” and “Constitutional Rule for Autonomous City and Township Election” in 1901. The movement started with some intellectuals proposing change. Liang Qicao, a well-known reformer, argued that “all good systems of governance come from autonomy” (see Yang 2005, 269).⁷

Yuan's government issued a number of laws and executive orders to redivide local governments and their powers. Many provinces declared independence and challenged Yuan's Beijing government. Yuan conquered them using military power and, as a result, the trend for local autonomy was put to a stop in 1914. Yuan thought it would be good for him to restore the older emperor system of rule and declared himself emperor in December 1915. However, he underestimated the resistance and was under fire immediately. The entire nation launched a campaign to oust him for his betrayal of the republic; southern armies marched into Beijing and defeated Yuan.⁸

After Yuan's death in 1916, the northern government continued the movement of local autonomy. A large number of presidents and acting presidents are associated with the Republic of China between 1913 and 1928. Within a short period of 17 years, the republic built by Sun had seven terms of presidency (five presidents), one temporary executive, one marshal, 44 terms of cabinets, over 20 prime ministers, and 13 legislative agencies.⁹ During this period, Sun's republic announced the establishment of provincial, prefecture (*dao*), and county levels of governments. Close to the 1920s, many provinces started to announce independence, with a misunderstanding that federalism meant independent provinces. The movement was known as *liang sheng zi zhi* (united autonomous provinces). Hunan, for example, even announced its provincial constitution.

All these efforts were suppressed after Chiang Kaishek's northern expedition in 1927. Viewing himself as a disciple of Dr. Sun Yat-sen (1866–1925), he built his army in Guangdong, marched through half of the country, and led his army into the city of Nanjing, winning battles over some warlords. He declared the establishment of the Nanjing government and worked out a relationship with four powerful remaining warlords: the Shangxi warlord led by Yang Xishang, the northwest warlord led by Feng Yuxiang, the Guangxi warlord led by Li Zongrong and Bai Zongxi, and the northeast warlord Zhang Xueliang. When Zhang declared support for Chiang, the other warlords consented to Chiang's nationalist government, but each maintained control over his jurisdiction.

In 1929, the nationalist central government issued orders requiring local compliance with central directions, and war broke out again between Chiang and various warlords. Even as he succeeded in conquering them one after another, new powers rose. In 1937, when the Japanese invaded China, many of these warlords quickly surrendered to them. While Chiang's regime declared that it would lead the nation to fight against the Japanese, it continued to

work hard to suppress other powers, including the rising Communist power. Eventually, Chiang Kaishek would lose out to the Communists and flee to Taiwan in 1949.

4.3.3 The People's Republic Stage (1949–Present)

The People's Republic of China was founded in 1949 and a central question for the new regime was how to consolidate power and promote the unity of the country. For this reason, the “Common Guideline” (a temporary constitution) posited that “all lower level governments are established and entrusted by their upper level government. All governments should be subject to the rule of the Central Government” (*Selected Works of Importance since the Establishment of the People's Republic of China* 1992, 5).

The country was initially divided into six large administrative regions: north, east, northeast, northwest, central south, and southwest. Each region had jurisdictional power over a few provinces and was entrusted into the hands of a high-level military official who at the same time had a civilian title. These regions were abolished and their leaders were moved to Beijing. The triggering event was the ouster of Gao Gang in 1954, a regional leader in the northeast who was considered to have built up his regional power to compete with and threaten the central authority. The provinces started to report directly to the central government. The People's Republic succeeded where previous governments had failed in bringing all local levels of government under the control of a central government.

In the revolutionary years, the Communist Party congresses repeatedly proposed the adoption of federalism to resolve conflicts between nationalities in China. The Second Congress of the Chinese Communist Party explicitly proposed the establishment of a federalist system in which Mongolia, Tibet, Xingjian, and other minority regions could be part of the federalist state (Yang 2005). After the establishment of the People's Republic of China and its repeated efforts in consolidation of central power, Mao Zedong repeatedly talked about the possibility of decentralizing central power to local governments. He published a well-known article, “On Ten Relationships,” in April 1954. In the article, he discussed the importance of central–local relations:

Central and local government relationship is a conflict. To resolve this conflict under the current situation, with the premise that unity of leadership under the central government is consolidated, attention should be paid to the expansion of local power, more local independence, and allowing local governments to do more things. This is advantageous to the building of a powerful socialist country. Our country is so big, so populous, and so complex. Having both the central and local governments mobilized is better than having only one

of them mobilized...The central government should pay attention to mobilizing provincial incentives, and the provincial governments should pay attention to mobilizing county and township incentives. (Mao 1977, 275)¹⁰

Mao paid attention to the decentralization practice in Europe as well as in the United States and thought that division of power was their secret of good economic development. He admitted that central government had centralized too much power and it was too much for him to handle. China should learn from the United States' decentralizing its central power into 50 states (see Yang 2005, 281). These ideas of Mao's, however, never got a chance to be institutionalized in his time. Instead of building a system for decentralization, Mao's worked at constantly consolidating central power.

Indeed, until 1978, the Chinese government operated under the former Soviet Union model. The central government controlled all aspects of political, economic, social, and organizational life. Subnational governments were considered administrative arms of the central government. *People's Daily*, a centrally controlled national newspaper, was the main vehicle for spreading central government policies and intentions (in addition to the less efficiently transmitted governmental documentations). It was not unusual that the central government units issued direct executive commands to grassroots organizations while bypassing some of their immediate supervisors. (They may or may not have been informed afterward.) For a while during the Cultural Revolution between 1966 and 1976, the central government organized a Central Cultural Revolutionary Group that reported directly to Mao Zedong, then the party leader, bypassing all central government bureaucracies and directly influencing local politics. Provincial-level leaders were appointed by the central government.

Beyond this, the Planning Commission of the State Council made annual plans to command the country's economic development by controlling inputs and outputs of production. All of its enterprises, department stores, airlines, and educational institutions were considered governmental units; they were managed and supervised by various cabinet ministries at the central level, by departments at the provincial level, and by divisions at the county and city levels. Therefore, the state-owned enterprises (SOEs) were affiliated with governmental units.

The ones affiliated with central government ministries were considered national-level SOEs, and those affiliated with provincial-level government departments were considered provincial-level SOEs. Their establishment and abolition were all part of the national plans. Salaries were nationally defined and earnings were totally public assets. The county and townships, including communes and brigades (the lowest denominators of China's governing units), could also run their own businesses and enterprises; however, they were considered collectively owned enterprises. These enterprises, or the county or township governments, were financially responsible for themselves.

In short, the central government had all the say over national affairs. Through its various ministries, it managed provincial authorities, including the four large cities of Beijing, Tianjin, Chongqing, and Shanghai. National laws and central governmental policies and directives were enforced through the administrative apparatus of provincial governments. Provincial officials were appointed by the central government, and provincial governments appointed the lower level officials within their jurisdiction, thus ensuring the pattern of hierarchical control.

4.4 Roles of Different Levels of Government and Their Interactions with One Another in Recent Years

In the 30 years since 1978, China has repeatedly attempted to decentralize in areas of policy making, revenue sharing, and personnel management (Montinola, Qian, and Weingast 1995; Wang 1997; Lin and Liu 2000; Remick 2002, Lan 2001), but in an ad hoc and piecemeal format. The central government has again and again allowed special privileges to local governments or regions. Legislation and executive orders have been passed or issued in fragments in response to pressing reform needs. An overall institutional reform is lacking.

Other than the four large cities under the direct supervision of the central government, there are also 15 subprovincial-level cities that enjoy special legal and administrative prerogatives. These cities are usually large and enjoy special economic status. Since the 1980s, some of them have been known as “separately listed cities in national planning.” They were given privileges for independently making local laws.

On February 25, 1994, a central party committee and the State Council approved a document (Central Government Planning Commission 1994, no. 1) that formally permitted the establishment of 16 subprovincial cities, including Wuhan, Xiamen, Guangzhou, Shengyan, Xian, Jinan, Changchun, Ningbo, Shenzhen, Hangzhou, Chengdu, Qingdao, Harbin, Nanjing, Dalian, and Chongqing. Chongqing was approved in 1997 to be upgraded to a provincial-level city and the Pudong District in Shanghai has been in talks for taking its place. Among these cities, Dalian, Qingdao, Ningbo, and Xiamen are “separately listed cities in national planning.” That is, in spite of their relatively lower administrative status, the central government planning apparatus will consider their plans independently of plans for the regions in which they are located. The cities’ mayors are deputy-governor-level officials.

Beginning in 1980, the central government started to give some local governments more special jurisdictional power. It established four special economic zones (Shenzhen, Zhuhai, Shantou, and Xiamen) and added Hainan Province to this category in 1988. In 1984, it approved 14 coastal cities to be special coastal open cities (Dalian, Qinghuang Island, Yangtai, Qingdao, Lianyungang, Nantong, Shanghai, Ningbo, Wenzhou, Fuzhou, Guangzhou,

Zhangjian, and Beihai). In 1985, it established three large coastal economic regions: the Fujian (Ming) Triangle, Pearl River Triangle, and Yangtze River Triangle. The special economic districts may or may not overlap subprovincial government status. They nonetheless enjoy special local law-making prerogatives and other policy favors. This special treatment has given them flexibility for growth and development.

Other than cities and regions, China has consecutively established 49 national-level special economic and technology development zones and 53 national-level high-tech development zones in all of its major cities. As a rule of thumb, these districts enjoy special power to offer tax incentives to the businesses that move there. In more recent years, the State Council has gradually approved Shanghai's Pudong new district, Tianjin's Binhai new district, and Chengdu, Chongqing, Wuhan, and Changsha/Zhuzhou/Xiangtan in Hunan Province to be a national level comprehensive megapolitan reform region with the purpose of developing a regional economy with full regard for energy conservation and environmental protection. In recent decades, many localities have experimented with or implemented township-level elections for their grassroots-level officials. If a provincial government official needs to work with a city or township, he must go through the prefecture or municipal government that has the jurisdiction over that area.

The purpose for establishing these special economic zones, open-door cities, development regions, and high-tech zones is to give these local governments more freedom to handle things their own ways in terms of financial investment or policy matters. Some districts are even given special power to collaborate with international counterparts. The Suzhou China–Singapore joint-venture industrial park is such an example. Looking back, many of these regions and districts have grown to become China's spotlights for economic and high-tech development.

State-owned enterprises have also undergone significant changes since 1978. The decentralization of economic development powers to local governments gave private enterprises opportunities to grow, to compete with or to buy out state-owned enterprises, and to prosper. Through a series of reform efforts, such as management reform (1978–1984), dual track system reform (a plan and market system in which enterprises were allowed to sell their products 20% above the state prices after they met the state production target; 1984–1992), and ownership reform (after 1992), enterprises are now mostly in private hands.

The SOE reform has also aroused interest in localization of state-level enterprises. For example, China Sinopec Shanghai Petrochemical Company Limited is a subsidiary of China Petroleum & Chemical Corporation, originally a national-level SOE. The Shanghai subsidiary is based in Shanghai and operates independently, engaging in the integrated production and operation of petroleum products, petrochemicals, synthetic fibers, and plastics. The company sells its own stocks and is responsible for both state and local taxes.

China's state-owned enterprises have shrunk in numbers over the years. From 1998 to 2004, the proportion of all employees in SOEs dropped from 16% in

1994 to 8% in 2005. The number of SOEs fell from 64,737 in 1998 to 27,477 in 2005.¹¹ The number of laid-off workers from state-owned enterprises reached 21 million between 1998 and 2005. When collectively owned enterprises are factored in, the number reaches 30 million. In 2006, the State Council's Development and Reform Commission estimated that, in the next 3 years, a further 3.6 million SOE employees would be laid off and another 3 million employees would be redeployed amid the restructuring of subsidiary businesses (Wu 2004; Xia 2006; Cai 2006; <http://www.china-labour.org.hk/en/node/100153>).¹²

As the public sector shrunk, the private sector expanded. The number of private enterprises increased from 440,000 in 1996 to 1.32 million in 2001—from 16.9% of all enterprises to 43.7% (Shen 2007). The public sector's share of all industrial output dropped from 73.4% to only 11.1% between 1983 and 2003 (Shen 2007). These reforms have significantly helped China's economic growth. Total industrial output kept its momentum to grow amid this prolonged process of SOEs' restructuring and privatization.

4.5 Current Issues in China's Intergovernmental Relations

As a result of the preceding achievements, or perhaps in spite of them, China's central–local relations are now confronted with a set of unique issues of concern:

- The central government has highly centralized formal power, yet it does not have efficient control over all aspects of its local governments. After over 30 years of reform, local governments and regions have gained a great deal of independence in handling their own affairs. Many areas, cities, and regions have privileged policies in their favor that cannot be readily removed. Regional protectionism and harmful regional competition have started to be manifested.
- Many local governments have obtained many special privileges, yet these privileges lack institutionalized supervision. Once power is decentralized, the chief local leader becomes the person with all the say. Local government's system of checks and balances is subject to local party leadership, which could ally with local businesses and interest groups to protect local interests against central government directives.
- Because central government is in control of policy and financial resources, regional governments could succeed not through their own hard work and good economic development, but rather through the policy and financial favors they obtain from the central government. Local governments compete fiercely for these resources. Many local governments have established Beijing offices, which have the sole mission to win over policy and budget allocation favors for their localities.

- The central and local government fiscal relationship needs further improvement. After the 1994 tax-sharing reform, the central government succeeded in replacing the traditional profit-sharing system with a new, elastic tax system. However, although it succeeded in collecting revenue, it has not gone far enough to design an efficient transfer-of-payment system. Many local governments have to rely heavily on central government budget allocations for routine operations (see Table 4.2). On average, in 2004, local governments' dependency on central tax revenue was as much as 44.5%. Some local governments' dependency on central revenue was as high as 93% (Tibet) and 80% (Qinghai). Quite a few had over 50% dependency. Only a few well developed provinces and cities had a dependency level of around 20%—the average ratio of U.S. local governments' dependency on central revenue sharing. After the 1994 tax reform, many local governments have started to feel that there is no way that they could effectively plan and efficiently work because they are not allowed to collect enough revenue to cover their routine activities and central revenue sharing with local governments is not fully predictable, especially the incremental part of it.

4.6 Conclusions

China's intergovernmental relations have developed from being straight top-down since 1949 to having gradually become increasingly complex since the 1980s. The vicissitudes of the changes over the years reveal a trajectory of how China has turned from a highly centralized traditional society into a developing modern state that is continuing its struggle with reform and decentralization. The government has been gradually moving in the direction of becoming more diversified, more decentralized, and more market compatible. In the March 2008 National Conference of the People's Congress—the country's highest policy-making body—Jianmin Hua, state council commissioner and secretary general of the State Council, explained the objectives of the most recent wave of government reform to the National People's Congress delegates:

- changing the role of the government to ensure the separation of government–business, government–nonprofit, and government–capital investment affairs
- consolidating intergovernmental relations so that there is a better match in responsibility and accountability
- downsizing administrative units
- expediting administrative reform of local governments, whose structure no longer needs to correspond to central government structure (central government will consider establishing its own functional units at the local level—vertical management)
- separating nonprofit service roles from the government

Table 4.2 Local Government Revenue and Expenditure across the Country

	Total Expenditures (10,000 yuan)	Other Expenditures	Total Revenue	Other Income	2004 % Regional Expenditure Coming from Transfer	2004 % Central Revenue Transferred to Local Governments as % of Central Revenue
Region Total	193,195,095	14,558,255	107,027,035	1,447,347	44.6	59.4
Beijing	8,982,756	1,991,204	7,444,874	40,559	17	1
Tianjin	3,750,212	211,600	2,461,800	35,907	34	1
Hebei	7,855,591	423,010	4,078,273	79,394	48	3
Shanxi	5,190,569	278,935	2,563,634	23,135	51	2
Inner Mongolia	5,641,117	155,436	1,967,589	27,859	65	3
Liaoning	9,313,979	476,538	5,296,405	35,853	43	3
Jilin	5,077,758	141,869	1,662,807	15,480	67	2
Heilongjiang	6,975,516	218,501	2,894,200	27,738	59	3
Shanghai	13,825,254	2,547,015	1,1061,932	30,544	20	2
Jiangsu	1,3120,404	1,100,495	9,804,939	45,317	25	2

Zhejiang	1,0629,355	621,752	8,059,479	34,151	24	2
Anhui	6,015,280	436,443	2,746,284	32,392	54	2
Fujian	5,166,787	589,122	3,335,230	47,886	35	1
Jiangxi	4,540,598	290,404	2,057,667	77,377	55	2
Shandong	11,893,716	1,340,828	8,283,306	78,928	30	2
Henan	8,799,580	565,472	4,287,799	43,595	51	3
Hubei	6,462,888	569,124	3,104,464	55,968	52	2
Hunan	7,195,435	531,044	3,206,279	158,916	55	3
Guangdong	18,529,500	1,789,502	14,185,056	209,761	23	3
Guangxi	5,074,721	332,756	2,377,721	78,583	53	2
Hainan	1,272,006	136,618	570,358	7,284	55	0
Chongqing	3,957,233	179,949	2,006,241	22,991	49	1
Sichuan	8,952,534	492,267	3,857,848	45,746	57	4
Guizhou	4,184,181	355,382	1,492,855	60,020	64	2
Yunnan	6,636,354	212,370	2,633,618	129,951	60	3
Tibet	1,338,335	139,512	100,188	14,673	93	1
Shaanxi	5,163,052	169,123	2,149,586	21,304	58	2

(Continued)

Table 4.2 Local Government Revenue and Expenditure across the Country (Continued)

	Total Expenditures (10,000 yuan)	Other Expenditures	Total Revenue	Other Income	2004 % Regional Expenditure Coming from Transfer	2004 % Central Revenue Transferred to Local Governments as % of Central Revenue
Region Total	193,195,095	14,558,255	107,027,035	1,447,347	44.6	59.4
Gansu	3,569,366	176,843	1,041,600	21,606	71	2
Qinghai	1,373,363	50,844	269,960	10,324	80	1
Ningxia	1,230,177	65,539	374,677	3,989	70	1
Xinjiang	4,210,446	171,562	1,557,040	6,582	63	2

Source: Calculated from *China Statistics Yearbook*. 2006. Beijing: China Statistics Press.

These reform intentions will significantly affect the way China's governments function and change.

For the Chinese reformers, the journey toward a more open, more democratic, dynamic system of governance has just begun. The Chinese people as well as the leaders have seen a great deal of positive returns from the country's decentralization efforts in the past 30 years. They are highly motivated to search continually for innovative ways to reform central–local governmental relations. Discussions have started to focus on how to use system change tools, fiscal and financial tools, and organizational restructuring tools to encourage further local innovations while maintaining China's unity.

The questions with which China is still struggling are the enduring questions repeatedly asked by China's intellectuals in the past 100 years: How is China different from the rest of the world? Can Western methods and strategies really be the solution for all of China's problems? In what way can China modernize on the basis of its own traditional wisdom? Future success may very well lie in the country's finding satisfactory answers to these questions.

Notes

1. Both the United States and China are about 3.7 million square miles in size.
2. As discussed in the chapter on civil service reform, the nomination of key personnel to important positions is not only discussed at Party meetings but also needs to go through a set of predetermined personnel procedures conducted by some designated party organizations, including background checks, track record evaluations, and confidence votes at party congresses. Recent reform on the party–administration relationships also requires that party leaders nominated to government positions be approved by the People's Congress at the same level of the government.
3. In the United States, subnational governments are always distinctly described as state and local governments, with the term “local governments” specifically referring to sub-state (provincial)-level governments such as counties, municipalities, townships, school districts, etc. (Watson and Hassett 2003; Ma 1997).
4. After all, in theory, they were all private assets of the emperor: All land underneath the heaven belonged to the emperor, and all governors ruling the land were the emperor's followers.
5. It is a figure of speech meaning that his power of influence is very limited—only within the city walls.
6. Yuan assumed presidency for the Republic of China in Beijing on January 1, 1916, but he died on June 6 of the same year. A large number of presidents and acting presidents are associated with the Republic of China between 1916 and 1928.
7. Some high-level officials of the Qing dynasty—including Sheng Baoqi, then ambassador to France—proposed to establish a system of local autonomy after their visits to some Western countries.
8. Yuan died in 1916 from natural causes.
9. It is said that this period was *de facto* a feudal military rule in the name of a democratic republic (Yang 2005, 267).

10. It is interesting to note that, as early as the 1920s, Mao Tsetung (also spelled as Zedong), China's leader between 1949 and 1976, advocated the idea of autonomous provinces when he was a young student. He wrote an article in a Shanghai newspaper calling for the establishment of 27 countries in China because unity was difficult and one central government could not handle China's affairs well. See Yang (2005, 271).
11. In 1997, the 500 largest state firms held 37% of the state's industrial assets, contributed 46% of all tax revenue from the state sector, and generated 63% of the state sector's profits. By the end of 2001, 86% of all SOEs had been restructured and about 70% had been partially or fully privatized.
12. State-owned enterprises in China. According to Geng, Xiuke, and Janus (2009), China's industrial state-owned enterprises dropped by over 70% between 1995 and 2005. In 1995, China had 118,000 industrial state-owned enterprises; in 2000, this number dropped to 53,500 and, in 2005, to 27,500. Similarly, its large- and medium-sized state-owned enterprises had changed from 15,107 in 1995 to 9,144 in 2000 and to 3,999 in 2005.

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Chapter 5

Public Service Ethics and Anticorruption Efforts in Mainland China

Ke-yong Dong, Hong-shan Yang, and XiaoHu Wang

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5.1 Introduction

In the traditional Chinese administrative culture, public officials were regarded as guardians of public interests; “a sense of state” and “service discipline” were instilled into public officials in the premodern feudal state to ensure a level of self-conscience and administrative accountability in governance. From this developed a system of public service ethics that focused on officials’ decision-making processes and judgment. After the establishment of the People’s Republic of China (PRC) in 1949, officials’ self-discipline and administrative agencies’ self-control, coupled with ideological education and political intervention in hiring and promotion decisions, were the main means to ensure ethical behaviors of public officials. These approaches are enforced by the Chinese Communist Party (CCP), which provides essential ethical and ideological oversight of the state.

It has been acknowledged that a system of administrative self-conscience and self-control is not enough for officials to fulfill their administrative responsibility and to comply with public service ethics. Corruption has been widespread among officials, especially and sometimes conspicuously since the beginning of the rapid economic expansion after 1978. Cases of corruption among high-profile officials continue to attract the public's attention. In 1998, the CCP and the central government developed new anticorruption strategies; external control by rules, laws, and externally imposed standards are also needed. This chapter shows the adaptation of traditional Chinese public service ethics to modern times and the effort to strengthen anticorruption institutions and authority. Also discussed is the passage of various anticorruption laws and policies in recent years as well as the current situation of administrative ethics in China.

5.2 Historical Background

5.2.1 Administrative Ethics in Premodern China

Until the early twentieth century, China remained a feudal empire governed by scholarly officials with the Confucian political philosophy. Hence, its traditional administrative ideas about ethics were dominated by Confucianism. The following sections offer a brief review of the historical heritage of Chinese administrative ethics that should help in comprehension of ethical values of contemporary Chinese public services.

5.2.1.1 Man's Innate Nature Is Inherently Good

San Zi Jing (Three Character Classic), written in the 13th century by Wang Yinglin (1223–1296)—a renowned Confucian scholar in the Song dynasty, is a distillation of the essentials of Confucian thought expressed in a way suitable for teaching young children. Until now, it has widely served as a child's first formal education at home in China. Its well-known beginning reads: "All men are good at birth. Same are their natures. Different are their habits."

The human innate nature refers to man's most fundamental emotional qualities. Everyone has innate needs to be productive—the love of others and the love of work; everyone has the sense to treat others courteously and respectfully. Every governor has a feeling of concern for the well-being of the people, the conscience of performing his duty with honesty and dignity, and the sense of right and wrong. Given this assumption of human nature, good governance is desired for all men who can achieve the acme of perfection in morals, and all men would be angels or sages once they fully develop their natural endowments. Hence, moral cultivation is the way to good governance.

5.2.1.2 Benevolent Government and Rule of Virtue

A great thinker, educator, and founder of Confucianism, Confucius (551–479 BC) was honored as an exemplary teacher of all ages and sage of the Orient by later generations. Confucian political philosophy is rooted in his belief in benevolent government (*ren zheng*) and rule of virtue (*de zhi*) and that a ruler should discipline himself (*ke-ji*), keep to propriety (*fu-li*), and self-cultivate (*xiu-shen*) (Confucius 2004).

Mencius (372–289 BC), honored as the sage second only to Confucius as an authoritative exponent of the Confucian school, elaborated on the Confucian political ideal by highlighting the idea of benevolent government. Furthermore, he spelled out more explicitly the idea that only the ruler who practices benevolent government (i.e., love or concern for others and having a heart that cannot stand to see the suffering of his subjects) can draw the allegiance of the people. Such a ruler will become invincible—not in the sense of superior military strength, but rather in the higher form of being without opposition. Interestingly, the theory of benevolent government and rule of virtue also underlines the idea that order in society depends on proper attitudes within the family, and the way of governing the realm is likened to the way of holding the family together.

5.2.1.3 Governing by Hidden Rules

It is universally acknowledged that, in ancient China, the government was run by hidden rules rather than by explicit Confucian administrative ethics. All emperors preached the ideas of “benevolent government” and “rule of virtue” so that, when representing the emperors to govern the people, magistrates could execute their power with honesty and loyalty. Yet, in practice, all emperors believed in the notion that man by nature is an evil creature and that a ruler must govern a country with harsh punishments and draconian laws.

5.2.1.4 Ambiguity of Public and Private Sectors

The notion of *jiatianxia* (“all under heaven is the emperor’s possession”) is as old as the feudal Chinese empire itself. It contended that the emperor of China, formally styled the “son of heaven,” legally had absolute power over all matters (big or small), all properties (public or private), and all people under heaven. Under such a notion, the boundary of public sphere and private sphere was virtually invisible; hence, the definition of public administrative ethics is impossible. The government’s authority could invade all private domains at will, and the disposition of all wealth was under the emperor’s command. Private possessions could be confiscated as commanded.

5.2.1.5 Development of Law

The most basic form of administrative law was developed early in the Qin dynasty. Like the development and evolution of other laws in ancient China, the Confucian

value was always in the center of administrative law. The emperor was supreme and hence above the law. He could make the law, change the law, and abolish the law at will. Nonetheless, the full development of administrative law that governs administrative ethics was not seen in ancient China, probably because of the emphasis of virtue in the administrative state. Moral values and convictions were believed to be ultimately important in a society in general and for the administrative state specifically. Law was only necessary in cases of punishment for criminal conduct rendered by the empire and the ruling class.

5.2.2 The Inherited Legacy of Public Service Ethics

Chinese scholars generally believe that “public service ethics” refers to the process and basis of the judgment that people adopt to evaluate the rights and the wrongs of an administrative activity. Public service ethics is an aggregation of ethics standards and virtues with which governments and governmental officials must comply. Specifically, public service ethics consists of three inter-related aspects of institution ethics, policy ethics, and individual ethics (Sun 2006):

- Public service ethics is aimed at administrative actions, rather than social or private actions. Its function is to control and to regulate the deeds of public administrators, including politicians, bureaucrats, and public agencies, as well as nonprofit agencies and their workers that provide public services. Public service ethics involves the validity and the rationality of the administrative activity (K. Zhang 2003). Public service ethics reflects the relationship between the state and bureaucrats (Wang 2003) and can also be understood as a philosophy that concerns appropriateness of public service in human society.
- Public service ethics also contains ethical dimensions and behavior standards in the process of public service provision in which public officials should pursue the objectives of service effectiveness and administrative responsibilities. The essence that underlies public service ethics is justice and fairness of public service and the mechanism to ensure them. Justice and fairness are the moral commandments of a public institution, its policies, and its workers. Furthermore, administrative officials should embody this categorical imperative in their professional lives.
- Public service ethics is a dynamic and open system that bears the spirit of public administration rather than just a static code of behaviors. Social equity and societal harmony should be pursued in an open and honest fashion (G. Zhang 2000). Public service ethics is also highly consistent with the genealogy of social morality. Fostering and developing public service ethics should enhance the morale of a whole society.

5.2.3 Administrative Ethics from 1949 to 1978

After the founding of the PRC in 1949, the CCP established the doctrines of Marxism as the official ideology. The Confucian tradition coupled with the Marxism ideology cultivated a new type of bureaucratic ethics (Xie 1995; Aufrecht and Li 1995). The CCP Marxist lofty-toned administrative ethics are characterized in the following sections.

5.2.3.1 Trust of the Public Servant

In practice, the CCP is in charge of the whole spectrum of public affairs, including national politics, economic development, and social service management. Most public servants are CCP members. The management of the state is essentially the management of the party. The CCP charter stipulates that “members of the CCP are vanguard fighters of the Chinese working class imbued with communist consciousness” (CCP 2002). Apparently, the recruiting and selecting process is fairly strict in order to ensure that, after recruitment, the party members genuinely advance communist principles and moral responsibility and that they can serve the people wholeheartedly.

5.2.3.2 An Ethical Utopia

Up until the 1980s, the CCP took the great moral thrust of lofty rhetoric in developing public service ethical values, connected also with utopian impulses. The party claims in its charter that it “has no special interests of its own,” that it is to “persevere in serving the people wholeheartedly,” and that “at all times the party gives top priority to the interests of the people, shares weal and woe with them and keeps in closest contact with them, and it does not allow any member to become divorced from the masses or place himself above them” (CCP 2002). Party members must not seek personal gain or interests and must adhere to the interests of the party and the people above everything else. These doctrines remained unchanged until the early 1980s, when China adopted a more pragmatic approach in its economic reform and the open policy.

5.2.3.3 A Fully Functional Government

In order to strengthen the state power to control economical affairs and social orders, the CCP built the mode of a fully functional government, also known as Marxist full-service government, until the early 1980s. The state monopolized economic and social resources, infiltrating every domain in society. Political, economic, and social institutions were highly supervised. Private enterprise or non-state-owned institutions were in total control of the state and the party. In essence, the party controlled the government, the government controlled all institutions, and an institution controlled its members.

The state power—namely, the party power—eventually found its way to being a supreme power over all organizations and individuals. Organizations of all types were run by cadre delegates from the party or the central government. Meanwhile, every organization was equipped with both the party's organizational system and the administrative authority system. An organization (better described as a conglomeration) served collectively as a political, economic, and welfare entity that supplied its members everything from wages to housing, medical care, cafeteria food, and children's preschool education (Q. Li 1993).

5.2.3.4 Command-Oriented Public Service

In Chinese mythology, the term “service” originally referred to a servant employed to serve the master unconditionally. The term now has expanded to mean unconditionally dedicating oneself to the need of service recipients. In this sense, “public service” means government's obligations to provide necessary public goods. A public servant is said to perform his or her duty only when he or she meets public demands and provides adequate or satisfactory services to the public. Nonetheless, when “public service” is vaguely defined in a state with a need to control, the conventional path of the governance is to abuse power and to overlook the public interest.

“Public service” no longer means responsibilities and duties of civil servants; neither does it preserve any original sense that public officials should serve the interests of the public. Instead, it becomes synonymous with privileges and power to control. Public servants only serve their bosses. They fix their eyes upward, turn a blind eye downward, and try desperately to weigh the boss's intention because the only thing that matters is their promotions. Hence, a distorted administrative ethic ensues. The notion goes like this: “To serve the people” is a slogan, “to serve the boss” is wisdom, and “to make the boss happy” equals “making the people happy.”

5.2.4 Shortcomings of Chinese Administrative Ethics before 1978

It is clear that “rule by man” is a key characteristic of traditional Chinese political thought. Throughout thousands of years the imperial political system relied heavily on orders of authority and the moral gravity of the governors, rather than transparent and impartially applied laws, to maintain order. Rule by man forms Chinese public values—namely, “the mentality of officialdom worship” in which Chinese society worships officials and despises the public. Even during the time when the CCP took power, this mentality has never lost its allure, given the fully functional governing mode and the boss-determined promotional system.

Those who hold public authority are widely considered as masters of the public, rather than civil servants. They regard political power as their private property for group or private interests, but not for public interests. They preach a top-down commanding system, not a bottom-up civil participation system. They insist that

the government be the only public service provider with no proper share of the private or voluntary sector and assert the duty of civil obedience, not the responsibility of the government. They cope with their tasks perfunctorily, with administrative inefficiency and ineffectiveness. Instead of observing passed laws and policies, they comply with a set of hidden rules to serve their superiors. Without proper modes for administrative accountability, they tend to abuse administrative discretion and are unwilling to abide by laws and regulations.

The Chinese mentality of officialdom worship corrodes legal sanctity. When instructions from a higher authority violate laws or regulations, the lower echelon and bureaucrats do not have the will to oppose them. With Chinese society's mentality of officialdom worship, it is rather difficult for government officials to forge conscientiousness and responsibility to serve the public (Deng 1980).

5.3 Public Service Ethics in Transition: From Idealism to Realism

5.3.1 The Beginning of a New Public Service Ethic

China started its profound economic reform and open-door policy in 1978. The 1980s and 1990s saw the emergence of a new paradigm of ethics in public services in response to the policy of opening to the world. Market reform allowed the market to play a fundamental role in resource allocation. Consequently, a new type of public service ethics came to the fore and soon gained recognition of its legitimacy. Before the reform, China implemented the public ownership system, the planned economy, and egalitarian income distribution within the community, where the government allocated economic resources through a planning process and enterprises played no role in the process. Since 1980, China has allowed private enterprises to plan and manage their production lines and compete with each other in the market. The party gave priority to economic efficiency, encouraging some regions and some individuals to become prosperous first (Deng 1993).

The other driver for the ethical transition is China's participation in economic globalization, known as the open policy. From the 1980s, China has gradually become a global political and economic player. Efforts have been made to eradicate barriers to international communication and information exchange. Computers and the Internet have been facilitating the flow of information, knowledge, democratic values, and concepts of a government serving people (known as "service government" in China). Almost inevitably, in a tidal wave of new values and ideas, the former official ideology seems obsolete and traditional values are losing their allure. Equally inevitable is a challenge to the legitimacy of Chinese politics. To maintain a strong base of legitimacy, new public service ethics must be introduced. Furthermore, with the deepening of China's drive to be an open society,

the establishment and implementation of laws in conformity with international practice becomes urgent.

5.3.2 Moral Requests for New Public Service Ethics

To keep pace with rapid changes caused by market reform and the open policy, in October 2006 the CCP issued the “Resolution on Major Issues Regarding the Building of a Harmonious Socialist Society” (CCP 2006). The resolution highlights the importance, guidelines, goals, and principles of building a socialist harmonious society, which in turn reflect the fact that public service ethics is entering a new paradigm in China. Building a harmonious society marks a fundamental change in the CCP’s ruling philosophy and governing strategy, ending the “class struggle” theory of governance that advocated the conflict among different interest groups in China, emphasizing respect of the diversified interests in Chinese society, and signifying government efforts to serve public interests.

5.3.2.1 People First

Establishing a harmonious society requires that government officials put the public interest first and use it to guide their activities and management. The basic role of the government is to defend the rights of people, to ensure the liberty of citizens, to guard man’s dignity, to maintain basic human rights, and to promote the whole nation’s welfare. The shift from “the party and the country first” to “people first” is a significant advancement in the Chinese governing process. It can be used to guard against the unwanted expansion of governmental power and to build a consensus among public officials that they serve the public, rather than their superiors, and that public services should be available to all citizens.

5.3.2.2 Democracy and the Rule of Law

The CCP has claimed democracy as one of its basic political values since taking power in 1949. Chinese President Hu Jintao pointed out that “there is no modernization without democracy” (A. Hu 2006). The Communist-controlled newspaper also published articles, arguing that “democracy is a good thing” and “democracy is by far the best political system in history” (Yu 2006). Nonetheless, democratic principles have not been fully realized in China, where efforts to meet basic human needs always take priority. However, there is widespread realization about the importance of democratic principles in Chinese modernization. In March 1999, amendment three of the constitution was modified to include the practices of ruling the country by law and building a socialist country of law, thus marking an era in which rule of law has finally been established as a basic principle for governing.

5.3.2.3 *Social Equity and Justice*

In 2006, in the “Resolutions of the CPC Central Committee on Major Issues Regarding the Building of a Harmonious Socialist Society,” the phrase “social equity and justice” first emerged officially in party documents (CCP 2006). Furthermore, the resolutions also regarded social equity and justice as one of the overall requirements in building a democratic society. Some fundamental changes are taking place in China. The central government has started an experiment that uses the criterion of social equity and justice in policy making. The CCP has started to restrain the power of special-interest groups in the name of protecting public interests.

5.3.2.4 *The Harmonious Society*¹

Socioeconomic development has been a theme in the agenda of almost all central, provincial, and local governments in China. Efforts have been made to strike a proper balance of development between urban and rural communities, among different regions, between economic and social activities, between humans and the environment, and between domestic and international affairs. The Chinese government has emphasized the need to build a resource-efficient and environmentally friendly society; to coordinate economic, political, cultural, and social development; and to ensure sustainable development by boosting production, improving people’s lives, and protecting the environment. It is now widely acknowledged that harmonious development requires that socioeconomic achievements be beneficial to all people, rather than just special-interest groups. The consequence of a harmonious society is a balanced development beneficial to all parties in Chinese society so that a peaceful and stable social order can be achieved.

5.3.3 *Policy Components of Public Service Ethics*

5.3.3.1 *Limited Government*

The functions of the Chinese government have largely changed since 2002. Priorities of the government have been gradually shifted from seeking maximum economic growth to maintaining sustainable socioeconomic growth, market supervision, equal income distribution, and provision of public services. The change is a departure from the traditional mode of governmental interventions in the private market through providing private goods, recognizing the government’s supplemental role in the market by providing institutions, policies, and rules necessary in sustaining a healthy economy. Concrete efforts have been made to prevent the government from managing enterprises directly.

Baseline equality. In economic reform, some public service providers introduced the scheme of user charges to replace free public service provisions. Though user charges might result in more cost-effective policy outcomes, they add a barrier to the access to public services. In today’s China, a considerable number of social issues are

related to the difficulty of the public access to medical services, education, housing, and transportation. In order to tackle these issues, the government has developed a series of policies to protect the basic needs of all people. The policies related to protecting the so-called “baseline equality” of people include abolishing the agriculture tax, regulating the minimum wage, implementing the Free Compulsory Education Act, and ensuring the availability of affordable health insurance.

Responsible government and external oversight. In 1999, “building a socialist country of law” was established as the goal for government by the National People’s Congress (NPC). In 2004, the State Council published “The Outline of Enhancing Public Administration by Law,” committing to the creation of a responsible government. According to the 11th Five-Year Plan (2006–2010), China will further reform the administrative system and develop a responsible government quickly (China 2006). Public officials are educated to develop a sense of responsibility. A legal system, though far from perfect, has been established to investigate illegal and irregular administrative acts. Citizens and interest groups are encouraged to provide external oversight for the government. Efforts are made to allow citizens’ participation in governance through electing public officials, participating in public hearings, and using a public inquiry system.

5.4 Managing Public Service Ethics

5.4.1 Laws and Rules on Public Service Ethics

The system consists of two elements: national laws and CCP discipline. The national laws apply to governmental agencies and public officials. CCP discipline are designed for all party organizations and members.

5.4.1.1 National Laws

Though the Chinese government stresses administrative ethics, there are no codes of ethics for public administrators by far. Administrative laws related to public service ethics are the Supervision Law of the People’s Congress (2006), the Civil Servant Law of the PRC (2005), the Administrative Supervision Law of the PRC (1997), the Audit Law of the PRC (1994), the State Compensation Law (1994), and the Administrative Procedure Law of the PRC (1989). The essence of these laws is administrative honesty, diligence, justice, and integrity.

The Supervision Law of People’s Congress was drafted in 1986 and passed 20 years later, during which time there was a debate about the scope of the supervision over the government. It was finally decided that the Standing Committee of People’s Congresses oversees the administration, the court, and the procuratorate; however, members of the congress do not directly oversee the administration, and there is no oversight of the court over the administration (Mao and Du 2006).

According to this law, each level of the Standing Committee of People's Congress exercises the oversight power over the operation of the administration at the same level. The committee is authorized to examine the decisions and commands of the administration at the same level. It can issue subpoenas to the administration of the same level and initiate an investigation.

The Civil Servant Law stipulates that civil servants must

- abide by the constitution and laws
- work responsibly and effectively
- serve public interest wholeheartedly with oversight from people
- serve the interest of the nation's security, honor, and benefit
- be devoted to their duties
- obey their superiors
- secure secrets of national interests
- scrupulously follow work ethics
- work with senses of courtesy, integrity, and honesty

The performance appraisals of civil servants will be based on their fulfillment of these responsibilities (China 2005).

The Administrative Supervision Law and the Audit Law are specific laws for administrative agencies. The former stipulates that supervisory organizations oversee administrative agencies' activities to ensure that administrative agencies adhere to and enforce laws and regulations. Supervisory organizations can investigate charges leveled against administrative agencies and handle the appeals by administrative agencies. Supervisory organizations have the power of administrative oversight, the power of investigation, and the power to recommend disciplinary actions and punishment. According to the Audit Law, audit institutions are established to conduct oversight of administrative agencies. Financial transactions, administrative efficiency and effectiveness, and compliance with related laws and regulations are in the scope of audit.

According to the Administrative Procedure Law, a citizen, a legal person, or an organization has the right to sue an administrative agency in a court. The court will exercise judicial power independently to examine the legality of specific administrative acts. The judicial review of administrative acts is imperative to promote a law-based administration and to promote public service ethics.

In addition to the preceding laws, China's legislatures are drafting the Anticorruption Law and Public Functionary Assets Disclosure Law. It is anticipated that a complete legal system of anticorruption and public service ethics will be established by 2020.

5.4.1.2 CCP Discipline

These are codes of conduct for CCP members. Compared with the national laws, CCP discipline is stricter and more detailed in regulating the behavior of CCP

members. More than 90% of government officials are CCP members, so CCP discipline makes up de facto codes of public service ethics for essentially all governmental officials. These disciplines are included in the CCP charter, “Regulations on Income Declaration by CCP Officials” (1995), “Standards on the Honesty in Governance for CCP Officials” (1997), “Regulations of Internal Supervision of the CCP” (2004), and “Regulations on Disciplinary Penalties within the CCP” (2004).

The CCP charter is the constitutional document of the CCP. The party and its charter were created in 1921 and the charter has been amended several times since then. The charter states that party members must acquire the party’s governing principles and policies, as well as the professional knowledge to do their jobs well. Party members should carry out the party’s principles and policies, take the lead in economic reform, and serve as role models in socioeconomic progress. They should serve the interests of the party and the people first, abide by the laws and rules, guard secrets of the party and the state, execute the party’s decisions, and accept any job and actively fulfill any task assigned to them (CCP 2002). Also, members should resolutely combat corruption and misdeeds, maintain close ties with the public, and advance ethical values advocated by the party. Members should step forward and fight bravely in times of difficulty or danger and sacrifice for the interest of the country and people.

“Regulations on Income Declaration by CCP Officials” (1995) requires that all party members and governmental officials at or above the county (department) level declare all personal incomes regularly. “Standards on the Honesty in Governance for CCP Officials” (1997) stipulates that party officials should not use power for personal gain and benefit, such as engaging in profit-making activities, promoting private interests in work, embezzling public or party properties, delivering favoritism in hiring and promotion, seeking benefits for their relatives and friends, and wasting public funds.

Leading party officials are designated as the targets of oversight efforts in “Regulations of Internal Supervision of the CCP” (CCP 2004). The regulations are also issued to require that important party decisions be made collectively and be carried out with clearly assigned responsibilities of party members. The key elements of an inner-party supervision system are specified to include democracy within the party, the facilitation of public inquiry, and monitoring public opinions. The promulgation of regulations indicates that the CCP has decided to base its anticorruption efforts on stringent disciplinary rules and public oversight rather than the self-control of officials and internal organizational oversight. This change of the oversight focus was reinforced by “Regulations on Disciplinary Penalties within the CCP” (2004), which details the disciplinary actions and penalties against any violator of the discipline.

The establishment of CCP discipline in these documents indicates a strategic development in the fight against corruption. The CCP has realized that, instead of fighting a transient moral campaign, a system must be developed to include continual, systematic, and long-term efforts in education, oversight practices, and disciplinary

actions. Consequent actions are reflected in the drafting of the Anticorruption Law and the Public Functionary Assets Disclosure Law.

5.4.2 The Management System of Public Service Ethics

There are two components in the system: the CCP system and the government system. The CCP system is more important in developing and implementing policies related to public service ethics.

5.4.2.1 CCP Management System of Public Service Ethics

The CCP has a four-level party-school system with schools at the central, provincial, city, and county levels. These schools are training units for party officials and have a curriculum that focuses on national and international politics but also includes ethics education. CCP central and local propaganda departments are responsible for pronouncing the party's principles and policies, censoring the news media, and shouldering the ideology leadership in the country, as well as educating and inspiring party members with values of public service ethics. A critical mission of CCP propaganda is to ensure loyalty to the communist ideology.

Also, the mechanism of disciplines and inspections consists of the Central Commission for Inspecting Disciplines led by the CCP Central Committee and local commissions for inspecting discipline. The responsibilities of these commissions include education on CCP discipline, investigation of discipline violations, and issuance of disciplinary actions against party units or individual party members. In a one-party system where most governmental officials are CCP members whose behavior is controlled by both the party discipline and administrative laws, party discipline plays a critical role in keeping governmental officials' behavior in check. In this sense, CCP disciplines and inspections enhance public service ethics (CCP 2004). However, it should be noted that, because the system of discipline and inspection is controlled by the party, its ability to investigate and prosecute its members is limited.

Finally, polls and appointment bulletins are used in hiring officials. The organizational departments of CCP central or local committees are responsible for hiring and evaluating party officials. These departments may use opinion polls or appointment bulletins to obtain feedback in the process of hiring or promotion. Because of the direct impact of hiring and promotion results on officials' personal interest, the use of polls and appointment bulletins has become one of the most effective ways to ensure ethical behavior of public officials.

5.4.2.2 Government Management System of Public Service Ethics

The CCP is the leading political force in China, playing a decisive role in China's management system of public service ethics. The government's role is relatively minor

and supplemental in this system. Ethics management in the government depends heavily on the party's supervision of its members. There are no codes of ethics for public servants; the government manages ethics mainly through supervision of administrative agencies.

The foundation of legislative supervision was established when the constitution stated that all administrative organizations are created by the legislative body, the People's Congress. The activities of administrative agencies are accountable to and overseen by congressional agencies and committees. It should be noted, though, that the oversight power of the congress is not strong, reflecting its lack of regular, direct, and consistent oversight except for cases of serious violations of human rights.

Judicial supervision is realized when citizens or organizations file legal proceedings to the courts once they believe that their rights or interests have been encroached by administrative activities. The legality, rather than the rationale or the appropriateness, of administrative actions is considered by the court. Nonetheless, the law also establishes that the court should not rule on policy differences.

Administrative supervision is established for an administrative agency to oversee its subordinate units; this plays an important role in enhancing public service ethics. In addition, special supervisory agencies, such as audit agencies, are established within the administrative system to audit, investigate, or sanction officials who break administrative discipline and violate public service ethics. A variety of actions, such as issues of oral warnings, demotion, and removal from office, can be taken. It has been recognized that the activities and powers of audit institutions have been strengthened with the support of the prime minister (Cheng 2004).

5.4.2.3 Other Management Systems of Public Service Ethics

In China, the media are largely controlled by the CCP and serve as the "mouth-piece" of the party. The ruling party requests "the news media to persist with the party spirit and principle, to observe the new disciplines and the occupational ethics, to grasp the correct direction of public opinion, and to bear in mind social effect of the public supervision" (CCP 2004). Though there are many taboos and restricted areas for the media on what should be reported, they are becoming a powerful watchdog to enhance public service ethics.

Oversight over administrations can also come from quasi- or nongovernmental civil society organizations, such as workers' unions, the Communist Youth League, the Women's Federation, business associations, and nonprofit foundations, through issuing opinions about administrative policies and criticizing administrative actions.

Citizens can write to or visit administrative agencies. Criticism as well as suggestions and recommendations for improving ethical behaviors of public servants is encouraged. Administrative agencies are established to handle citizens' letters and their visits. Nonetheless, the impact of these citizens' individual actions on public servants' behavior is likely to be very limited.

5.5 Corruption and Anticorruption in China

From 1949 to the late 1970s, China effectively curbed the spread of corruption with a tight and centralized political and management control system that emphasized the populist value of serving the public, military-style discipline, and harsh punishment. Since the 1980s, however, corruption has become widespread as local governments gained greater autonomy and private businesses obtained legal status and prospered. Lagging behind is the development of political and social mechanisms that can be used to fight corruption, such as separation of powers, checks and balances, citizen participation, an independent media, and responsible and accountable governments (Yang 2005).

5.5.1 Corruption

Causes of corruption are multiple, including compensation policies of public officials as well as the culture within administrative agencies. Most importantly, corruption is associated with the economic reform that encourages rapid economic developments in some regions and for some individuals. Economic wealth accumulated in private businesses is used to corrupt public officials and should take the main blame for the widespread corruption in China.

In the early 1980s when the reform had just started, governmental institutions, including the military, were allowed to have their own businesses and to control key industrial resources (steel, concrete, construction materials, etc.). Government officials were both resource distributors and profit-driven entrepreneurs. Some people in the private sector resorted to bribery to gain access to these resources. Power was used to gain and protect financial interests. Corruption ensued.

The 1990s saw the increase of user charges for public services. User charges, fines, impact fees, and many other fees of different names were becoming prevalent in gaining and protecting governmental institutions' financial interests. Corruption has been particularly severe in infrastructure construction, real estate development, exchange and storage of agricultural products, government procurements, state-owned enterprises, social security fund management, and hiring and promotion of public officials.

The Supreme People's Procuratorate reports that China's procuratorial agencies investigated and prosecuted 98,225 cases of embezzlement, bribery, and other forms of corruption from 1979 to 1982; 155,000 cases from 1983 to 1987; 214,318 cases from 1988 to 1992; and 387,352 cases from 1993 to 1997, for an annual increase of 22% in corruption cases investigated. The first time the number of corruption cases investigated declined was in 1998. There were 207,103 cases from 1998 to 2002 (C. Han 2003). Since 2003, China's procuratorial agencies have investigated over 40,000 corruption cases per year. It should be noted that many believe that the chance of a corruption being investigated is low. Many corruption cases have multiple accomplices.

Corruption has caused large economic losses: One estimate has losses at 987.5 billion to 1,257 billion Chinese yuan (or about US\$123.4 billion to US\$157.1 billion) a year, equal to 13.2–16.8% of the GDP (J. Hu 2006) in China. Corruption deteriorates public investment and the efficiency of infrastructure construction, destroys the fairness of competition in the economy, reduces the level of government expenditure in health and education, and provokes illegal money laundering. In most affected areas, corruption becomes a serious challenge to the legitimacy of the government when government officials and the mafia act in collusion.

The Global Competitiveness Report, released by the World Economic Forum (WEF) every year, includes “ethics and corruption” as a crucial factor to affect the competitiveness of nations in the global context. The 1998–1999 report reported China’s ethics and corruption situation as similar to that of Japan, worse than that in the United States, most Western European countries, and Singapore, but better than that in Italy, South Korea, Russia, and India. Nonetheless, the 2006–2007 report shows that China’s ethics and corruption situation significantly deteriorated, causing its economic competitiveness ranking to drop from 48 to 54 among 125 countries (Liu 2006).²

Transparency International’s Corruption Perceptions Index shows that China (mainland) scored 2.61 out of a clean score of 10 and ranked the second worst among 41 countries and territories surveyed in 1995. China’s rank was 52 out of 85 countries and territories surveyed in 1998, with an improved index score of 3.50; 59 of 99 in 1999; 66 of 133 in 2003, 78 of 159 in 2005; and 70 of 163 in 2006 (J. Han 2004; Qing 2006). The index shows that China’s corruption is at the world-average level and that China shows noteworthy improvement—a decline in perceptions of corruption—over the past years.

5.5.2 Anticorruption Measures

Chinese leaders’ anticorruption determination is firm. In the 1990s, China raised the level of penalty, including capital punishment, for those convicted of corruption. Nonetheless, the effect of anticorruption measures has been limited. A comprehensive approach is recommended to tackle both problems and root causes of corruption, with a focus on prevention in addition to punishment. In 2005, the CCP Central Committee issued the “Summary of Establishing a Sound System for Punishing and Preventing Corruption by Giving Equal Emphasis to Education, Institutions and Supervision.” This document emphasized the importance of anticorruption education, institutions and oversight, and setting a goal of completing a framework of controlling and preventing corruption (CCP 2005). The elements in the following sections are emphasized in anticorruption efforts.

5.5.2.1 *Ethics Education*

A public service ethics education system should be established to instill faith and missions to civil servants, to enhance the integrity of the CCP, and to instill CCP discipline and national laws and regulations in officials. The education system helps public officials improve individual morality, be honest and upright, and develop moral defenses against corruption. The education also serves the function of social cultivation, where the theme of positive ethical values is channeled through the media to guide the public to honor integrity and to despise corruption as shameful. Since 2006, an educational campaign of public service ethics has had a theme of identifying honors and shames (K. Wang et al. 2006). A little different from the U.S. ethics education system, which also emphasizes specific practices and institutional designs in building an ethical state (such as development of codes of ethics), Chinese ethics education stresses the importance of public officials' consciences in instilling ethics values in officials.

5.5.2.2 *Strengthened Anticorruption Institution and Authority*

Because China's anticorruption effort has been less effective due to lack of enforcement of the law and rules, one important step in anticorruption activities is to develop institutions that implement them. Recent steps in institution-building efforts include drafting several pieces of anticorruption legislation and documents such as the Anticorruption Law, the Public Functionary Assets Disclosure Law, and Civil Servant Codes of Ethics; granting more power to the CCP Central Commission for Discipline Inspection in anticorruption efforts; encouraging public participation in the hiring and promotion of public officials; and reforming systems of finance, investment, justice, construction project bidding, land and property rights, and government procurement. Changes have also been made to make the hiring and promotion of CCP officials more open and competitive. In addition, efforts have sought to tighten the control of financial resources and make their use more open and accountable.

5.5.2.3 *Punishment for Corruption*

It has been acknowledged that, to fight corruption, education and institutional development are more effective with proper punishment as a force of deterrence. The cases of punishment for top officials may be particularly effective to deter corruption. Recent investigations have resulted in prosecution of former Shanghai Municipal Party Committee Secretary Chen Liangyu, former Beijing Municipal Party Committee Secretary Chen Xitong, former Guangxi Zhuang Autonomous Region President Cheng Kejie, former National Territory Resources Minister Tian Fengshan, former National Medicine Supervision Bureau Chief Zheng Xiaoyu, former Jiangxi Province Assistant Deputy Governor Hu Changqing, former Anhui

Provincial Party Committee Assistant Deputy Secretary Wang Zhaoyao, and officials in the Fujian Xiamen Yuanhua group.

5.5.2.4 Innovative Anticorruption Tools

It is clear that the corruption of top public officials has caused large economic loss and social unrest. Thus, the CCP has proposed anticorruption measures that target top party officials. Nonetheless, it is also acknowledged that it would be difficult for the party to oversee its own top officials because the party's anticorruption units are under the leadership of the top officials. Without major changes in the oversight structure, the effect of anticorruption efforts is expected to be limited.

The CCP and the central government started to institutionalize efforts to control power abuse in the mid-1990s. In 1997, the CCP Central Committee and the State Council developed policies to deny public officials' involvement in business, to prohibit the army from owning enterprises, to implement antitrust initiatives against monopolized governmental powers in telecommunication, civil aviation, and water supply, and to streamline administrative power structures. The Government Procurement Law has been implemented to enhance the transparency of government purchasing.

The Chinese government has realized that a government that is open and accountable to its citizens can reduce corruption because of the power of public oversight. Since the 1990s, the CCP Central Committee and the State Council have developed policies to urge the party and the government at various levels to release official information, to establish a system of information exposure, and to build an electronic government to improve transparency of government affairs. Future efforts should be made to establish laws on public access to the governing information.

Finally, the important role of whistle-blowers in fighting corruption has been recognized. In 2006, *Southern Weekend*, an influential newspaper, published a special report about whistle-blowers in China (Li 2006). The report called for attention to their protection because they are often victims of revenge and retaliation.

5.6 Conclusion

The historical development of public service ethics in China has resulted in a system of ethics that focuses on virtues that officials and governments should possess. Public service ethics is a process and the basis of the judgment that people adopt to evaluate the rights and wrongs of an administrative activity, as well as, more broadly, a philosophy that concerns appropriateness of public service in human society. The purpose of public service ethics in China is to control and to regulate the deeds of public administrators. When the Chinese Communist Party came to power, it adopted this purpose while infusing it with lofty Marxist ideals and ideology.

The CCP is the leading political force in China, playing a decisive role in China's management system of public service ethics; the ethics management in the government depends heavily on the party's supervision of its members. They should serve the interests of the party and the people first, abide by the laws and rules, guard secrets of the party and the state, execute the party's decisions, and accept any job and actively fulfill any task assigned to them (CCP 2002). The government's role is relatively minor and supplemental in this system. There are no state codes of ethics for public servants; the government manages ethics mainly through supervision of administrative agencies.

Yet, wide consensus is that this approach, which is based on education, has been inadequate to curb extensive abuses and corruption. Various statistics show that corruption is extensive in China. In 1998, the CCP and the central government developed new anticorruption strategies; external control by rules, laws, and externally imposed standards are also needed. Many modern approaches have been adopted in recent years, such as stricter oversight, financial disclosure, and harsher penalties. Yet, although new laws have been passed, ethics management depends heavily on the party's supervision of its members; because the system of discipline and inspection is controlled by the party, its ability to investigate and prosecute its members is limited. The effectiveness of these newly adopted measures is still unknown, and further reforms and increased efforts seem likely.

Acknowledgment

We thank Ms. Yang Zhao of Renmin University for translating an earlier Chinese draft of this chapter into English.

Notes

1. "Harmonious society" is often used in Chinese official documents to refer to an ideal state where conflicts among various societal forces are minimized. Often debated is how the government can achieve this state and whether the government uses it as an excuse to suppress opposing views.
2. These are mostly society-wide measures. No government-specific measure of corruption exists in China.

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Chapter 6

Performance Management Reforms in Mainland China

Zhiren Zhou

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6.1 Introduction

Monitoring, controlling, and managing performance have long been part of public administration practices in China, relating to performance of the vast expanse that is the central government, as well as of local governments that are sometimes located very far from the central government. In recent years, additional interest has occurred because of innovations in the West, notably toward performance measurement and ideas about new ways of managing public sector performance too. This chapter provides an overview of performance management practices in China in the present reform and opening-up period. It discusses reforms initiated by the central government and implemented nationwide in an attempt to improve government performance, as well as specific tools or techniques of performance management adopted by subnational authorities on experimental bases.

This chapter defines performance management as systematic and integrated efforts to improve organizational performance. Consequently, it looks at a wide range of reform efforts involving reorganization and decentralization, civil service reform, financial and budget reforms, new delivery systems, and performance monitoring. Indeed, performance management as a term is imported and relatively new in China. Officials first began to refer to this term in 2003 when Zhongyu Wang, then the secretary-general of the State Council, stated that “it is of some value to put in practice performance management in the government sector” and asked the Ministry of Personnel to pay attention to it and do some research.¹

By the end of 2006, the official understanding of the term was limited to performance measurement of public organizations. In a speech delivered in the National School of Administration on December 13, 2006, Jianmin Hua, the secretary-general of the State Council, promoted performance management in government “on a trial basis.”² Then, in March 2008, Premier Jiabao Wen stated in his report, delivered at the 11th National People’s Congress, that the Chinese government would introduce performance management. This was the first time the term “performance management” appeared in an official document, although it was an appeal for implementation on a trial basis.

These recent statements may be taken as heightened interest in these and other more traditional ways of monitoring and ensuring performance. Indeed, modern performance management tools can be found in practice in one place or another in China. These include not only management tools such as strategic management, performance measurement, program evaluation, total quality management (TQM), quality accreditation (e.g., ISO9000), and public–private partnerships, but also

more recent practices and fads like best-practice benchmarking, business process reengineering (BPR), balanced scorecard (BSC), and service delivery innovations such as one-stop shopping and the citizen's charter initiative.

6.2 Performance Management Reforms Initiated by the Central Government

Since the inception of the reform and opening-up policy in the late 1970s, China has conducted sustained administrative reforms. In addition to redefining the role of government and transforming functions, which amounts to rolling back the frontiers of the state, tremendous efforts have been made to reform the administrative apparatus, aiming at establishing an efficient, coordinated, and standard administrative system. The main measures of performance measurement reforms initiated at the center and carried out under a centralized system include reorganization of public agencies, civil service reforms, budgetary reforms, reform of the administrative examination and approval system, and various forms of public service delivery reforms.

6.2.1 Reorganization of Government Agencies

Unlike reform efforts in the United States and many other countries, which have been characterized by few structural changes and more emphasis on procedural and relational changes, administrative reforms in China have long been centered on structural changes, as demonstrated by the six rounds of large-scale reorganization campaigns conducted in 1982, 1988, 1993, 1998, 2003, and 2008. All of these were initiated by the central authority and implemented in a top-down manner.

The number of government agencies reached its peak in China by the end of 1981. There were a total of 100 agencies at the central government. These included 52 ministries, 43 agencies directly attached to the State Council, and five administrative offices (Yu 2005). The pattern of industrial or sector management under the planned economy made this "forest of agencies" a necessity to some extent, but it caused serious problems like overstaffing, functional overlapping, red tape and "buck-passing," and policy fragmentation, apart from the heavy financial burden on government. Therefore, retrenchment or downsizing has been a constant theme in China's effort to rationalize government structure, particularly in the first few rounds of reorganization campaigns.

With the planned economic system and the role of a totalitarian-oriented government untouched in the early years of the reform, the first round of a large-scale reorganization campaign in 1982 focused on four aspects: reduction of the total number of agencies through abolition and merger; streamlining of internal structure within agencies by abolishing some subordinate units like bureaus and divisions; reduction of leadership posts, particularly the number of deputies from vice ministers to deputy division chiefs (which, in the case of the State Planning

Commission, reached 20 in 1981); and reduction of the number of civil servants at all levels of government.

As a result of the first round of reform, the total number of agencies under the State Council was reduced from 100 to 61, together with a reduction of civil servants from 51,000 to 40,000. At the provincial level, the number of bureaus was reduced by 35% on average, and a 20% reduction was achieved at the county level (C. Zhang and Dang 2001). With regard to leadership posts, the number of vice ministers went down from the previous 547 to 188, a reduction of 65% (Chinese Society for Public Administration 2002).

The achievements of the 1982 retrenchment campaign did not last long for various reasons. In the 5 years that followed, the number of agencies under the State Council went up from 61 to 74, and the total number of civil servants in China from 5.63 million in 1982 to 7.78 million (Chinese Society for Public Administration 2002). This made another round of retrenchment necessary. In 1988, the second-round reorganization campaign was launched with a result of reduction of the number of central agencies by seven, and national civil service workforce by 19% (C. Zhang and Dang 2001). The 1993 reorganization followed a similar pattern, with special focus on abolishing contemporary agencies like leading or coordinating groups on specific issues (a reduction from 85 to 26) and reducing the civil service workforce by 25% (Chinese Society for Public Administration 2002).

The fourth round of the retrenchment campaign in 1998 was more radical compared with the previous ones. The number of ministries was reduced from 40 to 29, and serious efforts were made to reduce the number of civil servants by 50% at the central and 30% at the subnational levels. In an attempt to break the so-called vicious circles of “expansion–retrenchment–reexpansion–re-retrenchment” envisaged in previous campaigns, special attention was paid to functional restructuring, focusing on separation of government from state-owned enterprises and institutions and deregulation so as to lay a solid foundation for retrenchment (Chinese Society for Public Administration 2002; Yu 2005).

In the past 10 years, the tax revenue for Chinese government has experienced a steady increase of 25% annually on average. With the ease of financial pressure—a key driving force behind previous retrenchment campaigns—the organizational reform changed its pattern. In the latest two rounds of reorganization in 2003 and 2008, the reduction of the civil service workforce was no longer a goal and the merger of agencies was pursued on a smaller scale. For example, despite the catchphrase of “super department,” the reorganization in 2008 achieved a reduction of ministries by only four. More efforts were made to rationalize internal management such as establishing cross-agency collaboration mechanisms (Xinhua News Agency 2008).

6.2.2 Reform of the Civil Service System

Civil service reform has long been a major composing part of the administrative reforms in China in the reform and opening-up period. Before 1993, the main

goal of the reform was the introduction of a modern civil service system to replace the outdated cadre system, as characterized by life-long service, a strong bias for “redness” (political commitment) over expertise (professional competence), and the “rule of men” (arbitrary decision making due to low level of institutionalization in personnel management), to name only a few (Zhou 1993). Years of reform efforts resulted in the promulgation by the State Council of the “Provisional Regulations on Civil Servants” in 1993. Since then, civil service reform has focused on implementing the regulations and technical adaptations and refinements. After years of practice and learning, the Civil Service Law of the People’s Republic of China was enacted at the end of 2005.

Civil service reforms in the period covered a wide range of areas in an attempt to make the civil service force, in Deng Xiaoping’s words, “more revolutionary, better educated, younger and professionally more competent.” These include organizations in charge of civil service management, recruitment, training, performance appraisal, compensation, and rewards and punishment. A separate chapter in this book deals with the civil service reforms, so the following discussion focuses on the aspect most closely related to performance improvement—namely, pay for performance.

A key feature of the compensation scheme for public officials before the reform and opening-up period was extreme egalitarianism, the so-called “big pot of rice” system; that is, everyone had an equal share regardless of his or her contribution or performance. Breaking the “big pot” has therefore been a main task of reform. In 1985, the Chinese Communist Party Central Committee (CCPCC) and the State Council jointly issued a “Circular on Wage System Reform for Personnel at State Organs and Institutions” introducing the new “composite wage system.”

Under this system, the salary for a public official was composed of four parts: basic wage (*jichu gongzi*), designed to cover basic living expenses for a cadre regardless of his or her position; length-of-service allowance (*gongling gongzxi*); monetary rewards (*jiangli gongzi*); and wage associated with position (*zhiwu gongzi*) (Zhou 1993). This wage structure has remained little changed up to the present. Because a basic wage, length-of-service allowance and wage associated with position are quite standardized nationwide, the pay-for-performance effort has long been centered on monetary rewards.

Monetary rewards for leading officials are based on their attainment of goals and objectives under the chief-executive responsibility system—the Chinese version of management by objectives (Edin 2003; Huang 1995). For the rank and file, monetary rewards are related to their fulfillment of duty assigned to a specific post, or, in other words, based on the grade of performance appraisal for individuals. According to the Civil Service Law, performance appraisal produces four grades: outstanding, competent, basically competent, and incompetent. Problems in practice include sharing in rotation of the outstanding grade and the fact that so few officials are classified as basically competent or incompetent that nearly all are eligible for performance-based pay increases. It is clear that the link of performance to pay is quite weak (ADB 2002).

Though reform of monetary rewards fails to break the “big pot of rice” system within a given institution, it creates huge disparity between agencies under the same jurisdiction and between different regions due to the widening gaps in terms of the level of economic development and government revenue. It is estimated that a civil servant’s salary in the most developed regions in the East can be up to eight times that of a civil servant in the least developed regions. However, it is the disparities between agencies under the same jurisdiction that cause more resentment among public officials. The highest paid civil servants usually belong to the most powerful agencies in the sense that they can impose fines or service charges.

In recent years, there seems to have been a general trend to level the disparity through the introduction of the so-called “sunshine wage” (*yangguang gongzi*), as pioneered by the municipalities of Beijing and Shanghai and provinces like Guangdong and Jiangsu. Apart from promoting openness, a key idea behind the sunshine wage is to set up uniform standards of pay for civil servants within a given jurisdiction based on position and responsibility, and to halt the precious fragmented system in which each agency was responsible for monetary rewards of its employees (Li and Su 2007; Anonymous 2008b). In a word, recent development, to some extent, amounts to a comeback of the old “big pot of rice” system—at least within a given jurisdiction—implying the hard struggle to strike a proper balance between performance incentives and equality.

From the perspective of performance management, it can be concluded that civil service reforms in recruitment and strengthened training may make some contribution in the form of enhancing the educational level and professional competence of civil servants. However, the role of the much valued performance-related pay has been quite limited in China.

6.2.3 Financial Management and Budgetary Reforms

Financial management and budgetary reforms in the reform and opening-up period experienced changes in focus. Before 1999, the main focus of reform was on revenue administration because of the fiscal stress, particularly the weak position in revenue sharing by the central government (S. Wang and Hu 1993). Beginning in 1999, the focus of reform shifted to public expenditure management. Reform in this respect also covers a wide range of activities from macroissues—such as shifts in priority, intergovernmental fiscal relations, rationalization of the budgetary process, and the introduction of a government procurement system—to micromanagement issues.

The latter type of reform resulted in the adoption of numerous new techniques and mechanisms on an experimental basis, including departmental budgeting, centralized payment schemes, zero-based budgeting, and performance evaluation of public expenditure (ADB 2003; Wang 2003). In recent years, repeated appeals have been made for the introduction of performance budgeting and some local governments have taken the lead in introducing the system on an experimental basis (Wang 2007; Fan 2006).

It should be stressed that, although expenditure management reforms in developed countries are performance oriented (to enhance agency performance through relaxation of internal control and provision of various incentives), reforms in China have a clear intention of tightening internal control. These include setting up more regulations and rules and ensuring their compliance. In other words, expenditure management reforms are a key form of anticorruption and primarily a component in the campaign for clean government, rather than a key measure for performance improvement. An exception may be the promotion of performance evaluation of public expenditure, which takes the form of evaluation of the programs sponsored by public finance. But this is still in its rudimentary stage of development (Ministry of Finance 2007; An 2005).

In conclusion, financial management and budgetary reforms have been radical and cover a wide range of activities in China in the past 30 years. But from the perspective of performance management getting the expected results at least possible cost, its role and contribution are also quite limited.

6.2.4 Reform of the Administrative Examination and Approval System

Reform of the administrative examination and approval system (*xingzheng shenpi zhidu*) in the regulatory system was a nationwide campaign launched by the central authority in 2000. It is a kind of deregulation exercise aimed at improving the business environment and reducing rent-seeking opportunities by eliminating duplication and abolishing unnecessary steps and requirements imposed on license applicants. Because most items of examination and approval were required or authorized by the central government, the reforms have been conducted in a top-down manner. In September 2001, a leading group was set up under the State Council to push the reform with a target to reduce items subject to examination and approval by 50%. In October 2002, the first batch was announced; 789 items had been removed from the list of approval and 3,000 items were still under scrutiny (Xinhua News Agency 2002).

Two rounds of reform were carried out in the following years and, by May 2004, a total of 1,795 items had been removed from the list of approval. In August 2004, nine laws were revised upon recommendation by the State Council at the 11th Session of the 10th Standing Committee of the National People's Congress, clearing the way for the removal of 11 more items from the list of approval. By that time, a total of 1,806 items had been removed—a reduction of 50.1%. In April 2007, another round of scrutiny was announced and the clearance is still under way (Xinhua News Agency 2007; Ding and Tang 2006; State Council Office for Reform of the Administrative Examination and Approval System 2007).

Out of the thirst for industrial development and to attract foreign and outside capital investment, subnational and local governments made tremendous efforts to push forward the campaign (ADB 2002). In the case of Fujian Province, it was said that, on average, the items subject to examination and approval by government agencies were reduced by half (Liu 2003).

Reform of the administrative examination and approval system serves a number of purposes, from improving commercial environment to the prevention of corruption by reducing rent-seeking opportunities. From a performance management perspective, the reform is a kind of off-loading practice with the potential of leading to higher efficiency and better performance.

6.2.5 Reforms of Public Service Delivery

Main measures of reform of public service delivery involved the service pledge system (SPS) and the open government campaign to enhance public participation and supervision. The role played by the central government in these reforms varied from case to case.

The SPS is simply the Chinese version of the United Kingdom's Citizen's Charter. The basic content of the SPS was to make public the responsibilities, standards, and procedures of governmental affairs handling with a fixed time limit, to set up supervisory institutions and channels for complaints, and to specify compensation standards and demand that units or persons failing to fulfill the pledge give compensation to the party concerned in accordance with stipulations. As a mechanism to improve public service quality, SPS contains three core elements: customer consultation so as to identify the real needs of clients, establishment and publicity of service standards and assessment of service delivery according to the standards, and accountability when the standards fail to be met and effective measures for improvement (Hu et al. 1998; ADB 2003).

The SPS system was originally a local initiative by the Yantai City of Shandong Province. Drawing upon the experience in Britain and Hong Kong, the Construction Commission of the Yantai municipal government took the lead in implementing SPS in June 1994. In July 1996, upon summarizing the experience of Yantai City, the Publicity Department of the CPC Central Committee and the Working Style Correction Office of the State Council decided to publicize and popularize SPS as "a key work in strengthening the building of healthy working style and professional morality, and promoting socialist spiritual civilization" in the second half of the year. Eight ministries and commissions, including the Ministry of Construction and Ministry of Power, were required to start before others in spreading the SPS. Later, SPS was implemented in government agencies and multiple industries around the country (Zong and Liu 1996).

With regard to the open government campaign to enhance public supervision and participation in service provision, the central government took a leading role in initiating the reform but relied heavily on subnational governments for its execution. The conscious advocacy of government transparency began in 1999, mainly in the form of top leaders' speeches; it took 8 years to institutionalize the campaign into the "State Council Regulations on Government Information Disclosure" in 2007. Apart from provisions on the media, procedures, and supervision mechanisms guiding information disclosure, the regulations make a distinction between

“information disclosure on one’s own initiative” and “information disclosure upon request.” The scope of information disclosure is stipulated for different levels of government. Considering that the regulations took effect in May 2008, the discussion of the open government campaign and its impact on public service delivery will focus on practices in subnational governments in the past few years, a task with which the next section deals.

6.3 Performance Management Reforms Initiated at Subnational Levels

As mentioned in the first section, new strategies of performance management in China are in the stage of being implemented on a trial basis. In the absence of uniform regulations and guidelines from the central government, reform activities have been mainly an endeavor pursued by governments at subnational levels on a voluntary basis, implying a decentralized system of performance management and leading to great variety in practice. It can be said that most governments at subnational levels have been practicing performance management of one kind or another, but each does things in its own way.

It is impossible to cover all the techniques and tools of performance management adopted by some subnational governments in China in a short section, especially management fads like TQM, ISO 9000, BPR, and BSC. This section, therefore, will focus on four areas of performance management reforms initiated by subnational governments or in which some subnational government played a leading role. These include the objective responsibility system (ORS), privatization and market mechanisms in public service delivery, rationalization of administrative procedures, and performance improvement through public participation.

6.3.1 The Objective Responsibility System

The ORS (*mubiao zeren zhi*) is the Chinese version of management by objectives (MBO), involving goal and objective setting as well as measurement of performance in achieving the defined objectives, followed by rewards and punishment as well as various measures in order to enhance performance by departments and individuals. The ORS in China is a little bit different in that it focuses on organizations and chief executives rather than the individual rank and file.

The ORS was introduced in the mid-1980s on a voluntary basis. Although it was practiced by quite a number of local governments—as illustrated by the 13 member cities when the Chinese Association for Municipal Objective Responsibility System was founded in 1988 (Hou 2002)—the voluntary nature of adoption and the absence of uniform guidelines or standards from central government resulted in variations from place to place. The pity is that, apart from a small number of commentary papers by scholars (Wu 1986; Cao 1990; Ren 1990), little has been

recorded of the focus and operation of the ORS at that period, thus making tracing and generalization impossible.

ORS throughout the 1990s had two major characteristics compared with previous practices. First, it was carried out top-down in a centralized manner despite the fact that no central official document or regulation to guide the practice had been created. From the central- down to township-level governments, higher level authorities set up targets that cascaded down to lower layers of government, forming a target pyramid. Work performance of chief executives in target fulfillment was internally ranked on collective as well as individual bases, and bonuses were paid or punishments made accordingly. What public officials valued most was promotion, and outstanding performance would lead to more chances of promotion. Some scholars named the practice a “pressurized system” (*yaxing tizhi*), in which objectives or targets were imposed by higher level authorities and officials at the lower levels were under immense pressure for fulfillment simply because their careers and fortunes were mainly determined by the higher authorities (Rong et al. 1998; Huang 1995; Edin 2003).

Another major feature of the ORS in this period was the excessive emphasis on GDP growth in setting targets and performance evaluation. With a few exceptions involving policy areas like family planning and social order (*shehui zhi'an*), which have remained on the priority list from the mid-1980s to the present, ORS primarily focused on economic growth; performance indicators were centered on determinant factors leading to GDP growth.

Table 6.1 shows the performance targets set by Changtai County, Fujian Province, for a township government in 1999. It illustrates well some of the general features of ORS reflecting the pressurized system. First, the county government had a set of performance targets imposed from above and it specified these into subsets and then tailored them to each township government under its jurisdiction. Second, the focus of performance planning and target setting was on economic growth. Third, although excessive emphasis was put on industrial development and investment attraction, some efforts were made to adjust measures to local conditions as reflected in the structural adjustment targets in agricultural development.

The GDP-focused ORS during the 1990s led to a so-called “GDP cult” mentality among government officials and intense competition for target fulfillment. It made contributions to the rapid economic growth in China, but at the same time resulted in great social and environmental losses.

China entered the new century with a new generation of top leadership, and the mode of governance has been undergoing subtle changes. With the promotion of the “human-centered” principle and “scientific view of development,” the previous obsession with economic growth gave way to a systematic approach to balance economic and social development, emphasizing public (especially human) services so as to achieve sustainable development and construction of “a society in harmony.”

Table 6.1 Performance Targets for a Township Government in 1999

<i>Dimensions</i>	<i>Targets</i>		<i>Quarterly Assessment</i>			
	<i>Task</i>	<i>Weight</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Agriculture		100				
Total value of production (in million <i>yuan</i>)	184	10				
Structural adjustment		25				
Banana planting (hectares)	1,050					
Fruit production (tons)	22,200	10				
Mushroom planting:		25				
Hectares	110					
Volume of production (tons)	11,800					
Number of pigs provided (in thousands)	25.6	20				
Aquiculture production (tons)	790	10				
Private- and small-business development		100				
Construction of development zone for private and small businesses		40				
Number of new businesses	4					
Total volume of investment (in thousand <i>yuan</i>)	2,000					
Private businesses with investment above 100 (in thousand <i>yuan</i>)		60				
Number of new businesses	16					
Total volume of investment	240					
Outside investments		100				
Production value by joint ventures (in million <i>yuan</i>)	62	15				

(Continued)

Table 6.1 Performance Targets for a Township Government in 1999 (Continued)

<i>Dimensions</i>	<i>Targets</i>		<i>Quarterly Assessment</i>			
	<i>Task</i>	<i>Weight</i>	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>
Volume of foreign investment in contract (in thousand US\$)	7,500	30				
Volume of foreign capital invested (in thousand US\$)	3,500	20				
Number of new enterprises by overseas investors	3	20				
Number of new businesses above 500,000 <i>yuan</i> by investors outside the region	2	15				
Fixed assets investment		100				
Volume of investment (in thousand <i>yuan</i>)	23,000	20				
Volume of investment by key projects (in thousand <i>yuan</i>)	5,000	80				
Tax revenue		100				
Volume of tax revenue		80				
Contribution to the county		10				
Tax revenue per capita		10				

Source: Evaluation Office of Changtai County, Fujian Province. 2000.

ORS therefore entered a third stage. In response to top leaders' appeals for the development of a "scientific system of government performance measurement" (Hu 2005), great efforts have been made to construct performance indicators embodying better the principle of scientific view of development. Development and application of such indicators as "green GDP" (Zhang 2004) and "fairly well-off society" (Center for Development Study 2004) thus moved from a purely academic endeavor into serious efforts by the concerned central ministries. A relatively comprehensive set of performance indicators for subnational governments was promoted by officials in the Ministry of Personnel with three main categories and a total of 33 indicators (Liu 2005). This new and broadened focus under the new mode of governance ushered in a new model of ORS in China.

Despite minor differences reflecting local conditions, ORS activities all over China during 1990s had many things in common. In recent years, however, the practice began to have variations and show some locally distinctive features. Table 6.2 is a set of performance indicators by the Fujian Provincial Authority for municipal governments in 2006. It demonstrates well the new and broadened focus under the new mode of governance during the third stage of ORS. These include a shift away from previous obsession with GDP growth to sustainable development, importance attached to people's livelihoods and social development, and emphasis on administration by law.

Performance measurement and utilization of performance information are an important part of the ORS. Apart from the shift in focus in performance measurement discussed earlier, new developments in recent years include efforts to combat figure fabrication and cheating and to enhance various forms of public participation in the process. Dishonest behavior such as falsification of statistics or utter fabrication of figures was rampant during the period of ORS centered on GDP growth (Huang 1995; Ma 2000). There is an indication that this kind of trick-playing conduct will linger on under the new focus of performance measurement on public service and social functions, reflecting the scientific view of development (Sun 2006).

With regard to the utilization of performance information, two extremes seem to be in practice. First is the tendency to put the result on the shelf, completely separated from appointment and promotion of government officials and resource allocations. Another extreme is to pursue quick success and instant results and adopt measures that seem radical but are actually irrational. Between the two, the second is more serious (Zhou 2007).

Although performance measurement in China is still in its rudimentary stage and has many flaws (partly due to the weak information infrastructure), there seems to be a kind of obsession with the utilization of performance information, however flawed. Furthermore, a "fame or shame" strategy seems to be the main form of utilization and, in some cases, is carried out to extremes. Many localities adopted a policy to fire or demote the agency head if the agency under his or her leadership ranked at the bottom for two consecutive years. The widespread "veto by one single vote" approach is another example. In this case, the higher authority sets up a list of key performance targets around top priorities; failure to meet a single target on the list amounts to a failure in overall performance (Edin 2003; Huang 1995).

The desire for quick results and the harsh measures against the perceived poor performers have led to numerous problems. A notorious case occurred in Gansu Province in 2004. To get out of the bottom ranking in the performance league table, some policemen hired a broker to set up a trap and eventually turned three innocent citizens into "drug pushers" and nearly had them executed (Cheng, Liao, and Hao 2004).

Table 6.2 Performance Indicators for Municipal Governments in 2006

<i>Dimension</i>	<i>Performance Indicator</i>	<i>Weight</i>	<i>Dimension</i>	<i>Performance Indicator</i>	<i>Weight</i>
Sustainable development (35)	1. GDP growth rate	5	Harmonious society construction (25)	19. Index of new village construction	3
	2. Financial development index	4		20. Income index for urban residents	3
	3. Growth rate of fixed assets investment	4		21. Income index for rural residents	2
	4. Development index for nonstate enterprises	3		22. Index of educational development	3
	5. Population development index	3		23. Development index for public health	3
	6. Index of human capital development	3		24. Rate of social security coverage	3
	7. Environment quality index	4		25. Rate of registered unemployment	2
	8. Energy consumption index	3		26. Index of public safety	3
	9. Reduction of government overdue debts	3		27. Satisfaction rate for public safety	3

Progress in modernization (25)	10. Urbanization index	3	Administration by law (10)	28. Index of legality for abstract actions	3
	11. Development index for the third industry	3		29. Index of legality for concrete actions	3
	12. Proportion of industrial increment	4		30. Losing rate in lawsuits	2
	13. Development of new industry	3		31. Rate of rectification in reconsideration	2
	14. Ratio of R&D investment to GDP	2		32. Efficiency in dealing with complaints and visits	3
	15. Proportion of hi-tech industry increment	2		33. Completion rate of dealing with complaints	2
	16. Number of patents	2		34. Percentage of staff with misconduct	3
	17. Index of export dependence	3			
	18. Growth rate of overseas capital investment	3			

Source: Office of Effectiveness Building, Fujian provincial government, 2007.

6.3.2 Privatization and Market-Based Mechanisms in Public Service Delivery

Due to the influence of new public management (NPM), privatization and public-private partnerships (PPPs) have been regarded as an effective measure to improve public sector performance in China. Privatization and PPP may take a variety of forms and the reform practice in China has proceeded along two fronts over the past 30 years: divestment and the introduction of market-based mechanisms in public service delivery.

Divestment is essentially ownership reform, a transfer of state-owned enterprises (SOEs) into private hands or turning them into public-sharing holding company. Before 1992, divestment efforts involved small- and medium-sized SOEs, and reform of the large-scale SOEs mainly took the form of management under contract. Under this system, the government agency in charge delegated more power and autonomy to SOE managers, plus various kinds of incentives, in an attempt to improve performance. A large-scale divestment campaign began in 1993 when the CCPCC published *Decisions on Related Issues Concerning the Construction of Socialist Market Economy*, which promoted the so-called modern enterprises system as characterized by “clarity of property rights, clear definition of power and responsibility, separation between government and enterprise, and scientific management.”

Years of divestment reform had radically changed the ownership structure in China. In 1978, there was virtually no industrial enterprise that was not state owned. In 1996, SOEs numbered more than 114,000 and among them a few thousand belonged to the central government. In 2005, the total number of SOEs was down to 27,000 and the central government owned 150, many of which were public-sharing holding companies rather than purely state-owned enterprises (Guo 2005; Zhang 2008). With the change in ownership structure, the GDP volume by the SOEs experienced a gradual decrease, from more than 99% in 1978 to less than 39% in 2005 and a further reduction of two percentage points in 2006 (Anonymous 2007; Zhang 2008).

It is very hard to evaluate the SOE reforms in terms of performance improvement because many of them operate as monopolies despite the introduction of modern corporate structure and other reform efforts. Divestment will continue but SOE reforms in the near future will focus on restricting the power of a monopoly that most SOEs enjoyed (Zhang 2008). Again, the reform belongs to a kind of equity campaign to mitigate the widespread resentment over privileges enjoyed by the employees of state-owned monopolies, rather than an efficiency campaign.

As for the introduction of market-based mechanisms in public service delivery, nearly all the fashionable techniques have been tried by some subnational governments in one field or another. These include competitive outsourcing or contracting out, BOT (build-operate-transfer) in infrastructure construction, internal marketing such as voucher schemes in primary and secondary education, and franchise

arrangements for public utilities and other services. Up to the present, the reforms have produced different results and are facing different fates. The reform of the public transportation system under franchise arrangements is a good case to illustrate the point.

Reform of public transportation under franchise arrangements took a number of forms adopted by many cities, including Nanjing, the capital city of Jiangsu Province; Xi'an, the capital city of Shaanxi Province; Hefei, the capital city of Anhui Province; and numerous mid-sized cities all over the country. The case of Shiyan City, in Hubei Province, was special because it was regarded as the first city to introduce a wholesale and exclusive franchise arrangement for public transportation. In 2002, the public transportation company of Shiyan City lost millions and the municipal government paid more than 5 million yuan to the company in the form of subsidies.

In the face of the heavy financial burden and increasing demand for expansion of bus service, the municipal government of Shiyan signed an agreement with a private businessman, Chaorong Zhang, in April 2003. Under this agreement, the public transportation company of Shiyan City was transferred to Zhang with 23 million yuan, and Zhang was granted the exclusive right to operate public buses in the city for 18 years on the condition of payment of 8 million yuan to the city each year. The reform received extensive publicity and was hailed as a pilot program of innovation with the potential to find new ways to solve the problems that had plagued municipal public services for years.

In April 2008, however, the municipal government of Shiyan City announced that it had taken over Zhang's company, and bus service in Shiyan changed hands "in a flash." The reform was widely perceived as a failure, leaving a number of legal problems unresolved. In fact, disputes and conflicts accompanied bus service under private ownership in Shiyan City. Zhang accused the municipal government of failure to provide subsidies as required by the central government in the face of soaring gasoline prices (beginning in 2006); of violating the agreement by refusing to cover the losses imposed by the half-price privilege of the elderly, the disabled, military men in service, and pupils of primary and secondary schools (totaling 97 million yuan in 5 years); and of failure to protect bus dispatch sites when they were no longer publicly owned.

In response, the municipal government explained that Zhang had failed to pay the 8 million yuan annual transfer fee as agreed, and that the total amount of the transfer fee would have covered the gasoline subsidy and the losses imposed by the half-price privilege extended to the designated groups. In the view of the municipal government, Zhang's thirst for profits and management incompetence had driven the company into the awkward situation. On the part of employees of the privatized bus company, their incomes remained unchanged in 5 years, and Zhang's Taylor-system management style caused much resentment. The company set up a series of performance standards covering numbers of rounds of service, level of gas consumption, numbers of traffic accidents, etc. Failure to meet any of them would result in a reduction from the basic wage.

In December 2007, a bus driver with 4 years of service received a payment of 220 yuan (one-fifth of the average monthly wage) because of the underperformance reductions. This led to an industrial strike and city-wide stoppage of bus service in January 2008—without prior notice to the residents. Actually, the trigger for the sudden takeover of the company was the fourth city-wide stoppage of bus service on April 15, 2008. It should be noted that what happened in Shiyen City was not the only case in recent years. Similar takeovers have occurred in Hefei, Xi'an, Wuxi, and many other cities (Quan 2008; Jin 2008).

Cases of takeover mean a setback for privatization of municipal bus service and have led to heated debates among scholars and public officials. Some stressed that municipal bus service is a kind of public goods and therefore not subject to privatization of any form. Others question the misplaced goal of the governments involved—namely, treating privatization as an off-loading exercise to solve fiscal stress rather than as a strategy to improve efficiency and service quality. The failure of governments to provide policy guidance and postprivatization management on a continuous basis has also been under scrutiny. As in Shiyen, government officials in many cities have announced that the takeover of bus service did not mean a return to the old system of government provision on a monopoly basis. But it remains to be seen how the new system differs from the old one.

6.3.3 Rationalization of Administrative Procedures

Performance management reforms in this category include reform one-stop shopping and procedural rationalization. One-stop shopping physically concentrates related units into a service center so that customers can go through all formalities in a single designated place. Service centers have been formed within a given agency and across groups of agencies. In the case of the Fujian Province, 65 cross-agency service centers were established and 197 service centers were set up by individual agencies by mid-2007 (Office of Effectiveness Building, Fujian provincial government 2007).

Procedural rationalization covers internal management operation in an attempt to raise efficiency and customer satisfaction. Apart from comprehensive review and redesign of the examination and approval process to simplify work flow, special attention has been paid to clarifying requirements in dealing with clients. A good illustration is the “six rules” for civil servants (Office of Effectiveness Building, Fujian provincial government 2007):

- *First-encounter responsibility* requires that the first civil servant a client encounters should provide sufficient information and help so that the client can readily proceed to the next step.
- *Sufficient information at one time* requires that the examiner should scan all the files submitted by a client and inform him or her of all the work to do at one time in case of missing documents or other problems.

- *Completion within time limits* requires that an application should be processed and a final decision made within the time limits set beforehand for the type of work.
- *Reporting in case of denial* requires that an approved application go through the ordinary process of record keeping and that a report will be filed in case of denial with reasons provided for the decision.
- *Publicity requirement* requires that all decisions by the examiners will be made public to facilitate public scrutiny and supervision.
- *Performance appraisal and sanction* requires regularly conducted appraisal of individual performance and various forms of sanction against those involving breach of duty or other misconduct.

6.3.4 Performance Improvement through Public Participation

Components of performance management reform under this category include the transparency campaign, invitation of residents as supervisors of government agencies, satisfaction survey in agency performance measurement, and mechanisms dealing better with public complaints.

As mentioned before, open government was a campaign initiated by the central authority that relied on subnational governments for design and execution before the related State Council regulations went into effect in May 2008; this led to variations in practice. In case of Fujian Province, the transparency campaign was an incremental process in moving from township governments in 2001 to provincial government in 2004. At the township level, open government focused on the reporting system, making public government resources and total volume of revenues expenditure by item, financial and audit reports, etc. At higher levels, it focused on information disclosure covering policies, regulations, rules and standards, and major decisions made by the concerned authorities. In 2005, the provincial government promulgated a circular aimed at institutionalizing government transparency by setting up review procedures for the scope of reporting and information disclosure and to construct an inventory guiding the practice throughout the province (Fujian provincial government 2005).

In recent years in many places in China, great importance has been attached to invitation of residents as monitors or supervisors of government agencies. The move is a response to the human-centered principle promoted by and democratization appeal from the top leadership. It also comes out of the necessity to curb figure fabrication and cheating in performance measurement in previous years that focused on inputs and throughputs like the number of visits paid or cases of rule breach detected. These kinds of measures made verification of data very difficult and therefore left the agency under evaluation some room for maneuver. To take Fujian Province as an example, nearly 300 people have been nominated as supervisors of departments under the provincial government; they have been selected from among members of the Provincial People's Congress and Political Consultative Conference,

as well as representatives of ordinary residents, known scholars, businessmen, and journalists (Fujian provincial government 2005). The number of supervisors varies from place to place at lower levels.

Customer satisfaction surveys have attracted more attention for similar reasons to those mentioned previously. Some new trends can be observed from the practices in recent years. First, the rate of customer satisfaction is an important part of performance measurement, as Table 6.2 illustrates, and its relative weight keeps increasing over time. Second, surveys of customer satisfaction are carried out by independent public bodies or nongovernmental organizations (NGOs) on a contractual basis, thus giving up the former practice of relying on agency staff (Center for Performance Evaluation of Local Governments 2005; Yuan et al. 2004). Third, some efforts have been made to rationalize the use of survey information—for example, differentiating law enforcement and regulatory agencies from service delivery agencies.

The judicial channel for redress is not well developed in China and consequently there seems to be a heavy reliance on administrative mechanisms. Offices dealing with public complaints and visits have been established at each level of government and lasted for more than 40 years. The regime faces a great challenge because of the lack of resources and authority in the face of powerful departments or agencies. According to one investigation in 2004, of the total number of public complaints filed to offices all over China, only 0.2% were resolved to some level of satisfaction (Yu 2004). The offices fell into the role of relay station and were unable to solve real problems.

The State Council issued the “Provisional Regulations on Works Dealing with Public Complaints and Visits” in 2005, emphasizing the significance of the work, providing operational guidance, and clarifying the sanctions against leading officials for misconduct or incompetence; this led to large-scale social unrest (Jin and Tang 2007; Hong 2008). Under pressure, governments at lower levels made serious efforts to reform. A recent trend in Fujian Province, for example, has been to turn offices for complaints and visits into evaluators keeping records and providing information for individual agencies on the seven performance indicators under the title of “administration by law” (shown in Table 6.2). This helps to put pressure on the agency in charge to solve problems on its own initiative rather than following the previous practice of turning to offices for complaints and visits only in cases of failure.

6.4 Prospects and Future Orientation

In the face of the challenges ahead and with the ambitious goal to construct “a society in harmony” through “scientific view of development,” the Chinese government continues to deepen administrative reforms. With respect to performance management, the following three general trends can be observed in the foreseeable future.

6.4.1 *New Impetus to Performance Management*

Administrative reforms in China have long been centered on structural changes, as demonstrated by the six rounds of large-scale reorganizations. However, there seems to be a move in recent years to attach greater importance to procedural and relational changes. As the “most powerful tool available to government executives,” performance management will receive greater attention from top leaders. One piece of evidence is that after years of local experiments, there is a move to institutionalize performance management by the central authority.

The focus at the first step is on performance measurement. In early 2007, the State Council designated the Ministry of Personnel to draft related regulations, rules, and operation guidelines. To this end, the Ministry of Personnel has held a number of consultation meetings and workshops and five regional and local governments have been selected as pilot sites (Bureau of Personnel of Nantong municipal government 2007). It is expected that when the related regulations have been issued, a nationwide campaign of performance measurement will follow all over China. Furthermore, like the case in many developed countries, performance measurement will eventually develop into a system of performance management in China that incorporates strategic planning, annual performance planning, and resource allocation into the process. This future trend of development was officially endorsed by Premier Wen in his report to the 11th National People’s Congress in March 2008. It is clear that performance management will get new impetus under the broadened focus of a new round of administrative reforms in the near future.

6.4.2 *New Orientation for Performance Measurement*

The recent move by the central authority to introduce performance measurement implies that the Chinese did not regard previous practices by subnational governments as performance measurement or that they have a different understanding of the concept. This confusion can be solved by an ancient Chinese distinction between similarities in “shape” and in “spirit”: Previous practices resemble performance measurement in shape but not in spirit. Therefore, the central authority tries to bring something new into the practice or set new orientations for it. From recent debates and discussion, one can observe that a number of key issues will be addressed in the effort to define future orientations for performance measurement in China (Zhou 2007; Sang 2007; Cai 2007; Wang and Su 2006; Chinese Academy of Reform and Development 2007).

The first issue has to do with the proper role of government. A notable feature of previous performance measurement was that it proceeded around the central tasks, whereas many central tasks designated by local authorities went well beyond the boundary of government responsibility or authority. As Table 6.1 shows, one of the key performance indicators for township government was the promotion

of mushroom planting, and targets were set in terms of hectares of mushrooms planted and total volume of production. In theory, township officials could employ a variety of incentives to fulfill the targets, but in practice, many took heavy-handed measures to force farmers to plant mushrooms against their will.

A more widespread phenomenon was target setting for investment attraction for heads of agencies; in some cases, this was even imposed on the heads of local courts (Commentary 2003). To fulfill the target, many agencies misused the power they possessed to provide privileges of various sorts to investors: Police department granted investors exemption from punishment in case of traffic rule violations, agencies in charge of land and resources provided lands at a token fee or free of charge, and education departments promised free choice of the best primary and middle schools for the relatives of investors (Jiang, Pei, and Zhu 2005). These kinds of displaced goals in performance measurement led to unanticipated consequences and essentially overturned the purposes of performance measurement.

A second issue concerns the links between performance measures and mission of the organization evaluated. Separation of or even conflict between performance measures and mission/tasks of organizations happened from time to time in previous practices. For example, environmental agencies attached excessive weight to the rate of pollution fee collection in measuring performance, thus sending the wrong message to enterprises that they could discharge as much as they liked as long as the pollution fee was paid in full. Performance measurement thus becomes an obstacle to the realization of the mission and core value of the organization (Jiang and Wang 2007; Anonymous 2008a).

A third issue relates to citizen orientation in performance measurement. This implies first that government ought to anticipate the public needs rather than respond to crises that arise when those needs are unmet. As mentioned earlier, China's performance measurement was to surround the central tasks — performance measurement focuses on the key programs or key task areas designated by the concerned authority. In other words, performance indicators are designed around those key programs or key task areas. Evidence indicated that these central tasks were not designated through due public consultation and in many cases failed to reflect the needs and demand of the people.

Citizen orientation also requires public participation in the process; previous practice of performance measurement was primarily an internal exercise within the government system, initiated by government and consumed by government. Moreover, citizen orientation is closely related to the purpose of performance measurement. In the past, performance measurement tended to be an internal management tool of supervision and control, rather than a mechanism for public accountability. A future trend of development, therefore, is to put more emphasis on public accountability so as to promote public supervision, leading eventually to a healthy interactive relationship between the government and the governed (Zhou 2008).

6.4.3 Integration and Institutionalization of Performance Management

Integration and institutionalization make up a key element of and driving force behind the recent promotion of performance management and evaluation. The lack of integration has been a major feature for various local efforts in performance management and evaluation. There seems to have been a tendency to “embrace the singular” by most local authorities—that is, to focus on one particular tool or technique while failing to incorporate other tools or components of performance management into systematic and integrated efforts for performance improvements. In quite a number of cases, the party authority promoted the ORS while the government pushed performance measurement, each with its own focus, framework and procedural arrangements; this led to confusion and put excessive workload on subordinate units. It can be said that most governments at the subnational level were practicing performance management of one kind or another, but each did things in its own way.

A number of explanations have been suggested for the lack of integration (Chinese Academy for Reform and Development 2007; Sang 2007). First and foremost is the absence of uniform regulations and guidelines from the central authority. Another explanation questions the motives of local officials behind their efforts to promote performance management: They want to be in the spotlight and actual performance improvement for citizen value is only secondary. The strong desire for personal achievement has been common among public officials in China, and focusing on a particular tool or fad is an easier and quicker way to gain fame and recognition than systematic and integrated efforts. Of course, public officials’ lack of knowledge of and experience in performance management is a third reason. Integrating various components of performance management into a systematic system, therefore, is a central task that lies ahead for the central authority.

Another goal or central task is to institutionalize performance management so as to overcome the great local variations in practice. But some disagreement exists over how to achieve this. Some cite the Government Performance and Results Act of the United States (1993) in support of related legal provisions by the central government; others favor an incremental approach whereby practical experience eventually leads to legal provisions (Huang 2008).

6.5 Conclusion

China has a long history of adopting administrative reforms. Many of these are of a structural nature, including the formulation of new policies that affect matters such as civil service or budgeting practices. Many have been initiated or mandated from the central government. China is a follower in performance management and related techniques; applications thus far show that techniques are adapted with

somewhat different purposes, foci, standards, and procedures. These differences reflect such fundamentals as ideas, values, and governance modes in China; differences in performance management may be better explained by the nature and character of the political systems. In the final analysis, although China will keep following developed countries in efforts to manage for performance, whatever concrete pattern or form is developed will be shaped by the values and conditions in China; it will likely always have, well, Chinese characteristics.

Notes

1. Comments made in the "Report on Efficiency Standards for Government Agencies" submitted by the Chinese Society of Public Administration on January 27, 2003.
2. He emphasized three crucial tasks in the efforts: (1) a framework and sets of performance indicators, which should be rational and scientific; (2) procedures and methods for performance measurement characterized by objectivity and fairness; and (3) rules and mechanisms for effective utilization of performance information.

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Chapter 7

Civil Service Reforms in Mainland China

Mengzhong Zhang and Wei Zhou

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7.1 Introduction

This chapter examines the development and reform of the civil service in China from 1978, when the country adopted an open and reform policy and shifted the focus from class struggle to economic development. China has a long history of civil service, and its legacy left the country with some important challenges relating to selection, promotion, corruption, and performance evaluation. This chapter discusses many reforms that China has undertaken to transform the Chinese civil service system from a traditional cadre system to a more modern civil service.

Chinese civil servants are characterized by a dual track: adopting modern, Western style merit-based strategies and strengthening the historical role of the Chinese Communist Party (CCP) of controlling and managing the civil service through its ideology, policies, and nomenklatura system. Civil servants should be loyal to the Chinese Communist Party; there is no political neutrality for civil servants in any formal sense. This chapter shows that both tracks have made major strides in the last 30 years.

7.2 Civil Service in the Period from 1978 to 2007

7.2.1 Rehabilitation of Old Cadres and Purging Cadres Recruited during the Cultural Revolution

At the third plenary session held on July 16, 1977, Deng Xiaoping was reinstated to all of his previous positions: member of the standing committee of the Politburo, vice chairman of the CCP, vice chairman of the Military Affairs Commission, and chief of staff of the People's Liberation Army (PLA). At the meeting, it was decided to expel the "Gang of Four" from the party (Lee 1991, 148). These political events heralded a reshuffle of China's political landscape. In December, under Deng's firm control, the party reoriented the country from the class struggle to a series of wide-ranging reforms of the economy; the party and the state adopted an open and reform policy in late 1978.

Early in 1978, rehabilitation appeared to be the predominant issue in the public media. With the increased criticism of the Gang of Four¹ and the massive campaign of "practice is the sole criterion for examining the truth," it was believed that many leaders were merely victims of the wrong line. Reinvestigation was not limited to Cultural Revolution-related cases. Those purged during the socialist education movement (1963–1965) were also reinstated. The central organization department has vindicated a number of people since the foundation of the People's Republic of China (PRC). By 1983, the party had even reviewed cases as far back as the 1930s (Lee 1991).

Although many revolutionary cadres were rehabilitated, the purge of some of the newly recruited cadres during the Cultural Revolution began. At the second plenary session of the CCP Twelfth Central Committee, held October 10–12, 1983, "Resolution on the Issue of Adjusting the Party" clearly indicated a purge

of “three types of people.” The first type referred to the Cultural Revolution rebels who seized political power in rebellion, rose to high positions, and committed evils with serious consequences²—especially those who had close ties with the Lin Biao and Jiang Qing cliques. The second type was factionalist in its ideas and participated in vigorous propagation of radical ideology, had factional ties with Lin Biao and the Gang of Four, and continued factional activities after the fall of the gang. The third type included anyone who “had indulged in beating, smashing, and looting during the Cultural Revolution.”

To identify whether someone belonged to the three types of people was to discover whether the person had caused detriment to the CCP or the people, rather than the title the person held or whether he or she had participated in a faction during the Cultural Revolution. On July 31, 1984, the Central Committee of the CCP reiterated that the key to purging the three types of people was to prevent them from entering the leadership group, important organizations, and the third-ladder group.³ Those who had already entered the party–state should be cleared firmly, as well as: those who actively performed and committed crimes with serious consequences; those who were still young and hiding themselves, and who caused detriment to the Party; and those who were backstage bosses responsible for smashing institutions during the Cultural Revolution.⁴

7.2.2 Bureaucratic Problems and Reform Efforts in the Early 1980s

China’s post-Mao leaders identified a number of problems entrenched in the cadre system. “These included life tenure in employment; the low educational level of many senior leaders; overlapping and unclear job responsibilities; overstaffing; and a low level of work efficiency” (Burns 1987, 48). The growing staffing is revealed by Table 7.1. In 1958, the ratio between the cadre and ordinary people was 1:80, but it had reached 1:50 in 1982. There were several prominent features of the administrative system in this period:

The number of administrative agencies rocketed up.

Government employees became older.

Overlapping of agencies was a predominant phenomenon. For example, there was the Ministry of Agriculture, the Ministry of Agricultural Reclamation, and the Ministry of Agricultural Machinery. Above these ministries, there was a higher layer called the National Agricultural Commission.

Deputy positions mushroomed. For the Ministry of Metallurgy, there were 19 deputy ministers (Ren 1998). In Ningxia Autonomous Region, there were seven or eight—sometimes ten—directors and deputy directors in some departments and bureaus, and 20–30 heads and deputy heads in some sections. People complained that “bureau chiefs can form a platoon and section heads can form a company” (Lee 1983, 22).

Table 7.1 Growth Patterns of CCP Membership, State Cadres, and Numbers of Organizations under the State Council

	<i>CCP Membership</i>	<i>Total No. of State Cadres</i>	<i>Ratio between Cadre and Population</i>	<i>Total No. of State Council Organizations</i>
Before the Cultural Revolution	17 million (1961)	8 million (1958)	1:80	46 (1965)
After the Cultural Revolution	35 million (1977)	18 million (1982)	1:50	98

Source: Lee, H. Y. 1983. Paper prepared for the Workshop on Studies in Policy Implementation in the Post-Mao Era, Columbus, OH (June 20–24, 1983), 21–27.

Another serious problem is the high average ages of cadres. In the late 1970s and early 1980s, many of the senior cadres were cohorts who joined the PLA before the Long March. Even those who joined the party during the land reform of 1949–1952 were in their 60s by the early 1980s. At a Politburo meeting on August 15, 1980, Deng advocated the plan of making the cadre corps “better educated, professionally more competent, and younger” (Lee 1983, 26). Later, to appease the old cadres, Deng added “revolutionization” as one of the reform goals. In August 1981, Deng Xiaoping criticized Chinese officialdom:

The bureaucratic phenomenon is the most serious problem for our nation and party. The major manifestations of bureaucratism are: looking down on the people, abusing political power, departing from reality, being separated from the masses, speaking empty words, having ossified ideology, blindly observing absurd regulations, creating redundant organizations, having more people than needed, avoiding decision-making, indifference to efficiency, irresponsibility, betraying trust, multiplying red type, blocking each other, retaliating against others, suppressing democracy, cheating superiors as well as subordinates, taking bribes, and the accumulation of personal wealth. (Lee 1983, 28)

In January 1982, Deng further stated that “downsizing administrative organs is a revolution,” arguing that “administrative agencies are over-bloated and overlapped, duties are not clear. Many people are not qualified. They are not accountable. They lack vitality, knowledge and efficiency...the situation has been reaching to an intolerable degree. The public will not tolerate and our party will not tolerate either” (Deng 1998, 396).

In the wake of Deng's speech, another round of administrative reform proposals was passed in March 1982. The effect of the reform was demonstrated on three levels: central, provincial, and county governments. At the central level, administrative organs were reduced from 100 to 61 and government employees were reduced from 51,000 to 32,000. At the provincial level, administrative agencies were reduced from a previous 50–60 to 30–40 and government employees were reduced from 180,000 to 120,000. At the county level, government employees were downsized by about 20%. The average age of minister-level leaders was reduced from 64 to 60 and the average age of bureau (*juji*)-level leaders was reduced from 58 to 54. In addition to these changes, leaders' length of time spent getting an education increased (Liu 1998, 301–302). All these reflected the cadre traits of revolution, professionalism, knowledge, and youth.

7.2.3 The 13th Party Congress Proposals of Civil Service Reform

Since 1980 the CCP has delegated to state personnel institutions the responsibility for recruiting thousands of cadres outside the national manpower allocation system. Nevertheless, the party had a dominant position in cadres' management. The proposals of the 13th Party Congress for reform of the cadre system placed additional restrictions on the scope of the party's jurisdiction over cadre management, and they declared that separate methods should be used to manage cadres in the country's different employment sectors. In 1987, China's cadres were distributed as follows: government departments, 4 million; service units (education, public health, scientific and technical personnel), 10.8 million; economic enterprises, 10.3 million; legislative and judicial, 0.35 million; and other (parties, mass organizations, etc.) 1.5 million (Burns 1989).

7.2.4 The Provisional Regulations on State Civil Servants in 1993 and the Bill of State Civil Service Law of 2005

In 1987, the decision to establish a state civil service was formally approved at the 13th party congress. In 1988, the Ministry of Personnel was established and charged with the task of revising the provisional regulations on state civil servants and drafting other supporting legal documents. The civil service reform process and content met challenges in 1989, and the final provisional regulations on the state civil servants exhibit many retreats from the earlier proposals, including that of the 13th party congress to separate the party from the state (Liou 1997; Lam and Chan 1996).

Indeed, after the Tiananmen Square incident in 1989, Zhao was criticized for weakening the party's leadership and thus party–government separation was repudiated (Lam and Chan 1996). The party took back some of the powers that had been transferred to the State Council in 1988. Li Peng, the former premier, made it clear in early 1991 that it was not only undesirable but also impossible to separate

the party from the government. Thus, civil servants would not be divided into two categories as envisioned in the 13th Party Congress, and the CCP reclaimed its leadership role in cadre management. The concept of cadres hardly dies in China.⁵

The party also continued to move forward in establishing a civil service system. About 20 drafts of the provisional regulations were sent to various regions, districts, and government agencies for comments and feedback. On August 14, 1993, the State Council issued “Provisional Regulations on State Civil Servants” and began to implement them on October 1, 1993. In addition to reaffirming the political role of the CCP in cadre leadership, the provisional regulations placed emphasis on scientific management and efficiency principles and covered major personnel issues such as the obligations and rights of civil servants, position categories, recruiting processes and requirements, appraisal procedures, rewards and discipline, promotion and demotion, transfer, resignation, and training (Liou 1997; Provisional Regulations 1993). The provisional regulations for promoting state civil servants stipulate that both virtue and ability should be stressed, with the emphasis going into actual performance and achievements (Provisional Regulations 1993).

In short, Chinese civil service reform stresses both accountability and efficiency, understood as accountability by the bureaucracy to serve the agreed-upon national goals of economic growth and development. The Chinese reform emphasizes that civil servants should be loyal to the CCP. Yet, it is also essential to recruit and maintain competent public employees to develop and implement policies and programs efficiently and effectively (and thereby overcome the defects of old cadre systems, which failed to boost economic growth and development sufficiently; Liou 1997).

Stated in different words, on the one hand, Chinese civil service adopted scientific management principles, a job classification system, recruitment by open competitive examination, and modern performance evaluation mechanism. On the other hand, the Chinese reform emphasized that the civil servant should be loyal to the CCP (Liou 1997; Lam and Chan 1996). The distinctive Chinese characteristic lies in combining Western merit-based concepts with a very high sense of heightened political responsiveness and control.

To illustrate, combining these values, recruitment by open competitive exams was increased but restricted to include only nonleading positions at or below the equivalent of “head of section.” Only those joining the civil service to take these lower positions are considered new recruits; all leading positions at or above deputy head of section and senior nonleading positions now fall into the category of transfer. The earlier conceived special examination for midlevel and senior positions was abolished; at these levels, political criteria should be preferred to technical criteria in personnel matters, though the reforms give added emphasis to performance (Liou 1997; Lam and Chan 1996).

After 12 years of implementation, on April 27, 2005, the Standing Committee of the National People’s Congress (NPC) approved the Bill of State Civil Service Law (also called the Civil Service Law of 2005, or 2005 law). Although some scholars believe that the 2005 law was “old wine in a new bottle” or even a

retreat from the 1993 provisional regulations (Chan and Li 2007), Mengzhong Zhang believes that the Civil Service Law of 2005 strengthened the provisional regulations, partly by incorporating the features of traditional cadre personnel management.

First, article 3 of chapter 1 of the 1993 provisional regulations states that the regulations apply to all personnel in administrative organizations of the state at all levels, except for manual workers. The 2005 law expanded this scope by defining civil servants as personnel other than manual workers who perform the public duty, who are brought into an established post, and whose salary and fringe benefits are paid by the state fiscal treasure (article 2 of chapter 1 in the 2005 law). The new definition now includes personnel in party organizations, the people's congress, the people's political consultative conferences, judicial and procuratorial organizations, and democratic-party organizations. The 2005 law added 1.44 million more civil servants to the 4.9 million civil servants defined in 2003 (Chan and Li 2007).⁶

Second, article 2 of chapter 1 of the 1993 provisional regulations reads:

The state civil servant system concentrates on economic development, insists on four cardinal principles (adherence to the leadership of CCP, the dictatorship of the proletariat, the guidance of Marxism–Leninism and Mao Zedong thought, and the socialist road), insists on the basic policy line of reform and open[ness] to the outside, the purpose of serving the people and the criteria of recruiting people with “de” [virtue] and “cai” [ability], the principles of open, equal competition and select[ing] the better.

In comparison, article 4 of chapter 1 in the 2005 law stipulates:

The state civil service system insists on the guidance of Marxism–Leninism and Mao Zedong thought, Deng Xiaoping theory, and the important thought of “three representatives,” carry[ing] out the basic line of socialist primitive stage, carry[ing] out the cadre line and policy of Chinese Communist Party (CCP) as well as party control over cadres.

This essentially legitimized the party's authority in the control and management of cadres, in general, and civil servants in particular. Although Western civil service such as that of the United States specifically proclaims the neutrality and impartiality of its civil service, the Chinese state civil service has its distinction of politicization.

Third, the 2005 law technically improved recruitment, appraisal, reward, discipline, training, appointment and removal, transfer, resignation, dismissal, retirement, complaints, and appeals as well as other details of managing civil servants. For example, the original 1993 provisional regulations had only three categories of individual performance evaluation: excellent, satisfactory, and unsatisfactory. This

division is not sufficient in differentiating government workers, especially those who fall between satisfactory and unsatisfactory. The 2005 law now provides four categories: excellent, satisfactory, basic satisfactory, and not satisfactory (article 36 of Chapter 5).

In a 2003 article, Chan commented that China has opted to strengthen the institutionalization of its civil service.⁷ Four years later, the same author observed that China's civil service was actually experiencing repoliticization—the Communist Party holds tight control over change and management at various levels of its cadres in general and civil servants in particular (Chan and Li 2007). Can these two seemingly conflicting extremes be conciliated? The Chinese experience shows that they often are (Chou 2008).

7.2.5 Internal Competition for Posting (Jingzheng Shanggang)

In the post-Mao era, party–state leaders recognized that traditional methods of selecting cadres were outdated and that it was necessary to find more scientific ways to discover talented and responsible cadres. In the process, competition gradually obtained consensus. Song Defu, Minister of Personnel, clearly set out internal competition for posting as the key task to be carried out by the ministry and by the local personnel divisions (Chan 2003). Based on “Provisional Regulations on State Civil Servants” in 1993 and the promulgation of “Provisional Regulations on Selection, Appointment and Promotion of Party and State Cadres” on February 9, 1995, the Central Organization Department distributed jointly with the Personnel Ministry a circular on “The Opinion on Implementing Internal Competition for Posting for Party and State Departments” on July 23, 1998.

The 1998 opinion is applied to public organizations at or above the county level, including party organizations, state departments, people's congress offices, the people's political consultative conference, discipline committees, offices of the court and the procuratorate.⁸ The internal competition for posting is applicable to internal leading and nonleading positions at or below the bureau-chief rank of the party and government at central and local levels. Internal competition for postings can be adopted if the following conditions are met:

- a vacant position
- number of incumbents surpassing the number of positions available in conducting structural adjustment and reorganization
- need for rotation of different positions
- other situations regarded as necessary

Generally speaking, internal competition for postings is used mainly for internal selection and promotion. However, in practice, the definition of “internal” is flexible. Sometimes, the competition for a bureau-chief position is limited to the incumbents within that bureau. At other times, officials in the same organization

at a higher level are eligible for the competition. This authority is actually vested in the organization or locality that made the decision for internal competition.

As a method of selecting and appointing high-level government and party officials, the internal competition for postings played an active role in motivating civil servants for continuous study and learning as well as working hard for high performance. In Beijing, three bureau-chief positions were opened for internal competition for postings in May 2005. Until then, through internal competition for postings, 328 candidates had succeeded in working at the deputy bureau-chief level, 2,609 at the division-chief level, and 15,801 at the section-chief level. In Shanghai, more than 100,000 civil servants had joined the internal competition for postings by 2005 (Yang 2005). As an avenue of promoting civil servants to a higher level, it was reported that 353,000 government officials had been posted via internal competition from 1999 to 2003 (Ye 2003).

7.2.6 Open Recruitment (*Gongkai Xuanba*)

To overcome the shortcomings of the internal competition for postings, open recruitment is designed to recruit qualified senior civil servants up to bureau-chief level without the confinement of working units or geographic location. The purpose of launching open recruitment was to address the inadequacy of internal competition for postings. In some situations, the internal organization does not have qualified candidates. Because bribery and corruption are popular and pervasive in lucrative positions, to recruit outsiders may effectively avoid the cronyism or patronage of old relationships. Implementation of open recruitment does not require local residency or a personal dossier and thus will logically expand the source of eligible candidates. Because it is expected that the internal resistance to outsiders taking up middle to senior management positions will be strong, open recruitment is subject to more restriction. There is usually a 1-year probation period and a 5-year fixed term employment contract (Chan 2003).

To prevent possible corruption and irregularity, the Central Organization Department of the Chinese Communist Party has made a great effort to standardize open recruitment. On March 3, 1999, the Central Organization Department of the CCP promulgated a circular, "Notice of Further Improving the Work of Open Recruiting Leading Cadres" (1999). In April 2004, "Provisional Regulations on Open Recruitment of Party and State Leading Cadres" (Provisional Regulations 2004) was issued.

Jilin Province and Beijing experimented with open recruitment in the mid-1990s. From 1995 to 2000, about 700 positions at or below bureau chief rank, 7,500 at or below division chief, and 120,000 at or below section chief were filled through open recruitment (Chan 2003). From 2000 to 2005, 68,000 leading cadres were selected through open recruitment nationwide. In April 2006, Inner Mongolia selected 20 bureau chiefs and Jiangxi selected 9 bureau chiefs through open recruitment (Yang 2006).

7.3 Position Classification, Training, Compensation, Performance Assessment, and Retirement in the Chinese Civil Service System

7.3.1 Position Classification

At present, there are two aspects of position classification: the designing of positions and the division of position categories. For designing of positions, clause 18 of the Civil Service Act stipulates that “each agency follows the fixed function, status, quote of establishment, number of positions and structure ratio, designs the concrete positions, and assures the work responsibility and qualifications for each post.” The progress of dividing position categories in position classification in the Civil Service Act has slowed. The second section of clause 14 of the Civil Service Act stipulates that the position categories should be divided into the three categories of comprehensive management, professional technology, and administrative implementation according to the nature, characteristics, and management needs of civil servant positions. The State Council, following the Civil Service Act, can add some position categories if necessary for some specific positions that warrant individual management.

The Civil Service Act in China includes four sets of positions: comprehensive management, professional technology, judge, and procurator series. At present, the relevant laws only regulate comprehensive management, which inherits the previous leadership and nonleadership position series (Civil Service Act 2005; Zhang 2008).

Apart from dividing position categories, another important point is the designing of corresponding ranks of different positions. There are 27 ranks that match different comprehensive management series. In addition, police and other civil servants who work in customs and foreign services are assigned titles corresponding to their positions. Table 7.2 illustrates the relationship between the positions and ranks of the comprehensive management series.

7.3.2 Compensation of Chinese Civil Servants

The compensation system of Chinese civil servants is based on positions and ranks. The basic salary of a civil servant is divided into two categories: position salary and rank salary; the position salary mainly embodies the responsibility of a civil servant. Each position has a salary standard. Leadership positions and equal levels of nonleadership positions have different salary standards. Rank salary is based on work performance and qualification. There are 27 ranks; each position matches several ranks and each rank has several grades. The rank and grade salaries are decided based upon a few factors, such as position, virtuous and capable performance, work performance, and qualifications.

Table 7.2 Position and Rank of Comprehensive Management Civil Servants

<i>Leadership Position Series</i>	<i>Nonleadership Position Series</i>	<i>Rank Series</i>
1. National full position		Rank one
2. National deputy position		Rank two to four
3. Provincial or ministerial full position		Rank four to eight
4. Provincial or ministerial position deputy position		Rank 6 to 10
5. Ting or ju full position	Inspector	Rank 8 to 13
6. Ting or ju deputy position	Deputy inspector	Rank 10 to 15
7. County or division chief	Investigator	Rank 12 to 18
8. County or division deputy position	Deputy investigator	Rank 14 to 20
9. Township or section chief	Section chief member	Rank 16 to 22
10. Township or section deputy chief	Deputy section chief member	Rank 17 to 24
11. Section member		Rank 18 to 26
12. Clerk		Rank 19 to 27

Source: State Council. 2005. Regulations on civil servants' positions and ranks.

Generally speaking, those who earn a rating of satisfactory or above for their annual performance assessment consecutively for 5 years may be promoted to the next higher level of salary rank within the same position. They may be promoted for a higher salary grade within the same rank every 2 years. The salaries of those who reach the ceiling of a rank cannot be raised further. For civil servants whose position is at or below the level of the deputy bureau (*ting* or *ju*) position, salary treatment can be raised to the next higher level of nonleadership position if their tenure length and rank have reached the requirements and their performance assessment is at or above satisfactory.

For the bonus aspect, the Chinese Civil Service implements a location, hinterland area, and postbonus system. Those who meet satisfactory or above at the annual performance assessment are delivered yearly bonuses at the end of a year. This bonus is equal to a month's basic salary. Moreover, the nation has established a salary investigation system that regularly compares the salary of civil servants with their corporate counterparts. The result of such research findings is applied to the

adjustment of normal salary increases for civil servants. Of course, several other factors are also considered in the process, such as national economic development circumstances, fiscal adequacy, and changes in cost of living (Bai 2008).

7.3.3 Training

The civil service training system of China builds on traditional cadre training experience and borrows practices of other countries. First, a new training network was established. The National School of Administration was established in 1994 for training civil servants at or above the deputy ting or ju level. The central government also opened three new national level schools for the training of civil servants at Shanghai City, Jiangxi Province, and Shanxi Province in 2003. Each ministry also has its own training institutions or centers.

Local governments also strengthened training activities. At present, there are about 3,000 administrative schools or party schools in charge of cadre training at the county, city, and provincial levels. In the higher learning institutions, there are many adult training organizations. Also, many enterprises and service institutions have training organizations. These vertical and horizontal training organizations compose a comprehensive network for the civil servant's training.

Second, with regard to trainees, the Civil Service Act issued in 2005 stipulates:

Agencies should conduct training for those newly recruited employees in their probation period; agencies should conduct specialized business training for those professional civil servants; all the civil servants should be trained on the job for updated knowledge and skill improvement; for those who shoulder responsibility of special technology, they should be trained according to the requirements of continued education. The nation should strengthen the training for the backup leaders.

Third, training content aims to increase the following seven abilities of civil servants: (1) political recognition and resisting corruptive tendencies, (2) adapting to the socialist market economy, (3) administration according to law, (4) human resource management, (5) investigation and research, (6) creativity and innovation, and (7) study. The training tries to help civil servants adapt to the needs of the national economy and social development. Civil servants not only learn many basic skills, such as foreign languages, computer use, law, and writing, but also become familiar with the regulations of the World Trade Organization and utilize legal and economic tools to manage public affairs and efficiently promote the "harmonious development of the whole society."

Fourth, training methods increasingly are based on "best practices" established in other countries and on China's own experience. Chinese civil servant training has formulated such principles as that theory should be linked with practice, that learning should be targeted at application, and that teaching should be aimed at

needs and be pragmatic. A number of methods have been developed along the way, such as lecturing, self-learning, workshops and seminars, case studies with bottom-up approaches or the reverse (Wu and Biao 2006).

7.3.4 Performance Measurement and Evaluation of Civil Servants

According to chapter 5 of the 2005 Civil Service Act, civil servants are evaluated for virtue, ability, diligence, performance, and cleanness; the focus is on work achievement. Among these qualities, virtue indicates political thoughts and moral character, and ability is the basic capability with adjustment. Diligence is about the spirit of hard work and attitude toward work; performance is about work achievement, including the quantity and quality of completion of a job, efficiency, and the outcome for a creative job. The assessment of civil servants is conducted mainly through regular assessment.

The regular assessment for nonleadership civil servants adopts an approach of annual assessment. The supervisor will propose a performance assessment grade after reviewing the individual's summary and peers' comments and then the agency head or an authorized assessment committee will decide the performance assessment grade. For the assessment of leadership members, this is conducted according to the regulations of the higher level organization.

The result of regular assessment is divided into four grades: excellent, satisfactory, basic satisfactory, and not satisfactory. The results are sent to the civil servant in written format. This result becomes an important reference for adjusting position, rank, and grade; bonuses; training; and dismissal. According to the relevant regulations, other than the length of assuming a position, the civil servant should acquire an assessment result of satisfactory or above if he or she is to be promoted. Those who receive a "not satisfactory" assessment will be demoted, usually one level. Those who are assessed "not satisfactory" consecutively for 2 years should be dismissed (Civil Service Act 2005; Wu 2003; Zhong 2008).

Performance evaluation in the Chinese government is divided into two types: civil servants in nonleadership positions and civil servants in leadership positions. The former accounts for more than 99% of all civil servants. The reform of performance evaluation started in 1994. Over 96% of civil servants underwent annual performance review in the first years after the promulgation of the provisional regulations (Chou 2005).

Another trend of performance evaluation reform is the shift in focus from political integrity to work-related abilities and achievement. The Ministry of Personnel introduced a new performance evaluation scheme in 1998 to assess civil servants in the State Council. In its scheme, the ministry gave a weight for the four main indicators of performance. *De* (virtue) accounted for only 10% of civil servants' final appraisal marks, *neng* (ability) 20%, *qin* (diligence) 10%, and *ji* (achievement or actual performance) 60%. Other local governments followed suit. Data compiled

by Chou (2005) show respective percentages of 23% (virtue), 34% (ability), 17% (diligence), and 31% (achievement).

7.3.5 Retirement System

The retirement system involves both the conditions for retirement and treatment and security after retirement. Retirement conditions include obligated retirement and applied retirement. There are different requirements for age, working years, and health condition for different retirement types. Obligated retirement suggests that a civil servant must leave work due to reaching a mandatory retirement age or losing working capacity. According to relevant regulations, a minister or provincial governor should retire at 65; a deputy minister or provincial lieutenant governor should retire at 60 (Wang 2008).

For positions at the *ting* or *ju* level, the retirement age is 60. Other male civil servants should retire at 60 and female civil servants should retire at 55. For those whose jobs really need them and who are healthy enough to perform the job, retirement can be postponed with the approval of the appointment agencies. For a few senior experts, retirement age can be postponed if they are needed for work and are healthy. For an associate professor, a research associate, or other experts at this level, retirement age cannot be postponed beyond 65. For professors, senior research fellows, or other experts at this level, retirement age cannot be postponed beyond 70 (this should be approved by the ministerial level of government). For those with well-known reputations and those whose contributions have been recognized domestically and abroad, retirement age can be postponed with the approval of the State Council.

Civil servants who meet the following regulated conditions may apply for retirement (“applied retirement”) and then retire after the approval of appointment agencies: (1) an individual has worked for 30 years or more, (2) an individual is less than 5 years from the retirement age and has worked for more than 20 years, and (3) an individual meets the other retirement conditions.

Political treatment means that retired civil servants have channels to read party and government files and to be informed of policy changes, can have periodic political learning, continue to have the party’s organizational life, etc. These are measures to keep them from being politically marginalized. Living treatments include pension, medical treatment, transportation, and other aspects of treatment:

Postretirement pension is the main source of revenue. For retired cadres, life treatment is viewed “somewhat favorably.” The pension is equivalent to the original salary and, whenever civil servants’ salary is increased, retired cadres’ pensions are likewise increased. After the Civil Service Act became effective on January 1, 2006, there was another reform of civil servant wages. The salary system reformed from four parts (basic wage, seniority wage, position

wage, and rank wage) to two parts (position wage and rank wage). Thus, for the pension delivery, only a very small part of the price subsidies is fully implemented under the old wage; the greater portion of wages (position wage, rank wage, district-level allowance) is implemented in accordance with the new replacement rate.⁹ After July 1, 2006, the replacement rates for civil servants are 90, 85, 80, and 70%, if they have worked for the government for over 35 years, between 30 and 35 years, between 20 and 30 years, or between 10 and 20 years, respectively.

Medical treatment of retired cadres includes reimbursement of medicine costs within the scope of the health insurance provisions. Outside the health insurance provisions, the individual is responsible for the cost of medicine. However, the original agencies should compensate retirees for an appropriate portion of their expenses. Medical treatment is mainly linked with age, and more senior civil servants pay a lesser part of the cost.

Other benefits include housing, transportation, and death benefits. Conditions differ greatly in various regions, so there are generally no specific provisions for housing. Likewise, traffic treatment varies by region. Retired cadres generally enjoy preferential or free use of public transport. Death benefits include a major one-time payment of pensions, partial reimbursement of funeral expenses, and so on.

7.4 Conclusions

In recent years, reports of people seeking to become civil servants are abundant. On August 22, 2006, the first day of civil servant exam registration, there were more than 1,000 applicants in Hainan Province (*Hainan* 2006). In Yunnan Province, there were 871 applicants competing for the position of office clerk at the personnel bureau of Qujing City (*Kun Ming Daily* 2007). In Hubei Province, the 2006 recruiting of civil servants attracted more than 20,000 applicants: The “hottest” position had a ratio of applicants for available positions of 1,000 to 1; the average ratio also reached 50 to 1 (*Chu Tian Metropolitan Daily* 2005).

The hike does not stop there. One state civil servant position for a section member attracted numerous applicants, and 1,287 candidates had passed the preexam check (People.com 2007). The fever peaked at a recruitment practice by the State Administration of Radio, Film, and Television, where two positions for cadre personnel management attracted 6,185 applicants (*Xinhua Daily* 2006). For the 2008 central government civil service entrance recruitment exercise, the written test of the public subjects was conducted in 38 cities nationwide on December, 9, 2007. There were approximately 22,000 test centers for an applicant pool of 640,000 candidates (Zong 2007).

There were a number of deep historical and economics reasons for these situations. Wang Xu, the news spokesperson at the Ministry of Education, said that in

2007 there were 4.95 million university graduates, a net increase of 0.82 million graduates compared to the previous year. By September 1, 2007, 1.44 million university graduates were still unemployed (People.com 2007). From 2003 to 2006, 330,000 “excellent” young men and women went into the public service through examination (Zong 2007).

This phenomenon of workers pouring into government positions is reminiscent of the late 1980s, when there was a growing trend of “sea divers”—people willing to do business for profit rather than staying in the government for public service. Today, on the other hand, civil service is one of the most appealing jobs in Chinese transitional society.

The People’s Republic of China established its civil service in 1993, when it began to carry out the “Provisional Regulations on State Civil Service.” After 12 years of implementation, on April 27, 2005, the Standing Committee of the National People’s Congress (NPC) approved the Bill of State Civil Service Law (2005). It is fair to say that, with recent reforms, Deng’s 1980 vision of a public personnel system that would be “revolutionary, better educated, professionally more competent, and younger” has been achieved to a large extent.

The Chinese civil service continues to draw enormous numbers of young applicants, and the Chinese Communist Party and the Chinese state have also been able to improve the quality of recruits through open recruitment, competitive exams, and reforms that increase internal competition and the role of merit in promotion. The modernization of the Chinese bureaucracy has helped China to improve its governance capacity and keep institutional stability and continuity. Overall, the higher quality of civil servants plays a significant role in China’s economic growth and societal development.

Beyond this, the CCP’s control over the cadres has been deeply ingrained in the ideology of top politicians over many decades. In practice, the CCP not only controls the millions of grassroots civil servants in public service and the higher middle level of the bureau chief or deputy chief bureaucrats, but also, more importantly, directly controls the appointment, promotion, demotion, transfer, and dismissal of the senior cadres at or above minister rank. The persons on the nomenklatura, which includes the core elite of the country, are controlled by the Central Organization Department of the Chinese Communist Party Central Committee; hence, the CCP comprehensively controls and manages the country through its ideology and policies that shape public personnel policies and decisions. The Chinese Communist Party continues its historical practice of controlling its public personnel—especially its cadres and senior cadres.

In the last 30 years, there have been periods when political accountability was emphasized and periods when modern, administrative, merit-based reform was emphasized. The overall trend is that Chinese civil service reform has accomplished both. In doing so, the Chinese state civil service system has managed to realize the intentions of the CCP fully and to do so in increasingly efficient and modern ways.

Notes

1. The Gang of Four were first defined by Mao Zedong as he critiqued the factional fights within the party. It was composed of four major party leaders including Jiang Qing (Mao's wife), who competed with old revolutionary cadres in seeking the supreme leadership of the party. The Gang of Four adopted radical left-wing ideology and were active in pushing forward the Great Proletarian Cultural Revolution. They were arrested and sentenced to prison, in 1976, as the symbol of the conclusion of the 10-year Cultural Revolution.
2. Many were politically and criminally persecuted during the Cultural Revolution. Liu Shaoqi, then the chairman of the PRC, was arrested and tortured to death in prison.
3. "Third-ladder group" refers to CCP's organizational institution that maintains a pool of young cadres for future promotion to leading positions.
4. Refer to Deng (1993, 37).
5. In the United States, the Civil Service Act of 1883 made it clear that civil servants are politically neutral. However, in the process of developing the provisional regulations, it was found that a Western concept of politics-administration dichotomy cannot fit into the Chinese system. The party continued to impose heavy and direct control on the administrative system.
6. Although the new definition is apparently more inclusive of public employees compared with the 1993 scope, it is far from a complete return to the old concept of "cadres" because the concept of cadres covers the personnel working in many public sectors such as state-owned enterprise, education, hospitals, scientific research, and other service units.
7. In contrast, Hong Kong tries to strengthen the political authority over civil service
8. These are agencies that both prosecute and investigate.
9. "Replacement rate" is the ratio between the pension income of the retired civil servants and their preretirement salary.

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Chapter 8

E-government in Mainland China

Kaifeng Yang and Xiaolin Xu

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8.1 Introduction

E-government is a rich concept that has different foci in different nations. Based on China's policy and practice, this chapter defines and examines e-government as the utilization of modern information and communication technologies (ICTs) to (1) streamline the structure and process of government; (2) overcome the constraints of time, space, and function; (3) build a more lean, efficient, clean, and transparent government; and (4) provide citizens with quality services and new opportunities to participate. E-government is not confined to the executive agencies; it is broadly applied to the Communist Party committees (CPCs), executive agencies, people's congresses, and political consultation conferences at all levels. This chapter also examines issues of the "digital divide," privacy, censorship, and security in China's e-government efforts.

8.2 Policy Environment of China's E-government Development

China is an authoritarian state and its recent reforms have been largely driven by the need for a strong state that is necessary for overcoming resource shortages—one that balances visions of communism with those of economic liberalization as the pathway for economic prosperity. Like other Chinese reforms or innovations, China's e-government development is primarily encouraged, planned, and mobilized by the central government. Researchers and officials often relate e-government to Deng Xiaopin's support of informatization, Jiang Zemin's emphasis on e-government in the 16th Chinese Communist Party (CCP) Report in 2002, Zhu Rongji's speech to the State Leadership Team for Sciences and Education in 2002, and President Hu Jintao's and Premier Wen Jiabao's attention to e-government in the 10th Five-Year Plan and 11th Five-Year Plan¹ (Holliday and Yep 2005; Ma, Chung, and Thorson 2005; Zhang 2002).

China's recent e-government policy was formulated by the State Informatization Leadership Team and its executive office, which was established in August 2001.² Although Chinese leaders have been very supportive of e-government development, they have their own understanding of why e-government is important: It is important for economic leapfrogging. As the appeal of Communist ideals fades in the reform era, economic development becomes essential for the legitimacy of the CCP-dominated regime. China feels the need to bolster its fledgling telecoms and Internet companies. Promoting e-government is part of the agenda for those who crave faster catch-up with developed countries (Holliday and Yep 2005).

This explains why the Ministry of Information Industry plays a significant role in China's e-government³ and why early e-government projects were designed to stimulate economic development. It also explains why China's government Web sites are often financially supported (at least partly) by advertisements from foreign

and domestic companies and why China's Web sites have relatively high percentages of business-oriented links (Zhang 2002).

E-government development is also part of the administrative reform that aims to build a more efficient and effective government. The Chinese government wants to use e-government to help readjust the functions and responsibilities of various government units, as well as to strengthen the relationship between government and citizens. For example, in a 2002 speech given to the State Leadership Team for Sciences and Education, Premier Zhu Rongji said:

Along with the rapid development of information technology, especially the universal application of Internet technology, in the entire world, the development of e-government has become one of the most important spheres of informatization in the contemporary era. In order to suit the internal situation and the requirements of China's economic construction and social development...it is necessary to integrate development of e-government with the transformation of government functions, and accelerate the pace of reforming the administrative examination and approval system in a bid to create conditions for the practice of e-government...Emphasis should be laid on the use of information means to enhance government's management efficiency, so that government's supervisory work will be more meticulous and efficient and its services more convenient and expedient. (*People's Daily* 2002)

However, China's administrative reform is often considered a means to the higher end of economic development (K. Yang 2003). Economic growth has been the first and foremost criterion used by the Chinese government to evaluate the performance of provincial and local government leaders. As a result, many administrative reform measures are taken only to promote business-related values and stimulate business development. More substantive attention has been paid to industrial projects and economic development than to government–citizen relationships, transparency, and intergovernmental coordination. It is not surprising that many government Web sites do not provide online services or participation opportunities—they are built to conform to central government requirements or to serve window-dressing purposes. It is widely known that the most fundamental reforms have taken place in the economic domain and that political changes have been limited or less fundamental.

The focus of China's e-government is also affected by the Chinese government's desire to control the Internet. Zhang (2002) comments that Chinese leadership has a paradoxical love–hate relationship with the Internet: It believes the Internet can help China's reform and modernization, but also fears that it may threaten political stability, which has been viewed as vitally important since the fall of the Eastern European and Soviet systems. The Internet is sometimes considered a battlefield without bloodshed, where Western countries may launch “peaceful revolution”

campaigns against the socialist authoritarian regime. Therefore, leaders let citizens know what they wanted them to know and prevent any information that might damage the image of CCP or arouse social discontent. For example, in May 2001 when the city of Ningbo established its official Web site, which was sponsored by the municipal CCP propaganda department, the mayor stated at the opening ceremony:

[The China–Ningbo Web] should conduct public opinion into right-minded channels. It should present a good image of Ningbo toward the outside world...It will enable us to propagandize the principle and policy of the Party and to release information about various facets of Ningbo, such as its economy and social development. At the same time it will ensure that we can inform the world in a more timely way and more exactly about Ningbo. (Zhang 2002, 168)

In summary, the policy environment of China's e-government development reflects a separation between economic liberalization and political liberalization. Ma et al. (2005) assert that the key to understanding China's e-government is the conflict between improving economic development and increasing administrative control.

8.3 The Trajectory of China's E-government

8.3.1 *The First Stage: Government Office Automation (mid-1980s–1992)*

Office automation (OA) means to use advanced technologies to build automated office environments, reduce labor intensity, and improve work efficiency. Toward the end of the 1980s, computer and office software were widely used in government, and the central government started to emphasize information systems and databases to improve economic reform and control. In 1983, the central government started to plan and design the automated management system for national economic information. In October, the State Council established the Administrative Office of Economic Information under the National Planning Commission, which was charged with developing nationwide long-term and annual implementation plans for economic information administration, as well as the overall technology solution for the national economic information system. In November 1984, the State Planning Commission submitted "Report on Issues about Developing a National Automated System of Economic Information" to the State Council. In January 1987, the National Center for Economic Information was established.

By the end of 1990, economic information centers had been widely established in more than 700 counties, 150 major cities, 14 cities with separate planning status, and 28 provinces, autonomous regions, and cities directly administered by the State

Council. This system enabled a network that forecasted and monitored the national economy, providing monthly, quarterly, semiannual, and annual reports on economic waves and market dynamics. In addition, management information systems for special functional purposes were developed such as those in the areas of land information, agricultural economics, pricing, international trade, and technology import management.

In addition to the mainframe national economic information system, the State Council supported developing a dozen national information systems, covering areas such as finance, statistics, taxes, customs, electricity, railroads, airlines, and disaster prevention. By the end of 1991, about 806 major databases had been developed. In 1992, the State Council issued the “Announcement about Developing Decision Support Systems in Government Organizations,” which required government at all levels to use computers further to improve decision making.

During this period of time, the Internet began to be used in China, although not in government; it was mainly used by academic networks under the Chinese Academy of Science, such as the China Academic Network (CANet) and the Institute of High Energy Physics network—both of which were established in Beijing in 1987. Other leading universities, including Fudan University, Tsinghua University, and Shanghai Jiaotong University, soon became connected to the Internet (Lu et al. 2002). The Internet was primarily used for scholarly exchanges.

8.3.2 The Second Stage: Golden Projects (1993–1998)

The OA process and the information networks established in the late 1980s laid a solid foundation for the utilization of computer and network technologies in government. In 1993, the Ministry of Education began to set up its own network (China Education and Research Network, or CERNET) and aimed to connect all universities and secondary and primary schools. Other agencies also became aware of the potential of networking and started to develop similar projects. In 1993, the State Council adopted the “Ninth Five-Year Plan and 2010 Vision of Informatization (Guideline)” and required the Department of Electronics and other agencies to conduct several major information projects.

During this year, the Ministry of Post and Telecommunication introduced CHINAPAC (relaunched as CHINANET in 1995), and the Ministry of Electronics Industry formed a new corporation, Jitong, to gain some control over the future application of ICTs in China. At the end of 1993, the State Council established the Joint Meeting on Economic Informatization to promote informatization and the ICT industry. At the same time, the central government initiated three “golden” projects—Golden Bridge, Golden Customs, and Golden Card—to build information infrastructure for transporting data and information for major industries and agencies. This can be considered the primitive stage of China’s e-government.

The Golden Bridge project refers to the National Public Data and Information Network, which relies on satellites compatible with the Postal Data Network and

connected to intranets of all central government agencies and provincial governments. The Golden Customs is the National International Trade Economic Information Project, which is to promote EDI (electronic data interchange) and paperless trade. It seeks to connect the foreign trade sector with banks and the customs so that inquiries and applications can be handled electronically. The Golden Card is the Bank Credit Card Payment System (or e-banking system), which supports currency circulation through electronic account transfer. The three projects were closely related because they shared the same network (the Golden Bridge). Golden Customs was the first stage of the Golden Bridge, and the Golden Card was the second.

By 1999, the three golden projects had obtained some initial results. The Golden Bridge had established 70 satellite entities, and its mainstream network had covered 30 major and medium-sized cities. Twelve cities had experimented with the Golden Card: ATM networks across banks had become possible, and some of cities had been connected with international ATM networks. Over 60 million credit cards had been issued and electronic transactions had reached over 50,000 per day nationally. Gold Customs had formulated an enterprise coding system for imports and exports and established the Import/Export Statistics System, the Quota Permit Management System, the Export Tax Reduction System, the Export Tax System, and the Import Payment System. The three projects continued and expanded in later stages.

8.3.3 The Third Stage: Government Online Projects (1999–2001)

Toward the late 1990s, China's informatization shifted to emphasize the use of the Internet. Although the three golden projects had mostly focused on business and commerce, the new efforts were more directly related to governmental functions. For example, on May 18, 1998, the city of Qindao established the first Chinese government Web site: Qindao Government Information Public Network. At about the same time, there were 145 "gov.cn" domain names in China.

On January 22, 1999, China Telecom and the Economic Information Center of the State Economic and Trade Commission jointly organized a meeting in Beijing to promote "government online projects." About 40 information management organizations from various departments, commissions, bureaus, and offices participated. Provincial and local government leaders and officials watched the meeting via telephone and TV broadcasting in the submeeting sites across 31 provinces, autonomous regions, and cities administered by the State Council. On the same day, the Web site for the project, www.govonline.cn, was put into operation.

The goal of the project was to have over 60% of central government agencies and provincial and local governments go online in 1999 and raise the percentage to over 80% in 2000 (Lovelock and Ure 2003). It was suggested that governments maintain a Web site where they listed their name, function, organizational structure,

procedures, policies, and documents. Other aspects, such as online services and public participation, were also touched on, but they were not the focus.

The efforts were centrally led. In June 1999, the secretariat of the Government Online Project established a comprehensive service entity—Government Online Project Service Center—to provide technical assistance to government at all levels and areas, to coordinate among governments, and to mobilize the society. The center provided a model for participating governments to imitate, which had the following features (Zhang 2002):

- a set of guidelines to provide installation services and consultancies to local governments
- a propaganda center to publicize events concerning the project organized by the central and provincial governments
- a bulletin of government demands that publicized job-related and other government advertisements
- a service center providing services for the installation of virtual platforms, security measures, personnel training, and other consultancies related to the project
- an information center that made laws and regulations available to citizens and other data banks
- a 100-city network that shared the experience of e-government

The project was planned and organized by the National Bureau of Telecommunication and several other national information management offices. The bureaus of telecommunication at all levels were required to support, assist, mobilize, and coordinate the information industry and the media. To encourage governments to implement the project within the time line, they promised to reduce or drop Web communication charges, organize Internet service provider (ISP)/Internet cache protocol (ICP) providers to make free government Web pages, and provide free Internet training.

In January 2000, the Information Center of the Economics and Trade Commission and the Bureau of Telecommunications jointly sponsored a meeting where over 130 city governments exchanged their experiences in implementing the Government Online Project. In December 2001, the Informatization Leadership Team formally announced the policy that “government should lead the way in China’s informatization.” In its 35th report, the State Council enacted the “Announcement about the 2001–2005 Planning Guideline for Government Informatization,” which forcefully promoted e-government. The announcement called for building “three networks, one stockpile” in 3–5 years: a government intranet network, an intergovernmental resource network, a government-sponsored public information network, and an electronic information resource stockpile. This system was to connect all central government agencies and local government offices at the vice provincial level or higher.

At about the same time, the government led efforts to stimulate the demand side of e-government. For example, three new networks were created in late 2000

that boosted the momentum of Internet application. China Mobile created the CMNET, which targeted wireless Internet users. China Great Wall established the CGWNET, which aimed for military users. The Ministry of Foreign Trade and Economic Cooperation launched CIETNET, which focused on international e-commerce (Harwit and Clark 2001).

8.3.4 The Fourth Stage: Recent Projects (2002–Present)

During this stage, the government's online project continued. In February 2003, the Government Online Project Service Center organized a meeting in Beijing to release its survey results and further promote the project. According to its statistics, within the preceding 3 years, the number of government Web sites had reached more than 10,000, and online business and online approval had been gradually implemented. Almost all central government agencies went online.

The golden projects also continued and expanded. In addition to Golden Bridge, Golden Customs, and Golden Card, other projects have been started:

- Golden Sea will build a data network linking top government leaders with other institutions, organizations and offices under the direct jurisdiction of the CCP Central Committee. Main participants include the State Statistical Bureau and the State Information Center.
- Golden Macro will develop a state economic and policy support system by setting up databases unifying industries, taxation, prices, investments, resources, energy, transportation, and information exchange. The main participants include the China Import–Export Bank, Ministry of Finance, and State Information Center.
- Golden Tax will make use of computerized tax receipts and direct bank connections to aid the flow and the use of funds across China. The main participants include the Ministry of Finance, Ministry of Information Industry, State Taxation Bureau, and Great Wall Computer Corporation.
- Golden Intelligence will enable teachers and researchers to have timely information and enable international and local communication and cooperation. The main participant is the State Education Commission.
- Golden Enterprise will design and build an integrated enterprise quota and distribution system and build a country-wide enterprise and product database. The main participant is the State Economic and Trade Commission.
- Golden Agriculture will develop and monitor agricultural supervisory committees and the calculation and forecasting system. The main participant is the Ministry of Agriculture.
- Golden Health will develop and apply computer technology, communications technology, and scientific information distribution in the medical sector. The main participant is the Ministry of Health.

- Golden Information will develop real-time information flows by the State Statistics Bureau.
- Golden Housing will create a property information network.
- Golden Switch will build China's domestic digital switch manufacturing industry by the Ministry of Information Industry.
- Golden Cellular will provide the basis for a coordinated mobile communications strategy and develop national roaming standards and systems by the Ministry of Information Industry.

Chinese officials recognized that the Government Online Project had some problems, such as that the interactive function between government and citizens was weak, intragovernmental information sharing was limited, and utilization of government Web sites was low. The "Announcement about the 2001–2005 Planning Guideline for Government Informatization" (State Council 2001) aimed to deal with these issues and opened a new stage of China's e-government.

In January 2002, the State Standardization Commission and the State Council's Informatization Office announced "A Framework for E-Government Standards," proposing to design six types of standards: overall standard, application, application support, information security, network infrastructure, and management. In July 2002, the Informatization Leadership Team and the State Council specified the goal and the development strategy for China's e-government during the 10th five-year period. In November 2002, then President Jiang Zemin, in his 16th Congress Report, specified that e-government was part of the administrative reform agenda to

- implement an information network platform with uniform standards, streamlined functions, and security guarantees
- achieve remarkable success in the construction of mission-critical information systems⁴
- make great progress in the construction of basic strategic e-government information databases⁵ and markedly to improve information sharing
- form the information and network security system for e-government initially and to improve relevant laws and standards step by step

During this period, the penetration rate of government Web sites had significantly increased. By the end of 2005, the number of registered government domain names (gov.cn) had reached 23,752 and the number of government Web sites had reached 11,995—45.5% and 16.9% increases, respectively, compared to those of 2004. Over 81.1% of the governments at the county level or above had developed Web sites, a 7.6% increase from 2004. Specifically, 96.1% of the central agencies, 90.3% of the provincial agencies, 94.9% of the regional governments, and 77.7% of the counties owned Web sites (State Council's Informatization Office 2006).

On January 1, 2006, the gate Web site of the Chinese central government, www.gov.cn, was formally put into operation. On that day, about 260,000 people visited the Web site. This site filled the void of a gate Web site and provided a model for government at all levels regarding construction mode, functional component, content design, and Web site structure.

By the end of 2005, the standardization of e-government development had progressed significantly. Nine documents were made public to seek public comments:

- E-Government Standardization Guideline (second version; first version in 2002)
- E-Government Standards for Network Technology and Application Management
- E-Government Standards for Comprehensive System Design
- Standards for Electronic Government Documents based on XML
- E-Government Terms
- Monitoring Standards for Information Projects
- E-Government Data Elements
- Government Information Exchange System
- Government Information Catalog System

8.4 Overall Performance of China's E-government

China's e-government initiative has made notable progress.⁶ According to the State Council's Informatization Office (2006), the performance of China's e-government notably improved in 2005 and an initial framework for e-government has emerged:

- The percentage of governments with Web sites has increased significantly.
- There is widespread attention to developing online public participation channels.
- Online service has become a popular topic.
- Online approval and service capacity has been strengthened.
- Intergovernmental information sharing and collaboration through ICTs have made steady progress.
- Major operational systems such as Golden Shield and Golden Tax have had clear effects.
- E-government information security has been strengthened.
- Local governments have had increasingly positive experience with e-government.

There are many success stories, such as the golden projects, Guangdong Province's Transportation Safety Information Sharing System, and Jinan City's e-government for finance and taxation (State Council's Information Office 2006).

Progress has even been made in strengthening public debates. For example, online chat rooms often serve as barometers for public opinions on sensitive political issues such as international relations, environmental disasters, and important

political events (McNally 2005). The Strong Nation Forum (*qiangguo luntan*) under the *People's Daily* allows for the exchange of ideas and reciprocal public debate. The forum had about 100,000 hits and 1,000 postings per day in 2000 (Yang 2003). Many forum participants often compare the democratic potential of the bulletin board (BBS) forum with the lack of such potential in conventional media. It is more liberal in content than the *People's Daily* (Zheng and Wu 2005). Although some writers treat the forum as representing e-civil society (Yang 2003), the forum's sponsor, *People's Daily*, is the master mouthpiece of the Chinese government.

Nevertheless, China's e-government is still in an early stage. It is not clear to what extent it has improved government efficiency, effectiveness, transparency, and citizen participation. The 2001 UN/ASPA (United Nations/American Society for Public Administration) survey ranked China number 93 among 173 counties or regions by its e-government index that evaluates Web presence, ICT infrastructure, and human capital (UN/ASPA 2002). This places China at the bottom of the "minimal e-government capacity" category—the second lowest category.

In the same year, West (2002) ranked China number 84 among 198 nations or regions, considering the presence of online services, publications, databases, privacy policy, security policy, and W3C disability accessibility. Such measures of e-government capacity and performance are often criticized for validity or reliability issues. For example, in 2003, the United Nations placed China at number 74 on its e-government readiness index (UN 2003), but West (2003) ranked China number 12 in the world. The discrepancy raises questions about the accuracy of such overall performance measures.

Table 8.1 summarizes West's ranking of China's e-government (2001, 2002, 2003, 2004, 2005, 2006). Web sites were evaluated for the presences of various features dealing with information availability, service delivery, and public access. Even with the same methodology, the results are not consistent. China was ranked number 84 in 2001, but jumped to number 7 in 2002, remained high in 2003, 2004, and 2005, and then plummeted to number 76 in 2006. In 2005, West ranked China fifth in the world and listed it as one of the best practices:

China's position in the top five e-government sites is made secure by a focus on thoroughness. All of the sites have publications and databases for visitors, and a number are available in English. A majority of the Chinese government sites provide e-services, with less than half requiring the payment of user fees. A majority of the sites maintain security and privacy policies, creating a safe environment that encourages citizens to utilize services available online. Nearly all of the sites provide forms which citizens can use to submit questions and feedback about the site or the government agency, in general electronically. Many also allow for users to sign up for updates or subscriptions to publications related to the site and/or agency. (2005, 26)

Table 8.1 China's E-government Ranking Based on West's Studies

	Overall Ranking	Overall Score	Online Services	Publications	Databases	Privacy Policy	Security Policy	W3c Disability Accessibility
2001	84	30.2	26	70	30	0	0	0
2002	7	56.3	53	100	100	93	0	20
2003	12	35.9	67	100	100	83	8	0
2004	6	37.3	48	100	100	35	35	0
2005	5	44.3	70	100	100	78	61	0
2006	76	28.8	35	100	100	0	0	4

Source: West, D. M. 2002, Global e-government 2001; 2003, Global e-government 2002; 2004, Global e-government 2003; 2005, Global e-government 2004; 2006, Global e-government 2005. Available at www.InsidePolitics.org

The “excellence” evaluation is overstated when we compare China’s scores in 2005 and 2006. Nonetheless, one observation can be safely made based on Table 8.1: After 2001, almost all Chinese government Web sites had online publications and databases. This is not surprising given the Government Online Project in 2000 and 2001.

Holliday and Yep (2005) point out that the broad surveys mentioned previously focused only on government Web sites created by central government and that provincial and local government Web sites may be more important because they are critical service providers, information hubs, and contact points for citizens. West admits that, in his analysis, “Web sites for subnational units, obscure boards and commissions, local government, regional units, and municipal offices are not included” (2006, 3). In addition, the method—counting the presence of various features—has limitations. Having all the features listed by West does not mean that the Web site actually provides better services to citizens than a Web site with one or two fewer features. The presence of a contact e-mail on the Web site does not mean the government will respond promptly to e-mails.

Holliday and Yep (2005) surveyed 616 Chinese government Web sites in 2004. Their study shows that most of China’s e-government Web sites were “brochure” sites that offered static introduction about the organization, rather than dynamic, interactive Web sites that offered services or were updated frequently. In 2004, most government Web sites offered features such as mission statement (85%), list of legal responsibilities (78%), supervising departments (73%), supervised departments (64%), list of divisions (75%), press releases (90%), “what’s new” (87%), and lists of publications (84%). They also scored high on consistent use of logo, color, and style.

However, very few Web sites provided options to download portable document format (PDF) forms (2%), order publications by e-mail (1%), make purchases (2%), e-mail named officials (9%), or submit forms electronically. Nor did the majority of the Web sites have information about last update (6%), current activities (29%), annual reports (9%), briefings (11%), or chat rooms (5%). Holliday and Yep compared the results with those of English e-government in 2001. They concluded that “Chinese e-government at the start of 2004 fell well short of the benchmark established by English e-government towards the end of 2001” (2005, 247).

Lollar (2006) found a similar pattern in 29 provincial and metropolitan Web sites. In addition, Lollar pointed out that, partly due to China’s traditional system of information and censure, the Web sites offer reports and documents that are dominated by “good” news that highlights government success and overlooks mistakes and failures. Lollar found that although 83% of the Web sites had service guidelines, only 17% had executable services. This was consistent with a State Council report that observed in 2004 that nearly half of the 11,764 government Web sites were simply one-way mirrors lacking interactivity (*China Daily* 2004).

The transparency and openness of the Web sites were not at high levels and the Web sites' performance on citizen outreach and responsiveness was mixed. However, there were notable news stories about officials chatting online with citizens and citizens fighting corruption via online channels. Lollar concluded that "[China's] e-government has played a massive role in improving government transparency and citizen outreach while playing a less significant role in providing unbiased information and delivering efficient services" (2006, 41).⁷

Another problem with China's e-government is that it serves too few people—citizen awareness and usage of e-government are very low (Xiong 2006). Only 7.8% of China's total population used the Internet in 2005 (CNNIC 2005). In 2003, 10.6% reported that they had never heard of e-government, 38.1% had heard of it but did not understand what it meant, and 39.5% understood but did not know it well (CNNIC 2003). In other words, less than 1% of China's total population knew e-government well. The situation has become better, but it remains true that e-government serves too few people. According to the 17th CNNIC survey in 2006, 34% of Internet users did not know, never used, or seldom used government Web sites. Among those who had used government Web sites, 95% used the sites to search for information as opposed to service. E-government services represented the least frequently used online feature (CNNIC 2006).

The preceding results do not consider "back office" developments such as joint development of applications to facilitate interoperability and joined-up government services, nor do they consider the speed of government in responding to citizens' online requests (Zhang 2002). Otherwise, the evaluation of China's e-government would have been lower. Despite that, the number of government Web sites and the amount of information online have significantly increased; government Web sites are mostly like brochures and it is far from true that government functions and processes have been reformed to support a seamless government.

8.5 Special Issues about China's E-government

8.5.1 *Digital Divide*

Although the Internet penetration rate has increased in China, there are differences by education, income, gender, age, and region. These differences affect demand for and use of e-government. In terms of education, the penetration rate is 84.8% for people who have a college education, but 20.5% for people with only a high-school education. People with education below high-school level account for 75% of the Chinese population; however, only 1.8% of them use the Internet. Clearly, Chinese Internet users are primarily well educated people (see also Liang and Wei 2002). Likewise, higher income households are more likely to have an advantage in use of the Internet (Liang and Wei 2002; Xiong 2006).

According to CNNIC (2007), the Internet penetration rate increased from 13% in 2005 to 15.7% in 2006 for the east region, from 5.7 to 7.4% for the central region, and from 6.0 to 7.4% for the west region. The central and west regions had the same penetration rate in 2006, and the east region more than doubled its percentage. The difference between the regions is also reflected in the number of Web sites per capita and the number of domain names per capita (Table 8.2). Although Internet use in all three areas has been growing, the eastern area, which is more affluent, populous, and open, is at a more advanced stage.⁸

Internet usage varies somewhat by gender: 58.7% of males and 41.7% of females use the Internet (CCNIC 2007); this has seemed about constant since 2005.⁹ Senior people are more likely to fall behind in Internet use. In 2006, the penetration rate of the Internet reached the highest among Chinese young people age 18–24 (28.6%). This group accounted for only 10.4% of the Chinese population but 35.1% of Chinese Internet users. The next most active group is age 25–30 (penetration rate at 17.1%), and the least active group is age 51–60 (penetration rate lower than 0.6%) (CNNIC 2007). In recent years, the percentages have become relatively stable.

The preceding differences mirror similar “digital divides” by income, gender, age, and urbanization reported in earlier studies of Internet penetration in Western countries such as the United States. These differences may decrease as China’s economic and political reforms continue to progress.

8.5.2 Privacy

According to CNNIC (2007), 8.8% of Chinese Internet users are very satisfied with privacy protection, 24.8% are relatively satisfied, 37.6% are neutral, 25.7% are relatively unsatisfied, and 9.5% are very unsatisfied. The numbers need be interpreted with caution because many Chinese people may not have a true sense of privacy protection. The notion of privacy was not traditionally valued in China because the word carries the connotations of illicit secrets and selfish, conspiratorial behavior.¹⁰ Nevertheless, individual citizens have gradually expanded their consciousness of the right to privacy and are not inclined to interfere with what they perceive to be the privacy of the others, and the scope of privacy has been expanded to some degree. The international character of the Internet and the WTO (World Trade Organization) has especially facilitated the emergence of the sense of privacy protection, which is also facilitated by the fact that central planning has yielded to the market.

Privacy protection may be in conflict with government control. For example, Microsoft accepted a Chinese request in early 2006 to shut down a blog carried on its MSN service and written by an outspoken government critic, Zhao Jing. Yahoo! provided the Chinese government the information it requested in 2004 to trace the identity of an Internet user, Shi Tao, who was arrested later in 2004 and sentenced in 2005 to 10 years in prison (*Economist* 2006).

Table 8.2 Internet Development among the Eastern, Middle, and Western Areas in China (2006)

	Area		Internet User Penetration Rate (%)	No. Domain Names Per 10,000 People	No. Web Sites Per 10,000 People
	East		15.7	62.9	12.9
	Middle		7.4	10.0	2.2
	West		7.4	11.1	2.0
	Overall		10.5	31.4	6.4
Ranking	Location	Province	Internet User Penetration Rate (%)	Percentage Domain Names	Percentage Web Sites
1	East	Beijing	28.7 (428)	13.8	18.6
2	East	Shanghai	26.6 (463)	9.1	8.6
3	East	Tian Jing	22.4 (229)	1.3	1.0
4	East	Guang Dong	17.9 (1486)	16.8	16.6
5	East	Zhe Jiang	15.0 (707)	8.5	9.7
6	East	Fu Jian	11.3 (397)	9.5	5.3
7	East	Shan Dong	10.8 (988)	4.8	4.1
8	East	Jiang Su	10.6 (790)	7.7	7.8
9	East	Liao Ning	8.8 (372)	3.0	3.3
10	West	Shaan Xi	8.5 (314)	1.2	1.0
11	East	Hai Nan	8.4 (69)	0.4	0.4
12	Middle	Hei Longjiang	8.3 (316)	1.3	1.0
13	Middle	Shan Xi	8.1 (269)	0.7	0.8
14	Middle	Hu Bei	7.7 (463)	2.1	2.2
15	Middle	Ji Ling	7.4 (201)	0.9	0.7

Table 8.2 Internet Development among the Eastern, Middle, and Western Areas in China (2006) (Continued)

<i>Ranking</i>	<i>Location</i>	<i>Province</i>	<i>Internet User Penetration Rate (%)</i>	<i>Percentage Domain Names</i>	<i>Percentage Web Sites</i>
16	East	He Bei	7.1 (486)	2.0	2.5
17	West	Si Chuan	7.0 (609)	3.5	2.1
18	West	Guang Xi	6.7 (330)	0.9	1.2
19	West	Xing Jiang	6.4 (126)	0.5	0.4
20	West	Chong Qing	6.1 (189)	1.0	1.2
21	West	Yun Nan	5.5 (241)	0.8	0.7
22	West	Ning Xia	5.4 (32)	0.2	0.2
23	West	Qing Hai	5.4 (29)	0.1	0.1
24	Middle	Hu Nan	5.2 (348)	1.6	1.4
25	West	Inner Mongolia	4.9 (116)	0.4	0.5
26	West	Gan Su	4.8 (125)	0.3	0.4
27	Middle	Jiang Xi	4.4 (187)	0.9	1.1
28	Middle	An Hui	4.3 (276)	1.6	1.7
29	Middle	He Nan	4.1 (396)	2.2	2.0
30	West	Tibet	3.3 (9)	0.2	0.4
31	West	Gui Zhou	2.8 (109)	0.4	0.4

Source: China International Network Information Center (CNNIC). 2006. The 18th statistical survey report on the Internet development in China. Beijing: Ministry of Information Industry. Available at <http://www.cnnic.net.cn/download/2006/18threport-en.pdf> (accessed June 13, 2007); 2007. The 19th statistical survey report on the Internet development in China. Beijing: Ministry of Information Industry. Available at <http://www.cnnic.net.cn/html/Dir/2007/02/05/4432.htm> (accessed June 13, 2007).

Note: Ranking is based on Internet penetration rates.

8.5.3 Security

According to CNNIC (2007), 7.7% of Internet users are very satisfied with Internet security, 21.1% are relatively satisfied, 36.0% are neutral, 21.2% are relatively unsatisfied, and 7.6% are very unsatisfied. The objective data from the State Computer Network Emergency Management Coordination Center (CNCERT/CC) are more striking (State Council 2006). In 2005, the center reported more than 120,000 incidents of network security breaches. About 80% of computers nationwide were infected at least once by a virus, and 72,836 new viruses were found. Spy software infection increased dramatically. About 90% of users were attacked at least once in 2005, compared to 30% in 2004. About 5,198 security loopholes were identified, a 38% increase from 2004.

To address the Internet security issues, the State Informatization Leadership Team's "Opinion on Strengthening Information Security Assurance" (CCP Central Committee 2003) required the development of an information security assurance system. In 2004, the "Opinion on the Implementation of Information Security Protection" was passed. In 2005, the "E-Government Standardization Guideline" specified how e-government information security should be protected.

The major initiative thus far has been the Golden Shield Project developed by the Ministry of Public Security (MPS). The project was proposed in 1998; development began in November 2003 and the first part of the project passed national inspection on November 16, 2006. The project, known also as the Great Firewall, seeks to construct a communication network and computer information system for police to improve their capability and efficiency. It blocks certain contents by preventing IP addresses from being routed through standard firewalls and proxy servers at Internet gateways.

8.5.4 Disability Access

Disability access is a big issue for China's e-government given its disability population of 60 million. However, China faces many difficulties in accommodating the online needs of this particular population. Only 0.9% of the disability population has a bachelor degree or higher, and less than 1% of disabled youth go to college. Shi (2006) examined the accessibility of the Web sites of the 30 provincial governments in 2004 and 2005. The results showed that, except for the Web site of the Hong Kong Special Administrative Region, all 29 mainland Web sites had WCAG priority 1 accessibility errors.

These Web sites did not provide a text equivalent for every nontext element, and the home pages using frames did not give each frame a title. Shi's study included 10 provincial Web sites most frequently cited by Chinese media that were assessed by a series of studies conducted by CCW Research (2004). Although Shi found that the 10 Web sites tended to be the worst performers regarding accessibility, CCW Research ranked them as the top 10 in other aspects. Hence, Shi concluded

that “accessibility for people with disabilities is not yet a paramount concern when evaluating the success of a government Web site in China” (2006, 382).

8.5.5 Censorship and Control

Many observers believe the Internet will shift power from the Chinese government to its people by allowing citizens to organize and by channeling uncensored information from outside, especially about democracy and human rights (Kluver and Yang 2005). However, the Chinese government has sought to strike a balance between the information-related needs of economic modernization and the security requirements of internal stability. It promotes the growth of the Internet but also places significant restrictions on online content and the political use of information technology.

China’s Internet censorship has both low-tech and high-tech measures. At the low-tech end, one of the regulations makes ICPs responsible for the activities of their subscribers. For example, over 100 Chinese Internet executives signed a voluntary self-censorship pact in March 2002, promising to scrutinize and remove information that is “harmful to state security or social stability,” “violates laws and regulations,” or is otherwise “superstitious or obscene” (Woesler 2002). Recently, Yahoo! (Association of Asian Research 2004) and Google (CNN International.com 2006) agreed to conduct self-censorship and remove some content from the research results available to Chinese users. The service providers have assumed an editorial role with regard to customer content and thus have become publishers and legally responsible for libel and other torts committed by customers. In other words, the online information is filtered based on government standards.

Another low-tech strategy is to use official media to highlight its monitoring capabilities in order to deter Internet users from conducting subversive online activities. According to Reporters without Borders (2003), an international watchdog group, at least 35 Chinese Internet users have been arrested for subversive use of the Internet.

China has also created a “pervasive, sophisticated, and effective” high-tech system of Internet controls (Open Net Initiative 2005, 3), which is widely referred to as the Great Firewall. This system can block access to prohibited sites and proxy servers as well as filter the content of accessed sites and e-mail. Internet cafes are required to install monitoring software approved by the Ministry of Public Security. The censored Web sites include the following types:

- sites belonging to outlawed groups, such as Falun Gong
- news sources that often cover some taboo topics such as police brutality, Tiananmen Square protests of 1989, freedom of speech, democracy, and Marxist sites. These sites include Voice of America, BBC News, and Yahoo! Hong Kong
- sites related to Taiwan government, media, or other organizations, including sites dedicated to religious content, such as CBETA, a site that provides the complete Chinese Buddhist canon
- sites that contain obscenity, pornography, and criminal activity

- sites linked with the Dalai Lama and his International Tibet Independence Movement, including his teachings
- sites deemed “subversive”

Blocked Web sites are indexed to a lesser degree, if at all, by some Chinese search engines, such as Baidu and Google China. This sometimes has considerable impact on search results. One part of the block is to filter the search results of certain terms on Chinese search engines, both international (e.g., yahoo.com.cn and Google China) and domestic (e.g., Baidu). Attempting to search for censored keywords in these search engines will yield few or no results. Google.cn will display the following at the bottom of the page: “According to the local laws, regulations and policies, part of the searching result is not shown.”

Nevertheless, the Internet has expanded the public space in China. For example, although very few blogs directly comment on important political news, they have massively expanded the public space. Xiao Qiang, director of the China Internet Project at the University of California Berkeley, notes:

[N]ew bloggers are talking back to authority, but in a humorous way. People have often said you can say anything you want in China around the dinner table, but not in public. Now the blogs have become the dinner table, and that is new. The content is often political, but not directly political, in the sense that you are not advocating anything, but at the same time you are undermining the ideological basis of power. (McNally 2005, 9)

Zheng and Wu (2005) conclude that the Internet in China has promoted incremental political liberalization by facilitating free flow of information, providing alternative information sources, and increasing individuals’ freedom to information access. The Internet has led to the formation of public cyberspace and promoted the development of civil society. Despite China’s authoritarian rule, social groups are able to use the Internet to influence state politics and policies. However, “the Internet has not led to the development of a politically autonomous civil society.” Zheng and Wu argue that the battle over the Internet is not necessarily a zero-sum game and that the Internet can empower both the state and society.

Premier Wen Jiabao and other leaders called for improved information disclosure after China’s much criticized delay in announcing the outbreak of the sudden acute respiratory syndrome (SARS) epidemic in 2003 (Horsley 2006). In fact, the concept of “right to know” has been developed in China for the past two decades under the policy rubric of “open government affairs.” In late 2000, the city of Gungzhou enacted the Guangzhou Municipal Provisions on Open Government Information, which, for the first time, gave Chinese citizens the right to obtain information from government and impose an obligation on

government to disclose information that is not exempted from disclosure under the provisions. On April 5, 2007, the State Council promulgated the “Regulations of the People’s Republic of China on Open Government Information,” which became effective on May 1, 2008. Although it is not a law promulgated by the National People’s Congress and it remains to be seen how the implementation will go, it provides the legal basis for China’s first nationwide government information disclosure system.

8.6 The Future of China’s E-government

In June 2006, the State Council organized a national meeting on e-government and established the e-government goals for the 11th five-year period. These stated that, by 2010, government Web sites would become important channels for open government information and that over 50% of administrative permit items would be processed online. In 2006, the General Office of the CPC Central Committee and the General Office of the State Council published the “State Informatization Development Strategy (2006–2020),” which treated informatization as an overarching strategy for China’s modernization and e-government as the core of the strategy. China’s e-government development will have a more supportive environment with great opportunities.

The report acknowledges that, after years of development, China has stepped into an all-around, multilevel period of informatization development. As China is in the process of building a moderately prosperous society, informatization will be crucial. Hence, the goals for informatization in the next 15 years include

- providing information infrastructure nationwide
- strengthening capacities of independent innovation of information technology
- optimizing the information industry structure
- improving information security
- making effective progress on building a more information-oriented national economy and society
- establishing the new type of industrialization model
- building a perfect national policy and system for the informatization process
- enhancing the capability of applying the information technology among members of the public

In the strategy, nine key aspects are emphasized: (1) promoting informatization of the national economy, (2) popularizing e-government, (3) establishing an advanced Internet culture, (4) pushing ahead social informatization, (5) popularizing the information infrastructure, (6) exploiting information resources more efficiently, (7) improving information industry competition, (8) building a national information security system, and (9) improving people’s ability in using

information technology and cultivating more talent in information technology. On e-government, the strategy calls for the following actions:

- Improve public service via e-government: (1) Gradually build an Internet-based e-government public service system that serves citizens and enterprises, coordinates central and local governments, and uses multiple technologies; (2) expand the scope of e-service to cover street-level government units, community level units, and rural areas; (3) gradually increase the type and quality of e-services and promote service-oriented government.
- Strengthen social management via e-government: (1) Integrate resources to form a comprehensive, efficient, effective, and agile social management information system in order to improve government capability for comprehensive social governance; (2) promote coordination and collaboration, refine the network mechanism for social monitoring and emergency response, increase government capacity in handling emergencies, ensure national security, public safety, and social stability.
- Strengthen comprehensive regulation via e-government: (1) Build agency- or service-specific e-operating systems in order to satisfy the need to change government function, improve administrative efficiency, and discipline regulatory behavior; (2) focus on key areas, including budgeting, taxation, banking, permitting, customs, state-asset monitoring, quality inspection, and food and drug safety; (3) develop effective planning to facilitate information sharing and operational collaboration across operational systems and across central and local government boundaries; (4) establish credit payment systems for enterprises and individuals; discipline and protect the market.
- Strengthen macroeconomic monitoring via e-government. Improve economic information systems in areas such as budgeting and banking; enhance the ability in economic forecasting, prevention, and monitoring; and increase the effectiveness and scientific rigor of the macromonitoring decisions.

The strategy also specifies an e-government implementation/action plan, which includes the following components:

- Standardize the collection and application of basic government information, develop a government information resource item system, and promote government transparency and open information.
- Integrate e-government systems and establish a government information exchange system in order to support economic adjustment, market monitoring, social management, and public service fully.
- Develop a comprehensive mechanism of e-government planning, budgeting, permitting, and evaluation.

- Strengthen the auditing and inspection of the investment on e-government projects.
- Specify the relationship and coordination among old e-government projects, projects under construction, and new proposals; gradually develop a standardized system of e-government budgeting, construction, operation, maintenance, and evaluation.

To achieve these goals, organizational adjustments are necessary. The Informatization Office under the State Council has made significant contributions to China's e-government, particularly in bringing about official attention to the issue and in early policy development. However, the functions of the office are not clear and it clashes with the Ministry of Information Industry, which is actively trying to obtain control over building e-government. The office also has conflicts with the Development and Reform Commission, which approves e-government projects such as the golden projects, and the Ministry of Treasure, which controls the funding for e-government projects.

Organization adjustment is also an issue at other government levels. There are now four typical organizational forms managing e-government:

- The leadership team and its executive office (contemporary) comprise the decision-making organ in the area of e-government for the organization, and the executive office is the implementation unit.
- A new functional unit in charge of e-government needs to be established. The unit is usually located in the executive office of an organization so that it is convenient to manage, monitor, and evaluate. The unit is sometimes set up in the Bureau of Science and Technology, Bureau of Planning, or the information center.
- A traditional agency or office such as the information centers can be charged.
- Executive offices at all levels can be charged.

The following organizational arrangements have constrained the further development of e-government:

- Unitary and effective leadership is absent for e-government; this has resulted in lack of comprehensive planning and systems design, as well as the problems of repetitive construction and information isolation.
- The issue of multiple commanders is widespread. People who implement e-government are often frustrated when they receive contradicting orders from offices at higher levels.
- The daily administrative body for e-government development is often located in the lower levels of the administrative hierarchy. Therefore, it faces great difficulties in coordinating functional departments, mobilizing enough resources, and achieving information sharing and seamless operation.

- The staffing and funding for e-government daily administration cannot be assured and are often insufficient. Many government organizations do not have human and financial resources for e-government.

To solve the problem, the CIO (chief information officer) system is likely to be introduced. E-government usually involves huge investment and risk, and it is essential to the overall success of an organization's strategy. In order to make it work, accountability has to be in place and the CIO system is a common alternative in developed countries. Although there is currently a debate on whether government should establish CIO positions, some areas have started to experiment with the idea because current organizational systems do not support e-government as a strategic task. As China's reform deepens, the CIO system will gain more acceptance. The CIO will possess both management skills and ICT skills, will be accountable directly to the chief executive, and will receive operational direction from the CIO at the superior level.

In addition to organizational adjustment, it is necessary to develop an administrative culture that emphasizes citizen-centered government, administrative coordination, information sharing, and public responsiveness. Currently, few civil servants are ready to give up their information monopoly. Even among departments, regular exchange of information is not required or enabled. It is also necessary to meet the basic requirements for advanced e-government, increase Internet access, and reduce the digital divide. According to CNNIC's annual surveys (2003–2007), the top six barriers for the use of the Internet are (1) lack of computer/Internet knowledge and skills, (2) not having a computer, (3) being too busy, (4) having no need to use the Internet, (5) too expensive, and (6) having no interest. This pattern has persisted despite efforts to increase the demands for Internet use. Local governments need to find a way to support e-government with adequate financial and human resources. Moreover, issues such as establishing an effective e-government performance measurement system, increasing interoperability among different e-government systems, and developing a comprehensive legal framework are important concerns.

8.7 Conclusion

E-government represents the trend and direction of governing. With support from leadership and the mobilization ability of the state, China's e-government is steadily progressing in areas such as infrastructure, institutional support, and citizen demand. However, except in the most advanced cities such as Beijing and Shanghai, a nationwide, service-oriented, and citizen-centered e-government is far from reality. Still, China is determined to develop its e-government as part of its modernization and reform agenda regardless of the difficulties and problems. China's e-government will grow in a distinctive way as the role of government is evolving and changing.

Notes

1. Every 5 years, China makes a Five-Year Plan, which is named the Plan for National Economy and Social Development. The 10th Five-Year Plan covers 2001–2005 and the 11th Five-Year Plan covers 2006–2010.
2. In 2001, the team's director was then Premier Zhu Rongji, and associated directors included then Vice President Hu Jintao, Vice Premier Li Lanqin, Vice Premier Wu Bangguo, Secretary of the Propaganda Department of the CCP Central Committee Din Guangen, and Secretary of the State Planning Commission Zeng Peiyan. The executive body of the team was the State Council's Informatization Office (*guo xin ban*), which was chaired by Zeng Peiyan.
3. The Ministry of Information Industry is responsible for developing the information industry, building IT infrastructure, expanding IT access, increasing online demands, regulating IT prices, and promoting e-government projects.
4. There are 12 mission-critical information systems: the office service resource system, the finance supervising system (including Golden Card), Golden Customs system, Golden Taxation systems, social security system, Golden Macroeconomy, Golden Wealth, Golden Shield, Golden Audit, Golden Agriculture, Golden Quality, and Golden Water systems.
5. There are four basic databases: population information; juridical personal information; space, geographical and natural resources information; and macroeconomy information.
6. According to Kluver and Yang (2005), current research on the Internet in China focuses on two areas: government control of the Internet and the development of China's telecommunications and Internet infrastructure. Few studies have systematically assessed how the Internet has changed various aspects of Chinese government and governance.
7. Another assessment is the Digital Governance in Municipalities Worldwide Project (Holzer and Kim 2003, 2005). It assesses e-government Web sites at the municipal level, but it chooses only one major city from a nation or region. Its evaluation criteria include five components: security and privacy, usability, content, service, and citizen participation. Each component is further assessed with 14–20 measures coded on either a four-point (0, 1, 2, 3) or two-point (0, 3 or 0, 1) scale. Each component is assigned to 20 points, and the full score is 100. Shanghai was chosen to represent China, and it ranked fifth in 2003 (privacy 9.64, usability 17.19, content 11.28, service 12.46, and participation 7.44) and third in 2005 (privacy 12.00, usability 18.75, content 13.13, service 11.69, and participation 8.36). Except for online services, Shanghai improved on all other indicators. Except for participation, all other components have a score over the index midpoint (10).
8. The regional difference is also clear between provinces. Since 1998, the areas with highest Internet usage rates have been the mostly urban regions of Beijing, Shanghai, and Tianjin. The group with the second highest rates is the highly developed coastal provinces of Guangdong, Zhejiang, and Fujian. The area that has the lowest rates includes Guizhou, Tibet, and Yunnan. Table 8.2 shows that the penetration rate in each province is very different. Western China contains 11 out of 15 provinces with the lowest Internet penetration rate; four are in Middle China. Certainly, the regional gap has narrowed on some aspects. For example, in 1998, almost 50% of China's Internet users lived in Beijing, Shanghai, or Guangdong. This percentage dropped significantly in 2001 (CNNIC 1999, 2002). However, the pattern of uneven distribution remained.

9. Compared to 2005, the percentage of male and female online users has changed only slightly. Male users decreased a little from 58.7 to 58.3%, while female users increased from 41.3 to 41.7% (CNNIC 2007). Female online user percentage had a big jump from 30.4 to 40.0% between 2000 and 2001. After 2002, the percentage has remained largely stable. This trend suggests that the gender gap has been reduced (Liang and Wei 2002).
10. Y. Lu observes that contemporary notions of privacy in China constitute a dialectical synthesis of both traditional Chinese emphasis on the importance of the family and the state and more Western emphasis on individual rights, including the right to “privacy” and that “privacy is justified as an instrumental good, rather than an intrinsic good” (2005, 7).

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JAPAN

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Chapter 9

History and Context of Public Administration in Japan

Kengo Akizuki

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9.1 Introduction

Although Japan has long had a cohesive administrative class called *samurai*, modern public administration was born in the Meiji era (1868–1912) when Japan started modernization. In 1885, a cabinet system was established and the first prime minister was appointed; a nationwide administrative system was established that included prefectures and municipalities. The practice of public administration in Japan is characterized by the legality of rules, a search for “equilibrium” or consensus among different opinions, seniority in decision making, and government leadership by an elite class of bureaucrats and central government. Activities such as personnel recruitment, promotion, and budgeting follow well-established practices. Since the 1970s, elected officials have become increasingly important in both decision making (the Diet) and leadership (former Diet members serving as agency heads). From the late 1990s onward, NPM (new public management) has become a buzzword in Japan, and practices such as performance measurement are now required.

9.2 Historical Stages in the Development of Public Administration

9.2.1 Premodern Bureaucracy

The history of modern public administration in Japan begins in the late nineteenth century. It is important to note the unique fact that Japan had maintained a cohesive administrative class called *samurai*, a word that came from the *saburau* (“to serve”) aristocrats. *Samurai* generally means military officials, and they had come to constitute a class in the Edo period (1603–1863). Except for some internal incidents at the beginning and external challenges at the end, this era, understood as exceptionally peaceful and relatively prosperous, was ruled by the Tokugawa *shogun* government in Edo (now Tokyo). The position of shogun (“general” in English) was at the very top of the *samurai*.

But government in this period was not a unitary, centralized system. The Tokugawa government was a feudal system in which each one of the local lords controlled his own *han* (sometimes translated as “clan,” but more appropriately a “domain” headed by lords). A *han* enjoyed prerogatives like exercising its own currency, tax, police, and laws. Local lords were put under strict control by the shogun (e.g., half of the year they had to live in Edo), and if local rule was not working, the lord’s family might be terminated or relocated to less affluent areas. But as long as they remained loyal to the shogun and ruled well, the positions of the lords were secure. This was a very decentralized system.

There were three *han* categories; *shin-pan* (relative of the Tokugawa family), *fudai* (loyal *samurai* even when Tokugawa was just one of many warlords), and *tozama* (“outsiders”—lords who came under Tokugawa just before the start of the

Tokugawa government). The decentralized system was, however, not strong enough to deal with external challenges, such as the “black ships” (the name given to Western boats, especially those of the U.S. Navy that arrived in 1853, were black, and used coal power). Eventually, Tokugawa’s power disintegrated and several reformist han (particularly Satsuma, Choshu, Tosa, and Hizen) took over. They were big *tozama* groups located in western Japan. These four han sometimes fought with each other and sometimes forged alliances; they even fought with the British navy on their own. They finally succeeded in ousting Tokugawa and in building a new modernized Meiji government, of which the emperor was the head.

Very few academics specialize in modern history in public administration; one notable exception is Sanko Mizutani. He points out that the Meiji Restoration government had the advantage in reforming government and modernizing society—that is, the tradition of *rido* (the way of officials) shared by samurai.¹ The Tokugawa period was the system of controlled external trade and human movement supported by increase of agricultural productivity. Historical data show the upward rigidity of tax revenue and the eventual fiscal crunch of han in the long term. According to Mizutani, this condition was crucial in fostering the spirit of *rido*.

Despite the original connotation of military service (*ban-kata* was the Tokugawa era’s term), nonmilitary functions (*yaku-kata*) like civil engineering, tax collection, education, and so forth became more important. The most important, though not so highly ranked, was finance officials. Because of the fiscal crunch, the samurai salary was very limited and usually not enough to maintain and uphold the samurai’s honor; they had to fight for those nonmilitary jobs to get extra salary. The samurai was no longer a warrior, but rather a modern-day white-collar worker in the Tokugawa era. Samurai did not, Mizutani emphasizes, “live for the office, but live by the office.”²

Mizutani also focuses on the relations between samurai and other members of the underclass, like merchants and peasants. In terms of economy and also culture, the ruled classes were much closer to the rulers in Tokugawa Japan as compared to other parts of the world in the same period. This background had samurai behave not like draconian rulers but rather as consensus-based negotiators. However, Mizutani does not neglect the military tradition of the samurai. Though becoming less salient in substance, the samurai was still a warrior and was supposed to act like one. This facet served conveniently because external challenges came mainly as military threats.³

9.2.2 Public Administration in Prewar Japan

The samurai class provided a base for modern government in the Meiji period, but the transition to a modern government was not smooth. Tokugawa’s 15th and last shogun, Yoshinobu, returned the prerogative to govern to the emperor on November 9, 1867, but the battles between pro-Tokugawa han and reformist han continued for several years. Then, in 1871, the han system was abolished, resulting in all of more than 300 former lords and over 2 million samurai losing jobs and titles. Obviously, many of these samurai were angered and they rallied around Takamori Saigo, one of the

military leaders in the Meiji government who maintained strong sympathy for them. After a couple of early skirmishes, a major battle (*Seinan Senso* or “Southwest War”) occurred in the Kyusyu area in 1877. This was the war between the modern military and the samurai, depicted in the 2003 Edward Zwick movie, *The Last Samurai*. Saigo killed himself in the midst of the losing battle. The war marks the end of samurai reign since the twelfth century and the start of a modern conscripted army.

The violent clashes subsided quickly but discontent toward the new government lingered. In 1868, for the purpose of integrating the past feudal system and establishing a more centralized system, the first centralized government (called *dajokan*) was established under the emperor. The top jobs were occupied mainly by former members of the four han, creating “cliques” in government.⁴ The preferential placements in government were somehow legitimized as compensation for past service (and blood), but as time passed, the call for more equal recruitment became stronger.

In 1885, the cabinet system was established and the first prime minister, Hirobumi Ito, proclaimed soon after taking the position that the basic rule of recruitment should be based upon competitive examination. In 1886, Tokyo Imperial University (now the University of Tokyo) was established. The most important function for this university was to produce young talent willing to enter the central bureaucracy.

Unlike many colonized areas, such as India, Meiji Japan had the luxury of “comparison shopping”—that is, the freedom to research and choose models from advanced nations. The Japanese navy was built following the structure of the British navy. French cuisine was chosen as formal style and even now state dinners at the imperial palace are French, not Japanese. Bureaucracy was modeled largely after Germany (continental European). Masaru Sakamoto analyzed four prominent features of prewar bureaucracy in Japan⁵:

- The absolute loyalty of bureaucrats toward the emperor was emphasized. The phrase “emperor’s servant” can be seen in rules and laws regarding bureaucracy at the time.
- The category of bureaucrats was based upon the distance from the emperor; the top echelon was *shinnin kan* (an official ordained in investiture).
- A rigorous and merit-based examination was employed in the early period.
- The bureaucracy did not have central personnel independent authority, so individual ministries held hiring and firing discretion.

In 1889, the Meiji government established a nationwide local administrative system, thereby centralizing control over lower levels of government. The Meiji local system had two tiers: prefectures (46 or 47 members) and city/town/village or municipalities (around 5,000 members). The two-tier system continues to this day. However, Aritomo Okubo, the first minister of the interior and major architect of the system, realized well the importance of local administration, which included local democracy in today’s terms. Local male residents could vote for members of the municipal

assembly, which selects chief executives or a mayor. In prefectures, assembly members were selected, but governors were directly appointed by the emperor, the sovereign.

However, 3 of the 39 cities created in 1889 were not permitted to vote for leaders and were put under direct control of the governor: Tokyo, Kyoto, and Osaka. Tokyo was the capital, Kyoto was the former capital (since 794), and Osaka was the economic center; they were considered to be “too important.” However, Kyoto citizens lobbied heavily and 9 years later the special exemption was repealed.

It is important to note that imperial universities, especially the largest, oldest, and top school in Tokyo, were closely tied with bureaucratic recruitment. Teaching of public administration preceded the formal establishment of Tokyo Imperial University; it started in a predecessor school in 1882 and was taught by Karl Rathgen, who had been invited as specialist of *Staatsrechtswissenschaft* (learning of state laws). He clearly was influenced by German cameralistics (or, literally translated, “art of the state secretariat”). Teaching was intended to foster skills to serve the absolute monarch—nothing more, nothing less.

Another important German academic was Lorenz von Stein, who legitimized strong constitutional monarchy; he also proposed a dynamic model between constitutional politics (policy making) and administration (implementation). Many Japanese elite, including Hirobumi Ito, visited von Stein, and his writings and lecture notes were quickly translated into Japanese. He is seen as advancing a sociological perspective of public administration as opposed to Rathgen’s legalistic public administration. However, the public administration course was abolished at Tokyo Imperial University in 1890, when it was merged with administrative law.⁶

Public administration education resumed in 1921 when two imperial universities (Tokyo and Kyoto) restored the chair of public administration. Both Tokyo’s Royama and Kyoto’s Tamura aimed to make public administration education independent from legal studies, and both left their posts because of incidents related to academic freedom. Royama quit along with Fabianism liberalist Eijiro Kawai in 1939, and Tamura was involved in the famous Takigawa incident and resigned in 1933. (Takigawa was a law professor at Kyoto Imperial University who advocated understanding the social roots of deviant behavior, but was suspended by the Minister of Education for allegedly advocating Marxist philosophies. In protest, many other law professors at Kyoto Imperial University resigned, including Tamura).

9.2.3 Public Administration in Postwar Japan

World War II had a huge impact on so many nations around the world, but perhaps Japan was among the most affected. Its military defeat rendered Japan an occupied nation for the first time in history. Before the war, Japan had four major powerhouses in Tokyo: the army, navy, Ministry of Finance, and Ministry of the Interior (MoI). The two branches of the military completely disappeared. The MoI was one of the strongest bureaucracies and enjoyed a broad range of jurisdiction,

from internal security, local administration, and public works to welfare services. The Americans initially had no clear idea how to deal with this uncanny existence, but the MoI was eventually dismantled and several small offices scattered across different bureaucracies.⁷

However, only one of the remaining prewar powerhouses, the Ministry of Finance, kept its power and authority at the center. This shows that General Douglas MacArthur had no intention of undertaking “direct occupation” while facing strong pressure to bring “the boys back home” immediately. Instead, he took full advantage of the existing bureaucratic machinery and symbolic authority of the imperial system.

Yet, despite apparent differences before and after the war, the political-administrative system remained largely intact, despite reform efforts. For example, the United States sent a mission to reform the central bureaucracy in 1947 and left the proposal to establish a position classification system. The national Diet did enact it accordingly, but position classification has never been practiced. The bureaucrats believed (and believe now) that position classification is only suitable for an American style of flexible labor market. Rather, the Japanese public sector remains based on the principle of lifetime employment and seniority-based promotion.

Likewise, the new constitution stipulated that the Diet most directly reflected the will of the sovereign (people). As stated in article 41, “The Diet shall be the highest organ of state power, and shall be the sole law-making organ of the State.” However, many academics argue that bureaucracy was the key institution determining virtually all major policy issues, not the politicians or the people.⁸ One argument is that politicians have been by and large irrelevant (until recent times). For example, among nine prime ministers between 1945 and 1972, six came from the central bureaucracy (three from the Ministry of Foreign Affairs and one each from the Ministries of Finance, International Trade and Industry, and Transport). Anecdotes abounded about inept politicians, ranging from outright corruption and bribery to cabinet ministers who, when asked a question in the Diet, replied, “As this is a matter of importance, let the officials answer.”

However, the argument should not be overstated. As the constitution became settled as a stable institution, political life in Japan increased. For example, based on elite survey data, Muramatsu argues that Tsuji’s bureaucratic control theory exaggerates the reality.⁹ The data, for example, suggest that even at the early stages of the policy-making process in the bureaucracy (e.g., bureau-level meetings), bureaucrats often felt a strong necessity to contact and involve politicians. Inoguchi and others analyzed the importance of the Policy Research Council of the Liberal Democratic Party (LDP), where many powerful *zoku* (clan) Diet members met and discussed important policy contents, laws, and budgets.¹⁰

Arguably, the impact of the American occupation affected local government more deeply than it did central government. The constitution includes Chapter 8,

“Local Self-Government,” which stipulates institutionalization of local government and salience of local autonomy. The relevant articles are

- Article 92. Regulations concerning organization and operations of local public entities shall be fixed by law in accordance with the principle of local autonomy.
- Article 93. The local public entities shall establish assemblies as their deliberative organs, in accordance with law. The chief executive officers of all local public entities, the members of their assemblies, and such other local officials as may be determined by law shall be elected by direct popular vote within their several communities.
- Article 94. Local public entities shall have the right to manage their property, affairs and administration and to enact their own regulations within law.
- Article 95. A special law, applicable only to one local public entity, cannot be enacted by the Diet without the consent of the majority of the voters of the local public entity concerned, obtained in accordance with law.

On the other hand, the imperial constitution does not mention local government (let alone local autonomy), suggesting that all the rights exerted were gifts from the sovereign. At both municipal and prefectural levels, male and female residents can vote for both assembly members and chief executives. Nonetheless, local autonomy is very weak, and local governments are subject to tight central control. For example, local governments have been heavily dependent upon monies coming from the central government. Throughout the postwar period, only 30% of all taxes were collected locally. This created the well known phrase *san wari jich* (30% local autonomy), but localities spent 70% of public funding. (Today, the margin is now 40% local tax and 60% local expenditure, but the basic fact does not change; the gap automatically creates the need for massive intergovernmental fiscal transfer, and transfer comes from the center to localities.)¹¹

Of course, no discussion of Japan's public administration is complete without some discussion of the government's role in postwar economic development. The Japanese economy's enormous recovery in the 1940s and 1950s, high-speed growth in the 1960s, and resilience against energy crises in the 1970s created the emergence of a possible “Japan model” argument. Chalmers Johnson's well known book, *MITI and the Japanese Miracle*, argues that that central bureaucracy (through the Ministry of International Trade and Industry [MITI]) is able to lead the economy through industrial policy, which is a combination of industrial structure policy at a macrolevel and industrial rationalization policy at a microlevel.¹² This thesis is in line with the conventional wisdom of bureaucratic dominance theory. It also challenges mainstream economics and the demise of the Soviet style planning economy that governments can be “clever” enough to steer innovation and pick winners.

Johnson sees MITI as a pilot that selects and promotes industries in politically neutral ways (in the 1940s, textiles; in the 1950s, steel; in the 1960s, heavy industries like chemicals; in the 1970s, automobiles; and in the 1980s and beyond,

computer-related industries). The argument also challenges pluralist political science theories that see government as an arena rather than as a player; in Chalmers' argument, the government is the essential player that exerts the will of the state.

However, the case of MITI requires a deep understanding of the context and dynamics. As Chalmers writes:

The national-character explanation argues that the economic miracle occurred because the Japanese possess a unique, culturally derived capacity to cooperate with each other...The most important contribution of the culture to economic life is said to be Japan's famous "consensus," meaning virtual agreement among government, ruling political party, leaders of industry, and people on the primacy of the economic objectives for the society as a whole, and on the means to obtain those objectives.

These conditions are not always replicable in other countries, nor are they necessarily always present in modern Japan.¹³ Elements of decision making in Japan are discussed in further detail in Chapter 10 in this volume.

Two notable shifts in the preceding picture should be noted. First, today few argue that only bureaucrats call the shots in Japan. Since 1990, 12 prime ministers have come and gone, but only one is a former bureaucrat (Kiichi Miyazawa served in the Ministry of Finance briefly in his youth). Because most of the arguments for the power of politicians rely on the existence and omnipotence of the LDP, the debate may be alive and hot again if a new party system, most probably the two-party system, becomes institutionalized. Nonetheless, it is not correct to assume that politicians and bureaucrats are always in a zero-sum battle against each other. In fact, these elite groups are usually in a firm alliance while at the same time acknowledging that many differing and bickering factions and agencies are found in Japanese government.

Second, since the late 1990s, the notion of public management has made very strong inroads in Japan. The influence of NPM has only recently come to Japan. Until the late 1990s, NPM remained a foreign concept or practice to Japan. When the United Kingdom and New Zealand suffered economically, Japan enjoyed prosperity after coming out of the oil shock of the 1970s. Few felt a sense of crisis in the public sector then. Moreover, at the central level, Prime Minister Eisaku Sato established a ceiling for the total number of public officials legally employable. As a result, there has been no expanse of the public sector, which prompted NPM type reform elsewhere.

However, since the late 1990s, NPM has become a buzzword in Japan. National universities have become independent legal entities ("agencified," as NPM dictates). Performance measurement is a must in any public office. The effect is deeper and more institutionalized at local levels. This change occurred mainly because of the economic downturn, which led to a fiscal crunch for both

central and local governments (see Chapter 13). In addition, local government is also gaining increased, albeit relative, autonomy in negotiating with the central government.

9.3 Institutional Description

Japan has a parliament–cabinet system of government. The prime minister is the head of administration and is selected from among the members of the Diet (lower house: 480; upper house: 242). Because the superiority of the lower house over the other is well established in the constitution, no prime minister has ever been selected from the upper house.

The cabinet system was instituted in 1885, well before the war, but the separation of powers did not take place until the new constitution was enacted in 1946. However, it is important to note that separation of powers evolved throughout prewar history. For instance, the Otsu incident is known as an important precedent establishing the independence of the court. In 1891, Imperial Russia's prince visited Japan and was attacked by a policeman, who was supposed to guard him. The prince survived with a minor injury, but outrage surrounding the assassin (caused by fear of mighty Russia) created political pressure on the court to punish him beyond the legal limit (i.e., death penalty). But the *taishin-in* (then the supreme court) did not cave in and sentenced him to life imprisonment.

Central government is composed of several ministries and agencies, each headed by a minister. In 2001, a major change of organization was initiated, cutting the number of the ministries significantly (see Table 9.1). Each ministry has a *kanbo* (secretariat)—the headquarters of the ministry, with a range of areas of jurisdiction, such as budget, personnel, and internal organization. Kanbo is responsible for coordination inside and outside the ministry. Naturally, the secretariat is often the power center of the ministry. Along with the secretariat, there are several bureaus, each attached to certain authorities and duties.

Each ministry is headed by minister. Article 68, clause 1, of the constitution stipulates that “a majority of their number must be chosen from among the members of the Diet.” In fact, the appointment of non-Diet members to be minister is exceptional. A famous recent example is Heizo Takenaka, a U.S.-educated economist who spearheaded the reform under Koizumi, who had been selected from academia. After endless criticism (mainly from Diet members within the ruling party) that you can “talk and walk” only after you wear the Diet member's pin, he decided to run for upper house membership and was elected.

The minister, senior vice minister (*fuku daijin*), and vice minister (*seimukan*) comprise the political leadership of the ministry. The number of these posts differs according to the size and importance of a ministry. An administrative vice minister (*jimu jikan*) is the head of nonpolitical (career) bureaucrats.

Table 9.1 Ministerial Arrangement before and after 2001 Reform

<i>Before</i>	<i>After</i>
Prime Minister's Office, ^a Economic Planning Agency, Okinawa Development Agency, Management and Coordination Agency, Science and Technology Agency, ^a National Land Agency ^a	Cabinet Office
MCA, ^a Ministry of Post and Telecommunications, Ministry of Home Affairs, PMO ^a	Ministry of Internal Affairs and Communications
Ministry of Justice	Ministry of Justice
Ministry of Foreign Affairs	Ministry of Foreign Affairs
Ministry of Finance	Ministry of Treasury
Ministry of Education, STA ^a	Ministry of Education and Science
Ministry of Health and Welfare, Ministry of Labor	Ministry of Health, Welfare and Labor
Ministry of Agriculture, Forestry and Fishery	Ministry of Agriculture, Forestry and Fishery
Ministry of International Trade and Industry, STA ^a	Ministry of Economy, Trade and Industry
Ministry of Transport, Ministry of Construction, NLA, ^a Hokkaido Development Agency	Ministry of Land, Infrastructure, and Transport
Environmental Agency, MHW ^a	Ministry of Environment
Defense Agency	Ministry of Defense ^b

^a Part of the organization merged.
^b Upgraded to ministry level in 2007.

University graduates (usually undergraduate level) who have passed the examination administered by the National Personnel Authority¹⁴ must go through interview sessions with ministries, which decide which candidates enter their ministry. Bureaucrats spend most of their careers in the same ministry, but may be dispatched to local government, other bureaucracies, or the cabinet. Loyalty goes to the ministry rather than to the entire government.

Although central government is under the cabinet system, localities resemble a “presidential” system whereby chief executives are directly elected by inhabitants, as well as members of the local assembly (see Table 9.2). There are several categories

Table 9.2 Level and Number of Government Units^a

<i>Level</i>	<i>Unit Number</i>
Central government	1
Prefecture	47
Municipality	1,773

^a At the end of fiscal year 2008.

among municipalities; the most important is designated “city” (17). Kyoto is one of them, but it is located in Kyoto Prefecture (similarly to New York City in the state of New York). The number of municipalities has steadily decreased due to amalgamation. Prefectures are more stable in number (or geographic boundaries), but recent discussion has centered on the introduction of a regional system by abolishing the prefectural level.

The relations between central and local government have been changing drastically, especially since the decentralization reform in the 1990s (see Chapter 11), but it is important to acknowledge that the relationship is extensive and closely interconnected. Documents are transmitted between the levels of administration, phone call and e-mail exchanges are frequent, and personnel exchange is normal.

9.4 Administrative Values

It is not an easy task to identify values established in the minds of public officials, but several possibilities for “core” values are described in the following sections.

9.4.1 Legality

A legal system with the constitution on top provides a foundation upon which any public governmental organization can act. In Japan, central bureaucracy has its own “establishment law” (*setchi ho*) stipulating its jurisdictions. Bureaucrats act only after the law allows them to. As described in Section 9.2.2, a majority of career bureaucrats graduate from law departments, even now. With the exception of the Ministry of Construction (now, Land, Infrastructure Transport, and Tourism—where a technology expert can possibly become an administrative vice minister), all the ministry’s top nonpolitical officials are graduates of law departments (sometimes economics, but that is rare).

This is the case even with the Ministry of Finance (now, Treasury) and other ministries that deal with economic matters. Such predominance of legally educated (*hoka banno shugi*) individuals is often criticized; not only could this mean

the exclusion of other important backgrounds (e.g., technology, sociology, history), but also, although it is essential for public servants to have knowledge and faith in the law, excessive reference to and dependence on a legal framework lead to a lack of flexibility.¹⁵

9.4.2 *Equilibrium*

As Aberbach, Putnam, and Rockman suggest,¹⁶ one of the differences between politicians and bureaucrats is the choice between energy and equilibrium. Politicians commit to a certain ideology and do not fear change; bureaucrats honor the status quo. That is the case with Japan, according to Campbell,¹⁷ a leading scholar of Japanese politics. He identifies several important keywords in the Japanese budgetary process, one of which is *baransu*, or balance. Any law or budgetary proposal needs to be “well balanced,” which means taking into account every possible factor, opinion, and interest to be considered and thus avoiding causing sudden change and shock in society. Chapter 10 discusses various processes through which equilibrium is achieved in more detail.

9.4.3 *Seniority*

Seniority has importance in Japanese society, but in the public bureaucracy it is more than just important. Here, seniority is not determined by biological age, but rather by which year one entered a ministry (*nyusho nenji*). This is one of the most important references for promotion and other personnel management issues. Bureaucrats who entered a ministry in the same year stick together as a class (*doki*) while vying for the top post of administrative vice minister. Once one of the classmates becomes an administrative vice minister, all of the rest will retire. Although there are some exceptions, such as in the Ministry of Foreign Affairs, where the administrative vice minister has to work with his senior (ambassador in Washington, D.C.), this rule is very prevalent. When a major international meeting with many bureaucrats from various ministries takes place, seniority is paramount in determining the seating arrangement, hotel room assignment, and who should take the microphone to speak.

9.5 Public Administration Education and Research in Japan

I want to close with some comments on the development of public administration education in Japan. As previously noted, public administration education existed in 1882, but was abolished in 1890, when it was merged with administrative law. It was later reinstated in 1921, but two chaired professors, Tamura and Royama, stopped teaching

in 1933 and 1939, respectively.¹⁸ Tamura and Royama are regarded as “founding fathers” in Japan and they produced a handful of successors like Kiyooki Tsuji (Tokyo), Masatoshi Nagahama (Kyoto), and Shigeo Yoshitomi (Osaka City University).

However, the number of specialists of public administration remains very limited. Adachi reports that at the end of World War II fewer than 10 colleges offered public administration lectures and fewer than five professors had full-time teaching posts.¹⁹ The reason for the limited prevalence of public administration is that the emperor’s bureaucrats were so powerful that any meaningful critique of the government was almost impossible, including any objective research.

The end of World War II marked a turning point in the development of public administration in academia. The new constitution stipulated several important rights and freedoms related to academia: Article 19 stated that “freedom of thought and conscience shall not be violated,” and article 23 stated that “academic freedom is guaranteed.” Thus, critical analysis became possible on campus, in journals, and in public discourse, and the atmosphere for social sciences greatly improved. Also, many prominent private universities, like Waseda, Keio, and Meiji, created their own chairs of public administration, thereby departing from the imperial (called “national” after World War II) universities’ dominance in the field. Naturally, while Woodrow Wilson and other U.S. scholars were studying in prewar Japan, many important theorists—for example, Waldo and Herbert Simon—had greater impact on postwar public administration education in Japan.

The Japanese Society for Public Administration (JSPA) was organized in 1950, reflecting the growth of public administration as a discipline. Royama was its first president. The inauguration took place in Osaka Municipal Hall, but the secretariat was located at the University of Tokyo through 1970. In 1955, JSPA had 205 members,²⁰ including 97 academics and 108 public officials. Among academics, 27 were in public administration, 35 in constitutional and administrative law, 18 in political science, and the remainder in other (7) or unknown (10) areas. Sato speculates that many of the unknown might have come from legal areas.

Among bureaucrats, the largest group of members was from the Administrative Management Agency (later the General Affairs Agency and now part of the Ministry of Internal Affairs and Communications), the former MoI offices (8), staff of the Diet (10), and Tokyo metropolitan government (largest prefecture: 5). In the beginning phase, JSPA was maintained through support of officials and legal students,²¹ and many who knew the situation in the 1950s state that, although the public administration students welcomed input and participation of officials, they intentionally avoided any public organization becoming too powerful within JSPA. JSPA started publishing a biannual academic journal in 1957, which became an annual publication in 1962, and has an annual meeting. Since then, the general trend is that academics in public administration have increased while presence of legal scholars, bureaucrats, and other practitioners has decreased. Today, about 30% are practitioners and that percentage is increasing.

According to Nishio,²² academic public administration research includes the following foci. First, historical perspectives continue to be important, especially special historical conditions like modernization and democratization that came to Japan much later than to Western nations and affected the development of public administration. Second, a major research target is the bureaucracy and civil service system. Third, local government, local autonomy, and local administration are also major targets of public administration students. Finally, some public administration specialists tend to think at a macrolevel—for example, a regime or structure penetrating from center to localities. By and large, public administration scholars are not deeply involved in politics and policy making, as compared with Korean colleagues. But recent decentralization reform has been engineered by several prominent public administration academics like Masaru Nishio and Akira Morita, both of the University of Tokyo.²³

International exchanges and orientations exist, but have not been very strong until recently.²⁴ JSPA became a member of the International Institute of Administrative Sciences in 1954 and joined the Eastern Regional Organization for Public Administration (EROPA) in 1961. Tokyo is now permanent host for the local administration center for EROPA. Cooperation with Chinese public administration students was strongly promoted by Kazuaki Kato in the 1990s and, in 1997, JSPA and the Korean Association for Public Administration (KAPA) signed a mutual cooperation agreement. Since 2001, Akira Nakamura (Meiji University) has been very active in promoting informal cooperation with Asian public administration specialists (e.g., organizing a “governance study group” with colleagues in Singapore, Korea, and Hong Kong. Research with foreign scholars is increasingly undertaken, as evidenced by many of the references in this volume; readers are encouraged to take note of these and consult them.

9.6 Conclusion

This chapter described three broad periods of public administration in Japan. The first was the feudal period, which involved warring lords and a samurai class of administrative officials. The second was the prewar period, which began with the Meiji Restoration in 1868 and lasted until the end of World War II. This period saw the development of a unitary state and a national constitution, the emergence of a legalistic and consensus-oriented form of decision making, and a system whereby civil servants had loyalty to the emperor. Elite bureaucrats recruited from graduates of Japan’s best universities made many of the most important decisions.

Because of the American occupation, the third period (after World War II) began with constitutional changes that increased the possibility of broader recruitment into the bureaucracy, a greater role by elected officials, and an increased role for local government. This period also saw a concerted effort

to increase Japanese economic performance. By and large, the constitutional changes did not fully emerge until the 1970s (politicians increased in importance) and the development of greater transparency, accountability, and some decentralization (since the 1990s). It also has seen (since the 1970s) politicians serving as agency heads. Yet, despite these changes, a legalistic and consensus form of decision making continues to be an important characteristic of Japanese public administration.

Indeed, the central government bureaucracy continues to be one the major institutions in Japan. Japan faces difficult issues, such as an aging and declining population, public debt, security, and so forth, as well as the economic financial crises of 2009 and ongoing political turmoil. Although the introduction of the NPM creed and decentralization (and efficacy thereof) will shape the future of central bureaucracy to some extent, no doubt the central government bureaucracy will still hold a significant position in the Japanese state and its society. Indeed, civil servants continue to be held in high regard in Japan. The following chapters in this section of the book develop and exemplify current themes in different areas of public policy and public administration and reflect collaborations of academics and public officials. They will, I believe, be an important stimulus for those trying to understand Japan and its polity and thereby also enhance the quality of future research and understanding.

Notes

1. Mizutani, S. 1993. Development of administrative state and political systems: Europe and Japan compared. In M. Nishio and M. Muramatsu, eds., *Lectures in public administration*, vol. 1.
2. Mizutani, p. 30.
3. Mizutani, p. 32. Both sides (Tokugawa and reformist han) had no problem in learning the new technology to cope with colonial powers by importing new military technology.
4. Imanaka (further in this volume) notes that the staff in the central government offices until around 1900 was primarily the lower samurai class who had been leading the Meiji Restoration and activities against previous feudal (tycoon) regimes.
5. Sakamoto, M. 2006. *Study of civil service systems*, 271–273. Kyoto: Horistu Bunkasya.
6. Imamura, T. et al., eds. 2006. *Introduction to public administration* [*Hon book kiso gyo-seigaku*], 29. Tokyo: Hokuju Shuppan.
7. The MoI cooperated with the occupation. For example, MoI and its police did the quick disarmament of remaining soldiers stationed in Japan through negotiation. But it also objected to policies of occupation offices and thus was eventually seen as a villain by the Americans.
8. Tsuji, K. 1967. *Public administration*. Tokyo: University of Tokyo Press.
9. Muramatsu, M. 1981. *Bureaucracy in postwar Japan*. Tokyo: Keizai Shiposha.
10. Inoguchi, T., and Iwai, T. 1987. *Study of zoku politicians*. Tokyo: Nihon Keiza Shinbunsha.

11. Some other changes include the gradual decrease of number of local governments by municipal amalgamation—the removal of poll tax, for example.
12. Johnson, J. 1982. *MITI and the Japanese miracle: The growth of industrial policy, 1925–1975*. Stanford, CA: Stanford University Press.
13. Similarly, in business administration it was also widely debated whether Japanese management techniques could be exported to countries. In Herbert Levine's *Public Administration Debated* (Prentice Hall, 1988), Toyohiro Kono identifies three aspects:

It is an innovative organization. The goals of the organization are clearly stated, and growth and employee welfare are considered as important. Top management is a team. They are imitative but are sensitive to new opportunities...It is a soft organization. Jobs are ambiguous, and employees are willing to do any related jobs. Most of the decisions are done by participation, so a group decision is the usual type. It is a community organization...Employees are considered as a partner in an organization.

He concludes that many of the organizational traits can be transferred to other countries, but Linda Dillon disagrees. She states that key ingredients of Japanese management, like lifetime employment, a nonspecified career path, slow evaluation, and slow promotion, are so deeply tied to unique Japanese culture and history that they cannot be adopted.

14. National Personnel Authority. 2007. The annual report of FY2006. Tokyo. See also Doi, T., and T. Ihori. 2009. *The public sector in Japan: Past developments and future prospects*. Cheltenham, England: Edward Elgar.
15. This is more serious because the constitution is among the most difficult to amend. Article 96 stipulates:

Amendments to this constitution shall be initiated by the Diet, through a concurring vote of two-thirds or more of all the members of each House and shall thereupon be submitted to the people for ratification, which shall require the affirmative vote of a majority of all votes cast thereon, at a special referendum or at such election as the Diet shall specify.

Because of such stipulation, there has never been an attempt to amend any part of the constitution.

16. Aberbach, J., R. Putnam, and B. Rockman. 1981. *Bureaucrats and politicians in Western democracies*. Cambridge, MA: Harvard University Press.
17. Campbell, J. C. 1980. *Contemporary Japanese budget politics*. Berkeley: University of California Press.
18. After they resigned, Royama experienced politics as a Diet member and advisor to Prime Minister Fumimaro. He also became editor of *Chuo Koron*, one of the leading political magazines, and was instrumental in establishing the moderate-left Democratic Socialist Party. Tamura remained a pure academic and returned to university after the war.

19. Adachi, T. March 1946. How to reform the Japanese bureaucracy. zGHQ/SCAP GS Records. Also see Sakamoto, 2006, p. 273.
20. According to the personal notes of Atsushi Sato, one of the original members of the JSPA secretariat.
21. Sato, A. 2001. Japanese public administration in retrospective. In *Public administration study in Japan: Past, present and future*, 10–12. Japanese Society for Public Administration. Tokyo: Gyosei.
22. Nishio, M. 1983. Designing the Japanese public administration, JSPA ed. *Current Issues of Public Administration*. Tokyo: Gyosei. Though this article and keynote speech are now a bit old, the basic features reported in the text have not changed much since.
23. Nishio, M. 1991. Unfinished decentralization reform [Mikan no bunken kaikaku]. Iwanami Shoten.
24. JSPA's rule says that its objectives are “to promote cooperation between researchers of government domestic and foreign, and to ascertain communications and mutual exchange with foreign counterpart organizations” (article 3).

Chapter 10

Public Policy Processes and Citizen Participation in Japan

Masao Kikuchi

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10.1 Introduction

In the postwar period, the Japanese economy rapidly grew from ruin to become the world's second largest economy. Various accounts prevail about how Japan, without rich natural resources, could restore the nation at such a fast pace and produce what has been widely called the "Japanese miracle" (Johnson 1982). Some authors focus on Japan's strong and centralized public spiritedness centered by the emperor (Gibney 1998), its technological superiority (Okimoto 1989), or its unique and reciprocal state–society relationship, which was later labeled and characterized as "Japan Inc." (Samuels 1987). Clearly, the Japanese national bureaucracy developed sophisticated indirect control tools over policy processes and virtually "governed" the country from its place in business as well as in other areas. For example, many scholarly works characterize its close state–business relationship as a "convoy system" or state superiority over the market (Johnson 1982; S. Vogel 1996; Pempel 1998; Curtis 1999).

This chapter discusses the public policy process in Japan, including the role of citizen participation. The development of public policy processes that resulted in both significant leverage and consensus is perhaps the unique contribution of the Japanese experience.¹ In general, there have been at least three main concepts to characterize the Japanese public policy process. Tsuji (1984), Johnson (1982), and Gibney (1998) have argued that the policy process had been dominated by the central bureaucracy as the power structure of Japanese public policy making that was the legacy of the prewar imperial period. Their main research focus was to analyze the power structure of central bureaucracy with reference to a "power elite" approach, or "iron triangle of bureaucrats, politicians and big business," and to write the prescription to democratize the public policy process.

Fukui (1970), Nakamura (1984), Muramatsu and Krauss (1984), Inoguchi and Iwai (1987), and Muramatsu (1997) argue that the Japanese public policy process was not much centralized, but rather pluralistic and decentralized (following pluralism theories in political science). As the *zoku*² politicians in the ruling party gained significant influence in policy making and local government utilized its political power by mobilizing locally elected parliament members, administrative hierarchies were often bypassed in the central government. Elected parliament members and local

governments acquired significant influence in agenda setting and policy implementation. The last model to approach the Japanese public policy process is the process perspective, which mainly focuses on the policy cycle process from a management perspective. This approach is a relatively new concept as the policy process cycle is completed with the recent introduction of performance measurement tools.³

Each of these perspectives contributes to understanding public policy processes in Japan. The first part of this chapter describes salient features of the Japanese process, which was long characterized as dominated by an elite bureaucracy and political groups. The second part discusses changes in public policy processes after the central government's reorganization in 2001. The third part focuses on recent developments in public participation.

10.2 Features of the Public Policy Process and Historical Evolution

10.2.1 *Elite (Central Government) Bureaucracy*

Public policy processes in Japan have long been characterized as bureaucracy-dominated decision making, mainly due to the country's historical evolution and mandarin administrative culture. The term for "bureaucrats" in Japan (or the literary *kanryo*) refers to members of a national elite career civil service who passed the competitive merit-based class 1 civil service exam; it does not mean the local civil service or support-level national civil service (class 2 or 3). The elite character that arises from the selection of civil servants in mandarin culture is discussed elsewhere in this volume.⁴

Historically, the presence of elitism has its roots in the Meiji Restoration in 1868, which sought to create a centralized and modern national government from a feudal past that was built on a decentralized system. A common objective among Meiji leaders was to extend and perpetuate imperial rule (Nakamura 2005). Many early government officials were recruited from the *samurai* class. These were basically trained as warriors for tycoons and local lords; however, in time (before the Meiji Restoration), they became a kind of government official and acknowledged the capacity to control and manage each feudal state.⁵ The absorption of the *samurai* class contributed to the persistence of the old social status (Silberman 1993).

Beyond this, the power of the legislative branch was limited and substantial policy-making power was vested in the hands of national government officials under the name of "agent of the emperor." The national government organization and its staff were intended to strengthen the imperial foundation and expand the power of the sovereign. Under these settings, the policy-making process was mostly dominated by elite national government officials (Tsuji 1984).

For example, the first modern legislative branch (Imperial House) adopted the bicameral system consisting of an elected House of Representatives and a House

of Peers like the one in the England. The branch had powers to pass the budget. However, one article of the imperial constitution prescribed that, if the legislative branch voted down the budget plan initiated by the cabinet, the prior year's budget and appropriations plan were automatically ensured. The lower house of the legislative branch was elected by franchised men; however, despite the partially democratic will that was reflected in the house, the power and decision making of the legislative branch were ignored by the executive branch. By the same token, the supreme command power of the old Japanese army was vested in the emperor, rather than in the prime minister or parliament members.

After being defeated in World War II, Japan was occupied by the Allied forces under the direction of General Douglas MacArthur, the supreme commander. The Allied forces tried to demilitarize, democratize, and liberalize the Japanese public policy process. Japan's imperial army and navy ministries were abolished, munitions and military equipment were destroyed, and war industries were converted to civilian uses. Most of the members of the imperial parliament and major politicians who served as ministers during wartime were purged. The Allied forces employed indirect rule, rather than directly ruling by themselves. To liberalize the old Japanese regime fully, the Allied forces did not purge the bureaucracy so as to use the national bureaucracy as their agent of the reform process (see Figure 10.1).

The fact that, among the influential policy-making groups in the old regime, only the bureaucracy "survived" the purge by the Allied forces helps explain how the Japanese policy-making process was able to continue in the new traditional regime. Although Japan's postwar constitution prescribed that "all public officials are servants of the whole community and not of any group thereof" in article 15, with its substantial policy-making capacities, democratization and liberalization did not fully occur. In general, the bureaucracy kept influential power in the national policy-making process in the postwar era. During the rapid economic growth era, the MITI (Ministry of International Trade and Industry), especially, held tremendous sway over the business community with industry policies (Johnson 1982; Okimoto 1989). In addition to the policy-making process, the bureaucracy exercised influence in administrative implementation by issuing "administrative guidance" that was out of legislative control from the parliament.

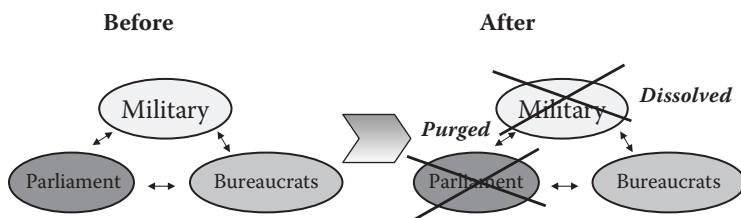


Figure 10.1 Dynamics of policy-making power balance before and after World War II.

In addition to bureaucratic control in the implementation, the bureaucracy writes the legislative bill on behalf of the cabinet. Because drafting the legislative bill requires special legal knowledge and skills, cabinet-initiated policies are transformed and drafted by the bureaucracy, which leaves room for influence and manipulation. The Cabinet Legislative Bureau, which directly assists the cabinet on legislative matters and examines legislative bills and other government orders, also has influential power in policy making. Indeed, it helps ensure that the policy-making process is limited to the inner community (Nishikawa 2003). As a result, most of the proposed legislative bills on the floor are cabinet-initiated bills; because the legislation proposal process is dominated by the bureaucracy, the policy and legislative process is dominated by the bureaucracy (see Table 10.1).

The other compelling reason the policy process is dominated by an inner circle is that the *primus inter pares* principle is applied to the prime minister's office and the cabinet. In the prewar days, the prime minister's position was that of assistant to the emperor, and because the prime minister was no more than first among equals, he could not even discharge one of his cabinet ministers. Resignation of one minister meant resignation of the entire cabinet. After the new constitution, although this principle was not endorsed with any constitutional or legal concept and the prime minister could dismiss ministers, it was informally institutionalized in the cabinet (Nakasone 1998). The prime minister could not exercise top-down executive leadership to his cabinet in the policy-making process. This principle was later watered down in the central government reform in 2001.

The national elite bureaucracy's influences on the public policy process reached the policy process in local governments. Although local governments had

Table 10.1 Number of Proposed and Approved Bills

Year	Cabinet-Initiated Bill			Parliament Member-Initiated Bill		
	No. Bills Proposed to the Floor (a)	No. Approved Bills at the Floor (b)	Approved Ratio(b/a)	No. Bills Proposed to the Floor (a)	No. Approved Bills at the Floor (b)	Approved Ratio(b/a)
1998	133	110	82.7%	92	25	60.0%
1999	198	184	92.9%	86	25	29.1%
2000	118	110	93.2%	109	31	28.4%
2001	127	120	94.5%	126	28	22.2%
2002	175	159	90.9%	89	18	20.2%

Source: Nakamura, A. 2003. *The basics of government systems*. Kyoto: PHP Institute [in Japanese].

discretion in policy making within laws and they often mobilized locally elected parliament members to exercise an influential voice to the national ministries, public policies in local governments were strictly controlled by the national government with the “agency-delegated function” administrative control tool (see Chapter 11). In short, central government functions such as foreign residents’ registration, national elections, and so on became the implementation responsibilities of the heads of local governments, who acted as subordinate agents for the central government. This system was long viewed and criticized as an overly controlling tool of local governments. Figure 10.2 shows the system, which was abolished in 2000.

The Japanese elite bureaucracy has influential power in policy formulation and implementation with full discretion. Together with the French bureaucracy, it has been called the most competent bureaucracy in the world. Through its cumulative knowledge and experience, the bureaucracy works like a giant think tank for the nation (Nakasone 1998). However, compared to its influential exteriority, the size of civil service, including elite bureaucracy per capita, is smaller than in other industrialized nations. The number of civil servants per 1,000 people is around 34, which is smaller than in Germany or the United States. With full-fledged influential power and policy control tools such as administrative guidelines or subsidies, the Japanese bureaucracy has mobilized private and quasi-private entities effectively. This feature was once called a “maximum mobilization model” (Muramatsu 1997).

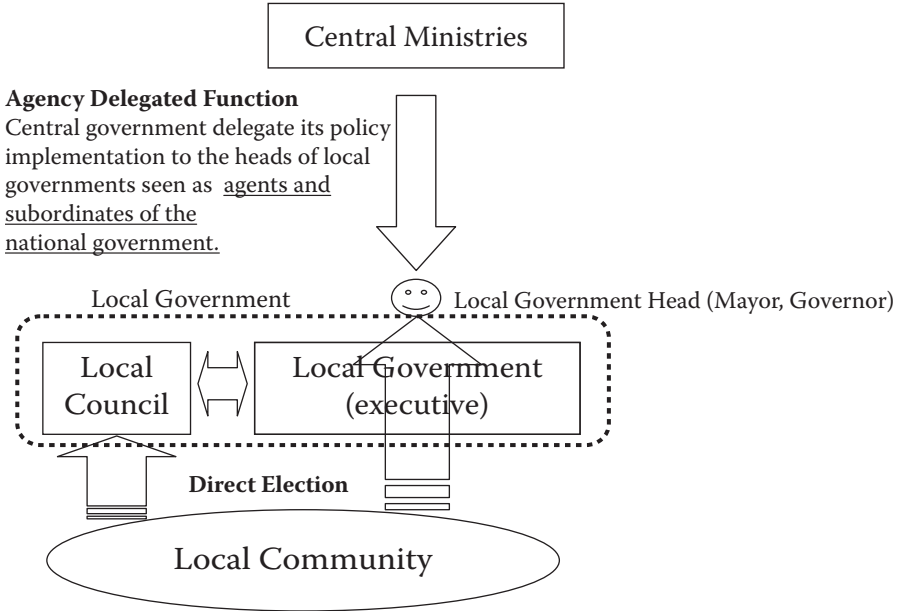


Figure 10.2 System of agency-delegated functions.

10.2.2 The Ringi System: Bottom-Up Policy-Making Approach in Ministries

Although the policy-making process is closed to the limited actors—bureaucracy and influential parliament members—one of the specific features of Japanese policy making is its bottom-up style in government agencies. Although it is not unique to government decision making, bottom-up decision making is popular in Japanese traditional private companies. Contrary to the Western approach, which often takes a top-down route, the bottom-up approach (called the *ringi* system; see Figure 10.3) has shaped Japanese policy-making characteristics (Omori 2006).

In the policy-making process in government agencies, a junior staff member is often allowed to make an important policy proposal for a project in which his or her organization is highly involved. In this draft proposal, he or she states objectives of the proposal, approximate cost of the program, and prospects of success and accomplishments. The individual then submits the paper to his or her immediate boss, most likely the deputy manager of the division. If the deputy manager approves the proposal, the manager calls a section meeting involving approximately 10 people to discuss the feasibility of the proposal. There, everyone freely expresses his or her opinion in an exchange of ideas. When those attending the meeting unanimously agree on the proposal, with the division manager's consent, an informal task force group, including the junior staff member, is formed. The task force members then try to persuade other relevant divisions and the legal and budget divisions to reach consensus that the proposed policy is approved.

After the horizontal coordination within the division, the proposal will then be sent to the desk of the director-general who supervises the section in question.

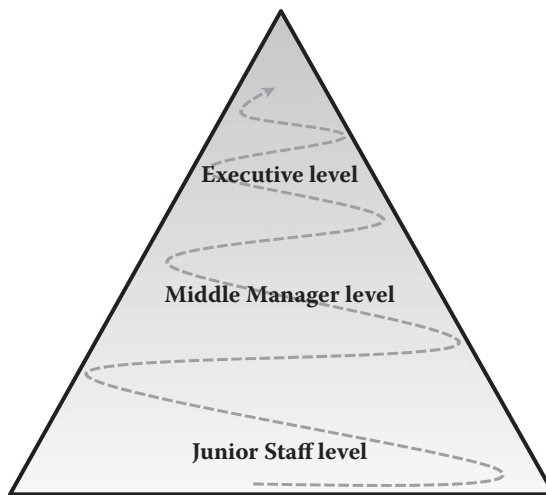


Figure 10.3 The Ringi system: Bottom-up decision making.

If the director general finds the proposition interesting, he or she subsequently asks other director generals to have a formal meeting. After the approval in the director generals' meeting is done, the proposition is sent to the administrative vice president, the top ranked career official in the ministry. At the same time, if the proposed policy covers or breaches other ministries' portfolios, director-general and above levels try to coordinate the policies with the relevant ministries. If the interministry coordination is disordered, cabinet members or influential politicians intervene for adjudication.

The ringi system is a consensus-building mechanism through the upward spiral within the organizational hierarchy. The advantages of the system are that information and knowledge sharing take place, transfers of workers pose little problem, and a sense of pride and membership ensues. In the ringi system, everyone in the division and the ministry can access the proposal information and hence everyone can share it. Unlike the top-down style, front-line junior staff members can propose a policy improvement based on their experiences with citizens and stakeholders.

This implies that the popular new public management (NPM) style of reform tool of the devolution and empowerment of the lower staff has already been more or less exercised. To the contrary, the system inevitably leads to a slow decision-making process. When urgent policy making is necessary, the system delays the policy decision. Moreover, with this system, the original proposal must be screened and approved through the hierarchical layers. In this process, the original idea tends to be filtered and scaled down. Although much energy and time are allocated in the upward spiral process of screening, the finally approved policy has often been emasculated from the original idea over time as a product of compromise. The final product often does not pay off the coordination cost.

Working conditions in the government enhance the bottom-up decision-making approach. Under "large roomism," everyone in the same room divides jobs among themselves, while at the same time cooperating with and covering up for each other. The staff cultivate a sense of being members of the group and a "working together" spirit (Inatsugu 2001).⁶

10.2.3 *The Rise of Zoku Politics and Departmental Sectionalism*

Most Japanese Parliament members lost their seats after Japan surrendered to the Allied forces. Bureaucracy was the only prewar agent left in policy making that could implement democratic and liberalization reforms. Its members had tremendous experience and influence in policy making and implementation—for example, through budget control. When Japan became independent after the San Francisco Peace Treaty in 1952, the previously purged politicians were liberated with the amnesty and started to return to seats in parliament.

In 1955, conservative political forces united to form the Liberal Democratic Party (LDP); socialists, once divided into the right and the left, reunified to become the Japan Socialist Party (JPS). Under this 1955 regime, the LDP formed the ruling government while the JPS remained as the opposition. This quasi-two-party system flourished during the cold war period, reflecting the bipolar ideology in international politics.

The stability of this arrangement enabled bureaucracy to orchestrate rapid economic growth in the postwar period. While the bureaucracy-led economic growth policies flourished, the parliament members accumulated policy capacities in certain fields, such as highway construction planning, prioritized industry policies, and the like. From around the 1960s, parliament members who worked on behalf of special interests and with benefits from their supporters were called *zoku* politicians; they became an active and influential voice in the national policy-making process (Inoguchi and Iwai 1987; S. Vogel 1996).

The *zoku* politicians formed small factions based on common interests and benefits reflecting each business sector aiding the government ministries. The *zoku* politicians, sectorial business associations, and government ministries were interconnected for common and intertwined benefits: *Zoku* politicians obtained financial and vote-collecting support from the business sectors and favorable special policy treatments from the ministry. Businesses were able to exert strong influence on government ministries and policies through *zoku* politicians; the national ministerial bureaucrats were able to secure postretirement positions as *amakudari* (descent from heaven) in businesses while also receiving political support for their policies from *zoku* politicians. When interministerial conflict over the new policies occurred due to their cross-cutting characteristics, *zoku* politicians were expected to coordinate conflicts on behalf of “their” favorably treated ministries.

Further intricacies supported these political pork barrel practices. Institutionally, the policy affairs research commissions (PARCs) functioned as inner formal organizations in the LDP. The LDP parliament members belonged to one or more PARCs based on their interest and master fields. Bills initiated by the cabinet and hence initiated by the bureaucracy had to go through a PARC review before they were sent to the cabinet. In other words, ministerial bureaucracy had to have consent from PARC members for its initiated bills and policies. In addition, senior PARC members sometimes had more policy knowledge over their interest policies than bureaucracy because the bureaucracy changed every 2–3 years. Through the ruling party’s policy scrutiny in the PARC, *zoku* politicians could use political bargaining with the ministerial bureaucracy (Nakamura 1984).

Another factor was that interparty factional groups had influential political powers in the LDP presidential election. Under the 1955 regime, the LDP kept the ruling government position and the virtual change of government took place when the LDP president was changed. For prospective LDP leaders, reconciling the political interests among *zoku* political faction groups was important and hence the candidate asked for support and promised favorable treatment in return (Fukui 1970).

The interplay among zoku politicians, bureaucracy, and business was at its apex in the 1960s and through the mid-1970s. After the shock of rising oil prices in the late 1970s, the basic premise in Japanese policy making changed. In 1974, gross domestic product (GDP) growth scored a “minus” for the first time in the postwar period, and the national “pie” (“pork”) started to shrink. In cooperation with bureaucracy and business interest groups, zoku politicians tried to prevent their vested interests from being taken away by the Ministry of Finance. The politicians were then labeled as the root cause of inefficient Japanese economic policies.

10.3 Public Policy Process Innovation and Continuity

10.3.1 Central Government Reform in 2001

Japan in the 1990s saw an economic downturn for the first time in the postwar growth era. Its economy had been stagnant for more than a decade and the government did not provide sufficient economic measures. After once reaching the apex labeled as “Japan as no. 1” (E. Vogel 1979), the Japanese economy entered a prolonged slump following the bursting of the “bubble” economy. Both the bureaucracy-dominated policy process and vested-interest politics by zoku politicians were regarded as the root causes of insufficient policy measures and the drawbacks of these Japanese public policy process features (Toya 2003).

In addition to the deteriorating economic situation, political turbulence emerged in the mid-1990s. The LDP lost the ruling party position in the general election in 1993 for the first time since the 1955 regime had formed. Much of the Japanese public had begun to doubt the validity and competence of the policy-making processes. In addition, stories of high-ranking officials involved in scandals hit the headlines and television and accelerated the public doubt. Two retired administrative vice ministers, who had once sat in the highest position in the civil service, were arrested for alleged corruption in the late 1990s. All these instances created the reform agenda for public policy processes in the late 1990s.

Amid the changing circumstances surrounding Japanese government, the government took a significant step in the late 1990s: the central government reform. Under Prime Minister Hashimoto’s administration, a wide range of public policy process reforms was undertaken, including restructuring the national ministries (Masujima 2006). The first objective was to establish a system with more effective political leadership. To strengthen the administrative leadership of the cabinet and prime minister, the reform introduced new positions in the cabinet secretariat; established a new Cabinet Office; created ministers for special missions; set up councils of important policies, such as the Council on Economic and Fiscal Policy; and placed new politically appointed positions—state secretary and parliamentary secretary—within each ministry. Among these measures, the creation of the

Council of Economic and Fiscal Policy was a most significant innovation in the public-policy-making process.

10.3.2 Creation of the Council on Economic and Fiscal Policy

The Council on Economic and Fiscal Policy is a consultative organ placed within the Cabinet Office. Its purpose is to facilitate full exercise of the prime minister's leadership while sufficiently reflecting the opinions of private-sector experts in economic and fiscal policy formation. The council is headed by the prime minister and includes the chief cabinet secretary, the minister of state for economic and fiscal policy, other relevant ministers (minister for internal affairs and communications, minister of finance, minister of economy, trade and industry), the head of the relevant institution (governor of the Bank of Japan), and four private-sector experts. The deliberation process and the summary minutes are disclosed a certain number of weeks after meetings.

In January, the council formally discloses the "Direction and Strategy for the Japanese Economy" after it has been adopted by the cabinet; it presents the basic policies for midterm economic and fiscal management and perspectives based on midterm economic outlook. It is revised each year so as to reflect changes in economic and fiscal conditions. In July, before the budgetary formulation process for the next fiscal year starts, the council discloses the "Economic and Fiscal Reform (Basic Policies)," which formulates the basic policies on structural reform and fiscal policy. The budget for set priority areas is clarified in the budget overview in August, and the set basic principles are articulated in the budget for the next fiscal year in the "Basic Principles of Budget Formulation" in December. After the creation of the council, the process was established and the policy process of the major economic and fiscal policies was centralized under the prime minister's leadership (see Figure 10.4).

The council has affected both macro- and microbudget formulation processes (Takenaka 2006). As outlined earlier, until the mid-1990s, the macrobudgetary process was fragmented; zoku politics aligned with the respectively structured and networked interest groups under the ministries. In the microbudget formulation process, the Ministry of Finance had enjoyed influential power over other ministries, except for the zoku politicians. These features were diluted with the creation of the council, which formally decides the basic principles of budget formulation annually with the executive leadership, based on the basic major policies. The influences of zoku politicians in the ruling party who are not cabinet members has been weakened, and the discretionary influence of the Ministry of Finance with the budgetary request review over other ministries has been impaired.

The second pillar of the central government reform was the restructuring of central ministries. Currently, one office and 22 ministries have been reorganized

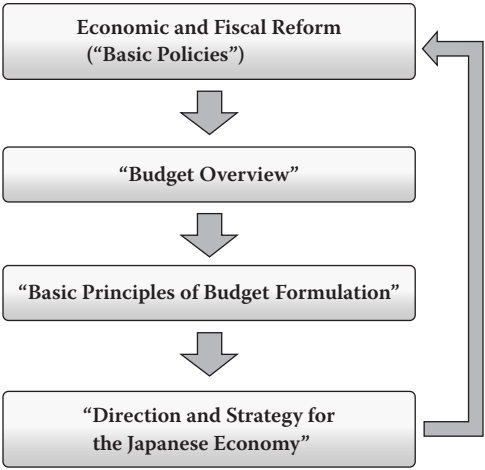


Figure 10.4 Major items of deliberation in the Council on Economic and Fiscal Policy. (Council on Economic and Fiscal Policy, <http://www.keizai-shimon.go.jp/english/index.html>)

into one cabinet office and 12 ministries by realigning roles in the government. This action aimed to eliminate ministerial sectionalism, which is one of the prominent features of Japan’s central government, and to harmonize relevant policies (Kikuchi 2005). For instance, the Ministry of Construction and the Ministry of Transport and National Land Agency each developed land policy discretely until they were merged into the Ministry of Land, Infrastructure and Transport. Policy coordination on issues that cover two or more ministries becomes more effective by the comprehensive coordination of the Cabinet Office, which is given higher status than other ministries.

The third pillar of the central government reform was to ensure transparency and accountability in the public policy process by introducing the Government Policy Evaluation Act (GPEA). This legislation aimed to strengthen public policy accountability to the public, to achieve effective and high-quality public policy, and to establish results-oriented public management.

In addition to these changes in the public policy process, a direct channel to reflect citizens’ voices in the administrative order-making process (cabinet order, ministerial decree, administrative guidelines, and other lesser laws) was established with the introduction of the public comment procedure system in 1999. Under the system, national ministries have to disclose the administrative order plan for a certain period (30 days) to receive the consultation and comments from the public; the ministries have to report on how the comments are reflected in the final decision process.

10.4 Evolution of Public Participation in the Policy Process

As outlined, the Japanese public policy process had been closed and limited to within inner circles. The elite bureaucracy, national politicians, and big business created rigid policy networks based on mutual interests. This exclusive style of the policy process effectively contributed to producing the successful economic policies that rescued the second largest economy from ruin. As the economy expanded rapidly, government revenue grew. With this rich revenue, the government could deploy welfare policies such as free medical treatment for the elderly and a universal health insurance system. Though access to the policy process was severely closed and limited for citizens, the substance of policies, generated from rich revenue thanks to rapid economic growth, legitimized the undemocratic public policy process.

However, the Japanese public started to doubt the validity and sustainability of the exclusive public policy process when Japanese society began to face socio-economic changes in the 1990s. Japanese citizens demanded to reflect their diversified voices to the inefficient economic pump-up policies when the Japanese economy faced prolonged economic recession in the 1990s. They questioned the traditional style of policy making dominated by *zoku* politicians and bureaucracy. As Japan achieved economic success, the public started to become aware of the need to have channels to reflect their diversified opinions in the policy process for a more socially rich life. The Kobe earthquake disaster in 1995 further accelerated the citizens' demands by revealing the incompetence of the traditional style of government decision making. The public became aware of the significance of volunteer activities for a better civil society.

Responding to the growing cry for nonprofit organization (NPO) activities, NPO law was enacted in the parliament in 1998. According to the law, once an activity is certified as NPO by the government, it receives legal status, tax deductions, and other benefits for further activities. Since then, the numbers of NPOs have rapidly expanded and have reached more than 30,000. As the new NPO sector emerged, the public started to hope that it would reflect their opinions in the public policy process.

At the same time, the government gradually recognized the need to have greater consensus over public policies with fewer resources. Both national and local governments faced severe financial difficulties due to the economic recession. Outstanding government bonds contributed to rising continuous bond issues on national and local levels after years of stimulating economic boosts and investment in public works. The outstanding government bonds became the worst among industrialized democracies, placing heavy pressure on government to reconsider policy directions and cut unnecessary services. As the amount of "pork" started to shrink, the government needed a wider range of consultation to avoid resistance from the traditional policy communities based on vested mutual interests.

From the 1990s, various ideas and efforts have been institutionalized to establish channels to reflect citizens' opinions in the respective public policy process: policy formulation, policy implementation, and policy evaluation. In local governments, under the slogan or heading of "collaborative governance" or "coproduction," transforming the public policy process from exclusively within the traditional players (elected mayors or governors and council members) into a more collaborative one with the civil society organizations (especially with NPOs) has been the main agenda. The evolution of information technology contributed to establishing online public consultation and service delivery.

10.4.1 Policy Formulation Phase

The number of channels to reflect opinions in the policy formulation process has been limited. In the traditional process, consultation with local parliament members at the national level, council members at the local level, or public hearings with executive heads were almost the only channels available to citizens. However, declining voter turnout in both national and local elections posed a question about the democratic legitimacy of elected officials' decisions.

10.4.1.1 Policy Advisory Committees

Public advisory committees are used as consultative bodies to obtain independent, technical, and professional opinions in consideration of public policies. With rapid economic growth, government functions and services have been dramatically diversified and expanded, and obtaining external professional knowledge and capacities for public policy formulation has been important. However, the activities of the committees have met persistent criticism, especially for the arbitrary selection of members and preset consideration scenarios.

Though committee members were supposed to be selected from the professional ranks, retired bureaucrats or professionals under the patronage of the government were often appointed to lead discussions and reach preset conclusions prepared by organizers. The committees were criticized as disguised bureaucracies that dominated decision making; they were said to be nothing more than farce. To meet this criticism, a number of policy advisory committees were streamlined and reorganized as part of the central government reform effort of 2001.

At the local government level, the policy advisory committee has become actively used. To obtain a wide range of opinions, the committee in local government is often composed of appointed members with academic backgrounds, appointed local business leaders, and openly invited and selected citizen members with various backgrounds. In other cases, local NPOs or volunteer groups in a certain field are invited. Currently, almost 100% of 47 prefectural governments and city governments have committees with openly invited citizen members.

The agenda and minutes of the committee are openly disclosed on the government Web site; in some cases, the meeting is broadcast live on the Web site.

10.4.1.2 Citizens' Opinion Surveys

To collect citizens' opinions directly, citizen opinion surveys have traditionally been used in the government. At the national government level, the Cabinet Office periodically conducts public opinion surveys on national life, citizen awareness, and foreign policy. At the local government level, citizens' opinion surveys have been conducted in the master development planning that is compulsory for the municipality. Such information helps inform general policy directions in the policy formation process, though it is often limited to one or more specific policy areas.

10.4.1.3 Online Policy Forums

With the development of e-government, most governments have been able to provide a wide range of policy information to citizens through the government Web site. A government portal site has been established as a one-stop policy information hub. At the national level, e-government development is still at the information provision stage. At the municipality level, active discussion is taking place in online policy forums on government Web sites.

10.4.1.4 Citizen Referenda

The present constitution allows the enactment of bylaws by local governments, but only on the condition that a majority of voters favor them. Citizen referenda prescribed in the Local Autonomy Law can also be used for the dissolution of local councils and dismissal of elected executive heads and councilors. In the case of dissolution of local councils, one-third of voters must sign the demand. Upon receipt of the petition, the entire electorate is balloted; a majority vote is required to dissolve the local council.⁷ In the case of dismissal, again, one-third of all voters must support the demand and, after balloting, a majority vote in favor would result in dismissal. However, these provisions in the constitution and local autonomy law were narrowly used until the 1990s. The only exception was the referendum on municipal mergers. The Local Autonomy Law contained special provisions on the referendum in the case of a municipal merger decision.

Growing numbers of citizen referenda for local government bylaws were held in the 1990s. Typical items of referenda concerned the relocation of nuclear power plants, garbage disposal plants, American troop bases in Japan, and public construction projects such as bridges and dams. Because the agenda of each referendum is quite specific, the voting rate is much higher than in general elections. Nonetheless, these referenda are based on the local bylaws and results are not binding; in many cases, results have been reversed in council decisions. However, the referenda do have

an impact on policy-making processes by providing a clear expression of opinion and foreshadowing political appeals. Still, there are always concerns that referenda could result in little more than NIMBY (not in my backyard) preferences.

10.4.2 Policy Implementation Phase

10.4.2.1 Designated Manager System

A recent development is the “designated manager system” in public facilities management. In local governments, government itself or government-sponsored public corporations maintain and manage public facilities such as libraries, gyms or sport facilities, meeting halls, and others. Since 2003, the law has allowed private companies or NPOs to manage these facilities. They are also allowed to deploy their own services with full discretion. Currently, more than 60,000 public facilities use the system.

10.4.2.2 Local Government One-Stop Call Center

In the past, telephone customer service in the government was infamous for arrogance and transferring the call from one section to another. One-stop call centers in local government are now modeled after the U.S. government call center number “311.” The operating time in most cases is 7 days a week until late night. The inquiry information and complaints are analyzed for policy formulation. E-government can also help citizens who most need policy and service information.

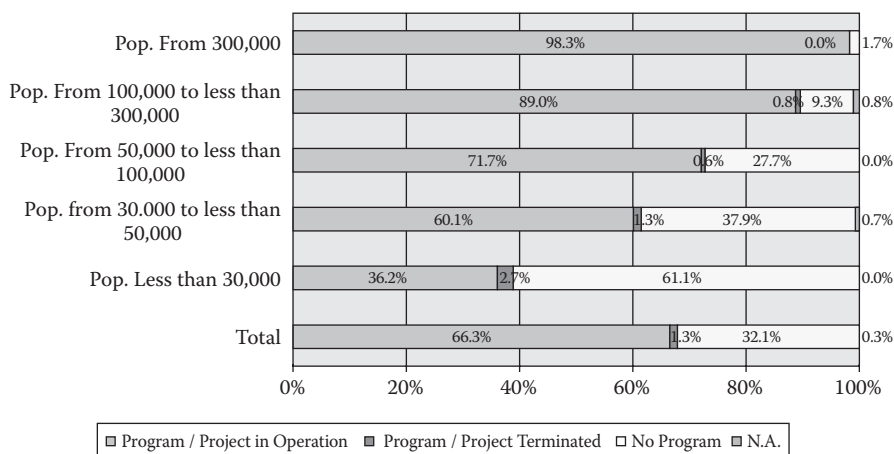
10.4.2.3 Partnership with NPOs

Corresponding to the growing public expectation of the role and activities of NPOs, government has developed partnership arrangements with them in the policy-making process. Currently, almost all local governments (municipalities and prefectures) have NPO promotion and support programs. These programs are accommodating, providing activity space, monetary support, information, and support for human development. NPOs have become irreplaceable entities in making public policy in local communities (see Table 10.2).

10.4.3 Policy Evaluation Phase

10.4.3.1 Citizens’ Participatory Policy Evaluation

Local governments in Japan were developing the policy evaluation and performance measurement system in the 1990s. Currently, almost all municipalities with populations of more than 50,000 install the system. To utilize the policy information provided from the system fully, citizen participatory policy evaluation has

Table 10.2 Status of Collaboration Program in Municipalities as of 2004

Source: Cabinet Office. 2004. Research on community development and collaboration with NPO [in Japanese]. Tokyo.

become a new trend to ensure the transparency and accountability of policy processes. Although the ways of participatory evaluation vary according to the local government, the basic style is the evaluation of government self-evaluation results in the citizens' conference or third-party committee. Members of the citizens' conference or third-party committee of the policy evaluation are openly invited in the newspaper or on the Web. In many cases, the evaluation result is reversed or graded down in the citizens' conference. Questionnaire surveys in the priority policy area are also used.

10.4.3.2 Citizens' Satisfaction Survey

A recent development is use of an opinion poll—a citizens' satisfaction survey—as a measurement tool of policy outcomes. Citizens' satisfaction is assessed with regard to both general and specific policies, programs, and areas; results are analyzed to measure policy advancement, outcomes, and priorities.

10.5 Conclusion

Rapid economic development in the postwar period was often achieved with the help of public processes that relied on a national elite bureaucracy and iron triangle of politicians, bureaucracy, and business underpinned by reciprocal interests. The policies and outcomes generated from these exclusive elite policy communities were successful as well as inherently undemocratic and of a closed nature.

As consequences of economic growth, citizens' demands of government policies increased and have given rise to more democratic, transparent, and publicly accessible public-policy processes. Facing financial difficulties due to the prolonged recession, greater reliance on NPOs, and a declining and aging population, the government has increasingly realized that development-driven policies are no longer sustainable and that greater public consensus is imperative for increasingly limited public resources. Under these conditions, government is expected to transform its core capacities increasingly from serving as the sole decision maker and provider to becoming the coordinator of diversified and conflicting public expectations, and the producer of public, not government, services by mobilizing multiple and diverse resources in society.

Notes

1. In Europe, energy and heavy industries were often controlled by government at arm's length, and quite a few were government owned. However, the Japanese government did not have state-owned enterprises in major industrial areas in the postwar period, and this fact distinguished Japan from most European countries.
2. Zoku politicians are parliament members who work on behalf of special interests and who benefit from them.
3. See Chapter 13.
4. See various chapters in this book on civil service.
5. Before the Meiji Restoration, there was a long period of peace for around 250 years during which the role of the samurai developed. See also Chapter 12 in this book for a discussion of *kanson minpi* (publicly revered, privately despised), which is associated with the samurai.
6. This working style also succeeds as an anticorruption measure because everyone can watch everyone else. See Chapter 12.
7. One-third of all registered voters in a city must sign a petition to put this referendum on the ballot, there are cases of dissolution of a local council; however, most often, the council dissolves itself before the referendum once the number of petitions reaches one-third of all registered voters.

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Chapter 11

Intergovernmental Relations in Japan

Keiichi Muto

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11.1 Introduction

Japanese local government has long been controlled by the central government in various ways. During much of the post–World War II period, Japanese central–local government relations were characterized by an integration model in which national policy was implemented through local governments.¹ In the last decade or so, Japanese intergovernmental relations (IGR) have changed drastically. As a result of the Local Autonomy Act in 2000 and “trinity reform” during 2003–2006,

local government now has equal status with central government, though local governments remain highly dependent financially on the central government.

11.2 General Contour of Japanese Local Autonomy and IGR

Japan has a unitary state structure and two tiers of local authority consisting of prefectures (regional governments) and municipalities. A prefecture is an upper-tier and widely based local autonomous authority that has responsibility for affairs that often encompass multiple municipalities, such as education, police, river improvement projects, and so on. There are four types of prefectures: 43 *ken*, 2 *fu* (Osaka, Kyoto), 1 *do* (Hokkaido) and 1 *to* (metropolitan Tokyo). The difference among the four is in historical development; their legal functions do not differ.

A municipality is a basic level of local authority. There are three types of municipalities: city (*shi*), town (*cho/machi*), and village (*son/mura*). The difference is usually a function of size: cities have over 50,000 inhabitants and towns and villages have less than 50,000; a town has an urban district in its area. They have almost the same functions.² As of April 1, 2008, there were 783 cities, 812 towns, and 193 villages in Japan. Table 11.1 shows the distribution of functions across local and central government.

Local authorities vary in population and size. As shown in Table 11.2, the population of the metropolitan prefecture of Tokyo is 20 times that of Tottori, and the city of Yokohama is 1,700 times the size of the village of Aogashima. In population density, the biggest municipality is 10,000 times the size of the smallest one.

By cabinet order, some cities of over 800,000 are ordinance-designated cities (*seirei-shiteitoshi*), which is similar to the metropolis designation in English. These cities usually have responsibilities transferred from prefectures, such as social welfare, city planning, and so on. Thus, they have about the same functions as prefectures, but they have administrative districts (*ku*) within their areas. At present, there are 18 ordinance-designated cities: Sapporo, Sendai, Saitama, Chiba, Kawasaki, Yokohama, Niigata, Shizuoka, Hamamatsu, Nagoya, Kyoto, Osaka, Sakai, Kobe, Okayama, Hiroshima, Kita-Kyushu, and Fukuoka.

In addition, cities with a population of over 300,000 are designated as core cities and those with over 200,000 residents as exceptional cities. They have been founded in order to transfer functions from prefectures so as to provide for decentralization. Although welfare and city planning are transferred from prefectures to core cities, only city planning is transferred to exceptional cities. There are 39 core cities and 41 exceptional cities (as of April 1, 2009). Hence, core and exceptional cities have more functions and authority transferred to them than do ordinary cities. Figure 11.1 shows a representation of these different types of local government units in Japan.

Table 11.1 Function Distribution between Central and Local Governments

	<i>Infrastructure</i>	<i>Education</i>	<i>Welfare</i>	<i>Others</i>
National	Highway; national route; class A river	University	Social insurance; medical license; drug identification	Defense; diplomacy; currency
Prefecture	National route; prefectural road; class A river; class B river; port; housing; urban plan	Senior high school; personnel affairs of teachers of compulsory education; prefectural university	Supplemental security income (area of town and village)	Police; job training
Municipality	City plan; municipal road; secondary river; port; housing; sewage	Elementary school and junior high school (compulsory education); kindergarten	Supplemental security income (city); child welfare; national health insurance; care insurance; water supply; garbage collection	Census register; resident register; fire fighting

Source: Prepared from documents of the Local Public Financial Bureau of the MIC.

In addition to the preceding “ordinary” public entities,³ there are also several types of “special” public entities. There are 23 special districts (*ku/tokubetsu-ku*) in metropolitan Tokyo.⁴ Although special districts are also called *ku*, they are different from administrative districts in ordinance-designated cities. Tokyo’s 23 special districts are treated as basic local authorities and have almost the same functions as cities except for fire fighting, managing the water supply, and sewerage services. Thus, *ku* in the metropolitan Tokyo area is often translated as “city” in English. However, special districts are financially different from cities. In addition, a unique fiscal transfer system between metropolitan Tokyo government and its special districts allocates real estate and corporate inhabitant taxes, which are municipal taxes, among these special districts.

Some municipalities have partial cooperatives (*ichibu jimu kumiai*) or extended associations (*koiki rengo*) with neighboring municipalities or prefectures in order to

Table 11.2 Population, Area, and Population Density of Local Authorities

		Prefecture		Municipality (Prefecture)	
Population	Biggest	Tokyo	12,570,904	Yokohama (Kanagawa)	3,579,133
	Smallest	Tottori	606,947	Aogashima (Tokyo)	214
Area	Largest	Hokkaido	83,456.25	Takayama (Gifu)	2,177.67
	Smallest	Kagawa	1,862.26	Funahashi (Toyama)	3.47
Population density	Highest	Tokyo	5,795.83	Nakano (Tokyo)	19,987.17
	Lowest	Hokkaido	71.48	Hinoemata (Fukushima)	1.78

Source: Prepared from the Population Census 2005 and National Geographic Survey 2007.

Note: In this table, “municipality” includes special wards of metropolitan Tokyo.

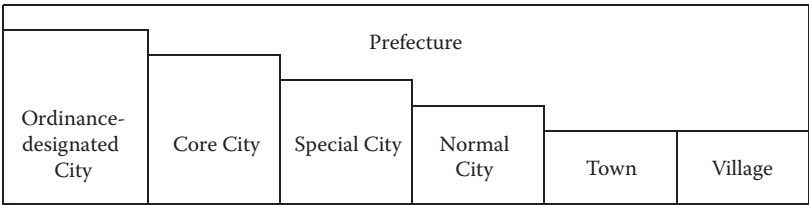


Figure 11.1 Image of function distribution.

execute some functions in a more effective manner (e.g., sanitation, fire fighting, garbage disposal, etc.). Partial cooperatives ordinarily have a single function, but some have multiple functions. There are currently 1,664 cooperatives (including 442 for sanitation and 313 for fire fighting).

Extended associations were founded in 1995 in order to transfer functions from the central government or prefecture, and they have their own assembly and chief executive, usually appointed by indirect election. There are 111 associations (as of July 1, 2008), including 47 associations for senior health insurance (founded in 2006). Each partial cooperative and extended association also has its own assembly and administrator selected by member municipalities. However, their functionaries usually also serve as municipalities’ assembly members or chief executives; hence, these public entities are not exactly independent of other governments.

Finally, within the central government, the Ministry of Internal Affairs and Communications (MIC) is responsible for matters of local governance. The MIC was created in 2001 by consolidating the Ministry of Home Affairs (MoHA), in existence since 1960, and the Ministry of Posts and Telecommunications and the Management and Coordination Agency. In addition, central ministries have local branches to execute their functions directly (e.g., Kanto Regional Finance Bureau [Ministry of Finance], Tohoku District Transport Bureau [Ministry of Transport], etc.). Some of these are shown in Table 11.3.

11.3 History of Local Autonomy and IGR

After the Meiji Restoration of 1868, the Meiji government created a centralized governmental system to promote prosperity and secure its defense. As part of this, the clans of the Edo feudal system were replaced as administrative districts by prefectures in 1871. Next, following the Municipalities Formation Act, the Prefectural Assembly Act, and the Local Tax Act (so-called *san-shimpo*) in 1878, the modern Japanese local government system was founded. In 1889, the Act of Formation of Cities, Towns and Villages (*shisei-chosonse*) was further enforced, thus creating a three-tier system of local authorities: prefecture, city and county, and town and village. Town and village were under county jurisdiction, and city and county were under prefecture jurisdiction. Prior to enforcement of this act, nationwide amalgamation of municipalities took place to change municipalities into modern local administrative units (the “great Meiji consolidation”). Up to that time, municipalities were no different from the village communities of the Edo era. This consolidation greatly reduced the number of municipalities: from 71,314 in 1888 to 15,859 in 1889.

In the Meiji era, local governments were controlled by the central ministries, especially the Ministry of the Interior (MoI). There was no provision for local autonomy in the Meiji constitution (1889), so it was very limited in this era. Prefectures were set up as the agencies of central government. Governors of prefectures were appointed by the minister of the interior and the prefectural assembly did not have the right to enact ordinances. Counties were often national agents whose chief executives were appointed by the minister of the interior.

Meanwhile, cities, towns, and villages had somewhat more autonomy. Members of these assemblies were elected under restrictive suffrage by inhabitants. A mayor of a city was appointed by the minister of the interior, but selected from among three candidates nominated by the city assembly. The chief of a town or village was appointed by town or village assembly. This three-tier local system was unable to function well, and the county as a local entity was abolished in 1926; today, it remains only as a geographic district. After abolishing the county, the MoI controlled municipalities through prefectures.

After World War II, Japan was occupied by the GHQ (general headquarters) of Allied forces, which directed the Japanese government to carry out decentralization

Table 11.3 Major Local Branches of Central Ministries^a

<i>Ministry</i>	<i>Local Branch</i>
Cabinet Office	Okinawa General Bureau
Ministry of Internal Affairs and Communications	Regional Administrative Evaluation Bureau (7), Local Administrative Evaluation Office (40), Regional Bureau of Telecommunications (11)
Ministry of Justice	Regional Correction Bureau (8), Regional Legal Affairs Bureau (8), Local Legal Affairs Office (42), Regional Immigration Bureau (8), Local Rehabilitation Office (50)
Ministry of Finance	Local Finance Bureau (9), Custom (9)
National Tax Agency	Regional Taxation Bureau (11), Okinawa Taxation Bureau, Tax Office (524)
Ministry of Health, Labor and Welfare	Regional Bureau of Health and Welfare (7), Local Labor Bureau (47), Local Labor Standards Inspection Office (322), Local Employment Security Office (445)
Ministry of Agriculture, Forestry and Fisheries	Regional Agricultural Administration Office (7), Local Agricultural Administration Office (38), Hokkaido Local Agricultural Administration Office
Forestry Agency	Regional Forest Office (7), District Forest Office (98)
Fisheries Agency	Local Fisheries Coordination Office (6)
Ministry of Economy, Trade and Industry	Regional Bureau (8)
Ministry of Land, Infrastructure, Transport and Tourism	Regional Development Bureau (8), Hokkaido Regional Development Bureau, District Transport Bureau (9), Local Transport Branch Office (51), Regional Civil Aviation Bureau (2)
Japan Meteorological Agency	District Meteorological Observatory (6), Local Meteorological Observatory (48)
Japan Coast Guard	Regional Coast Guard Headquarters (11)
Ministry of the Environment	Regional Environment Bureau (7)
Ministry of Defense	Regional Defense Bureau (8)

^a As of July 1, 2008.

in the aim of democratization. Under the new system, local governments were provided with autonomy. Prefectures were changed into local authorities, as with municipalities. Governors of prefectures, chief executives of municipalities, and members of local assemblies were elected by inhabitants. The new constitution of 1947 had one chapter (Chapter 8) for “local self-government,” and article 92 stated that “regulations concerning organization and operations of local public entities shall be fixed by act in accordance with the principle of local autonomy.” This provision guaranteed local autonomy under the constitution. When the new constitution was adopted, the Local Autonomy Act was enacted at the same time. The Ministry of the Interior, which had been the main ministry dominating local governments, ceased to exist in 1947.⁵

11.4 Strictly Controlled Autonomy, Tools of IGR

Although local autonomy was guaranteed under the postwar local system, local government was strictly controlled by the central government, which used three main tools to control local government: the administrative system (agency-delegated functions and administrative guidance), the financial system (local allocation tax and subsidies), and the personnel system. The main tool of controlling local government was the agency-delegated function (*kikan i'nin jimu*). Central government delegated many of its functions to the chief executives of local government for effective execution. When local government exercised the delegated function, its chief executive was treated as a subordinate agent of the central ministry and was under its direction and control. When the chief executive did not execute the delegated function, a competent minister could force the chief executive to exercise the functions and even fire him through judicial procedures.

Moreover, the local assembly could not enact ordinances to affect how local governments executed these functions. Under this system, 70–80% of prefectural functions and 30–40% of municipal functions were agency-delegated functions, including setting standards such as those relating to environmental protection and enforcement, personnel and teachers of public schools, hospital duties related to duties under various social welfare acts, uses of port areas, etc.⁶ In other instances, local government services and tasks were in fulfillment of central government functions such as foreign residents' registration, implementing national elections, and other situations in which local governments acted as the subordinate agents of central government ministries. In addition, central ministries often used administrative guidance (*gyosei shido*) when they supervised local governments.

Although administrative guidance did not require a legal basis, it was often used, and local governments were forced to keep it because of agency-delegated functions. Finally, although governors and mayors were elected to govern local affairs (thus reflecting the will of citizens and the community), these officials were often regarded as the subordinate agents of national government. In short, the

agency-delegated function was one of the tools used by central government to control local governments.

Another tool for controlling local governments was the financial system. Revenues of local governments are shown in Table 11.4. The local allocation tax—the revenue-sharing system among local governments—was distributed from the central government to local governments in order to secure the necessary revenue to maintain an adequate level of local public services (see Table 11.5). The total amount of local allocation tax was calculated by a stable fraction of national taxes: 32% for income tax and liquor tax, 35.8% for corporate tax, 29.5% for consumption tax, and 25% for tobacco tax. The total amount of local allocation tax in FY 2002 was 19.545 trillion yen (about US\$160 billion), which accounted for 20.1% of local revenue.

Table 11.4 Revenue Sources of Local Government (%)

	2001	2002	2003	2004	2005	2006	2007
Own source revenue	51.8	51.1	50.7	52.9	54.1	55.6	60.4
Local taxes	35.5	34.4	34.4	35.9	37.4	39.9	44.2
Nontax revenues	16.3	16.7	16.3	17.0	16.7	15.7	16.2
Intergovernmental fiscal transfers	36.3	35.3	34.7	33.9	34.6	34.0	29.1
Local allocation taxes	21.2	21.0	20.1	19.4	19.8	18.4	17.0
Subsidies	15.1	14.3	14.6	14.5	14.8	15.6	12.1
Local bonds	11.8	13.7	14.5	13.2	11.2	10.5	10.5
Total (trillion yen)	100.0	97.2	94.9	93.4	92.9	91.5	91.1

Source: Prepared from Ministry of Internal Affairs and Communications, “White Paper on Local Public Finance 2009”.

Table 11.5 National Subsidies^a

	<i>Social Welfare</i>	<i>Education and Technology</i>	<i>Social Infrastructure</i>	<i>Others</i>	<i>Total</i>
FY1998	8.0 (45%)	3.4 (18%)	6.0 (31%)	1.3 (7%)	19.2 (100%)
FY2008	12.4 (65%)	2.0 (11%)	3.9 (21%)	0.7 (4%)	19.1 (100%)

Source: Prepared from “White Paper on Local Public Finance 2008.”

^a Trillion yen.

The local allocation tax consisted of a regular local allocation tax (94% of total amount) and special local allocation tax (6% of total amount). The amount of regular local allocation tax distributed to each local government was calculated by the following formula: the standard financial requirement (the total standard expenditure of the local government) minus the standard financial revenues; it was computed reflecting the financial capacity of the local government. When the actual amount of local allocation tax was decided, the MoHA modified the calculation result in considering the local government's condition. The amount of special local allocation tax was also calculated by MoHA in considering local demand. In addition, MoHA calculated total local revenue and expenditure, which framed local finance, and monitored local finance for appropriate expenditures. If local government wanted to issue local bonds, it needed MoHA's permission. Through these financial systems, MoHA exercised much power over local governments.

On the other hand, as shown in Table 11.5, other ministries (e.g., Ministry of Construction [MoC], Ministry of Transport [MoT], Ministry of Agriculture [MoA], Ministry of Welfare, and Ministry of Education) delivered subsidies to local governments in order to execute their agency-delegated functions and to promote their policies. The first legal subsidy was the system of bearing a portion of expenditures for compulsory education in 1918. When local governments use subsidies, they are set under the ministry's direction. Total amount of subsidies in FY 2002 was 13.2 trillion yen (about US\$110 billion), which accounted for 14.4% of local revenue.

The third tool of controlling local government was transfer of officials (see Table 11.6). Ministries temporarily transferred their officials to local authorities. Bureaucrats of MoHA, MoC, MoT, MoA, and other ministries obtained major positions in local government (e.g., vice governor, deputy mayor, general manager, or director or manager of relevant sections). Central ministries also kept the virtual centralization over the personnel exchange. They (especially the MIC and the Ministry of Land, Infrastructure, Transport and Tourism) transferred 303 officials to senior executive positions in local government, including 21 vice governors and 55 deputy mayors. Ministries controlled local governments through their officials, who would later return to their central government ministries.

Thus, through these mechanisms, the central government strictly controlled local governments. The local governments had very limited flexibility in their activities.⁷

11.5 Amendment of Local Autonomy Act in 2000

From the late 1980s to the early 1990s, Japan experienced an economic boom, and economic activities were concentrated in Tokyo. When the economic recession started in 1991, the overconcentration of economic development in Tokyo was regarded as the main problem. This, in turn, was seen as being caused by the broad authority of central government ministries. Decentralization reform, especially transferring national functions to local government, gathered momentum in order

Table 11.6 Executives of Local Government Transferred from Central Ministries^a

<i>Ministry</i>	<i>Prefecture</i>	<i>Municipality</i>
Ministry of Internal Affairs and Communications	Vice governor (15); other executives (31)	Deputy mayor (19); other executives (43)
Ministry of Foreign Affairs	Other executives (2)	
Ministry of Finance	Other executives (6)	Deputy mayor (1)
Ministry of Education, Culture, Sports, Science and Technology	Other executives (1)	Other executives (10)
Ministry of Health, Labor and Welfare	Other executives (8)	Deputy mayor (1); other executives (6)
Ministry of Agriculture, Forestry and Fisheries	Vice governor (2); other executives (3)	Deputy mayor (2); other executives (4)
Ministry of Economy, Trade and Industry	Vice governor (2); other executives (8)	Deputy mayor (5); other executives (8)
Ministry Land, Infrastructure, Transport and Tourism	Vice governor (2); other executives (51)	Deputy mayor (30); other executives (56)
Ministry of the Environment	Other executives (1)	Other executives (1)
National Police Agency	Other executives (1)	

Source: Prepared from a January 28, 2009, press release from the MIC.

^a As of August 15, 2008.

to resolve this problem.⁸ The national Diet (parliament) adopted the “Resolution for Promotion of Decentralization” in June 1993, and the Provisional Council on Administrative and Fiscal Reform also sought promotion of decentralization in its final report in October 1993.

The political climate in Japan also furthered decentralization reform. In July 1993, the Liberal Democratic Party (LDP), which had held power for almost 40 years during the postwar period (1955–1993), was defeated. Morihiro Hosokawa, ex-governor of Kumamoto Prefecture, was appointed prime minister by a coalition of eight parties (except the LDP). The Hosokawa administration decided to develop the broad outlines for decentralization within a year,

but Hosokawa and his successor, Tsutomu Hata, both resigned before then, after very short terms. The Murayama (Japan Socialist Party [JSP]) administration formed a coalition cabinet of JSP, LDP, and a new party, Sakigake (*shinto-sakigake*), in June 1994. This administration enacted the Decentralization Promotion Act in May 1995. In July 1995, it formed the Committee for Promotion of Decentralization in order to discuss the reform of IGR.

In the discussions of the committee, its members thought that in order to promote decentralization drastically, it was not required to transfer individual national functions, but rather to limit and reduce the power of the central government to control local government. In the interim report of the committee in March 1996, it proposed abolishment of the agency-delegated functions. Predictably, ministries strenuously opposed this reform because it would require them to give up their main tool to control local governments. After this report was issued, the committee negotiated with ministries about the reform.⁹ In the end, the ministries agreed to replace agency-delegated functions with new types of functions for local government. Based on the committee's recommendations, the Comprehensive Act on Decentralization was passed; it amended 475 separate acts, including the Local Autonomy Act passed in July 1999 and a new Local Autonomy Act, which was adopted in April 2000.

This amendment signaled a new epoch for Japanese IGR because, ever since the Meiji era, relations between the central government and local governments had been consistently of a hierarchical nature. Now, local governments legally had equal status with the central government, and agency-delegated functions were abolished. Under the new Local Autonomy Act, functions of local government were classified as two types: legally delegated functions (*hotei jutaku jimu*) and autonomous functions (*jichi jimu*).

Legally delegated functions are delegated to local governments by act or cabinet order in order to execute certain duties nationwide (e.g., national elections, family register, issue of passports, and so on). Autonomous functions are functions of local government except for legally delegated functions and local government can execute them at its discretion. The local assembly can now fully participate in autonomous functions, inspect legally delegated functions, and enact municipal bylaws regarding autonomous functions and legally delegated functions. When there is a conflict between local government and the central government, an appeal is made to the Central and Local Government Dispute Management Council and the commissioner for local dispute management created by this amendment. Local government can request this council to judge national government's participation. Until now, only one issue (on local tax for betting tickets in Yokohama in 2005) has been deliberated in the council.

At the same time as this reform, amalgamation of municipalities was promoted for administrative efficiency (the "great Heisei consolidation"). When a municipality consolidated with neighbors by the end of FY 2004, the new municipality was given favorable treatment by the Special Consolidation Act on bond issuing, distribution of local allocation tax, assembly seats, and so on. As a result, the number of municipalities decreased from 3,229 in 1999 to 1,821 in 2006.

11.6 Trinity Reform of IGR by Koizumi Government

Although many national functions were transferred to local governments following the amended Local Autonomy Act of 2000, local governments did not have adequate revenue for these functions and still depended fiscally on the central government. Moreover, local governments suffered a severe tax revenue shortfall due to the economically hard times. In order to achieve further decentralization, local governments needed greater control and flexibility in dealing with their revenues and expenditures. Various proposals were made to revise the tax distribution between central government and local governments, as shown in Figure 11.2.

In April 2001, Jun'ichiro Koizumi (LDP) became prime minister. In his first statement in that role, he stressed “no reform, no growth” and sought to execute radical and structural government reforms according to the principle of “entrust to the private sector what it can do and also entrust to local governments what they can do.” Just before the Koizumi government was formed, central governmental ministries were reformed in January 2001, and the new structure of central government was seen as working effectively. In order to reinforce the prime minister’s leadership, the Cabinet Office was instituted and the Council on Economic and Fiscal Policy was placed within that office to discuss significant policies for the whole government. The prime minister chairs and directs the council, which is formed by major ministers, the governor of the Bank of

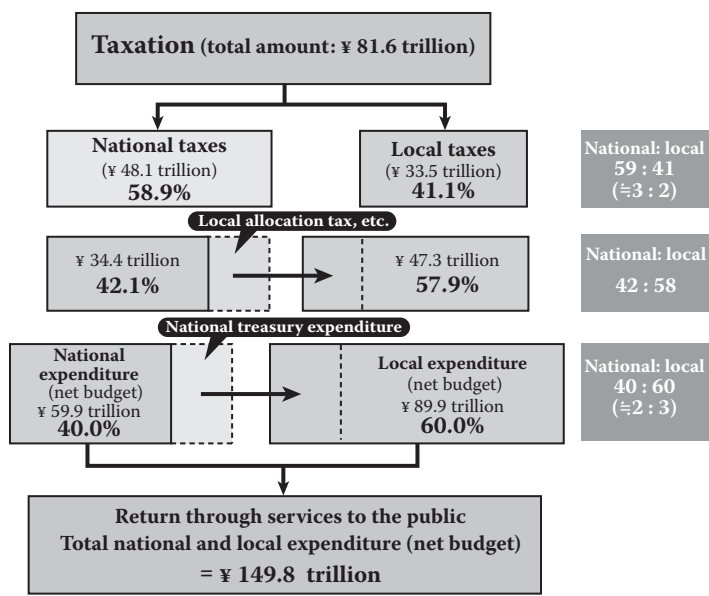


Figure 11.2 Distribution of financial resources between the national and local governments. (Prepared from “White Paper on Local Public Finance 2006”.)

Japan, businessmen, and economists. Prime Minister Koizumi used the council to perform his structural reform.

In June 2002, the council proposed studying reform of IGR, including revision of tax distribution, reform of national treasury subsidies, and a local allocation tax within a year. The council stressed that these reforms should be carried out at once; they were called “trinity reform.” The council sketched out the “Basic Policies for Economic and Fiscal Management and Structural Reform 2003,” where it was determined to reduce subsidies by around 4 trillion yen within 3 years. Then, in “Basic Policies for Economic and Fiscal Management and Structural Reform 2004,” it was determined to abolish and reduce national treasury subsidies by around 3 trillion yen in FY 2005 and FY 2006, as well as to transfer the same amount of tax revenue to local governments.

Ministries and many LDP politicians resisted this reform because it would take away the IGR tool to control local governments from ministries and LDP politicians’ influence on the process of decision making on subsidies. However Prime Minister Koizumi executed the reform under his public popularity (his public support of, on average, over 50% was high throughout his administration—the second highest in postwar history). The subsidy reform amounted to about 4.7 trillion yen (about US\$47 billion). For example, subsidies for compulsory education expenses, for care insurance, and for national health insurance were cut and subsidies for road construction were essentially demolished. To compensate for these local-government deficit revenues, about 3 trillion yen of revenue sources was transferred to local government in FY 2006 and FY 2007, and the local allocation tax was also reformed.

Yet, today many local governments still depend on fiscal transfers from the central government. Fiscal transfer from central to local government accounts for 30% of local revenues. The amount of local allocation tax was 14.5 trillion yen (about US\$145 billion) in 2008; only 179 local governments did not receive the local allocation tax, mainly in areas around Tokyo and Nagoya. In 2008, the amount of national subsidies was 19.1 trillion yen (about US\$191 billion). Although national subsidies were reduced by the trinity reform, the current levels are about the amount they were in 1998, due to increases in social welfare. When ministries reformed their subsidies, they did not abolish them but rather reduced the grant rate. Thus, they continue to have power over local governments through discretionary subsidy distribution.

11.7 Fiscal Crisis of Local Government and IGR

The long recession beginning in 1992 caused many local governments to suffer from decreasing revenue; many issued local bonds for public investment, to cover deficits, and to help turn the economy around. As a result, the amount of national local bonds totaled 140 trillion yen (about US\$1.4 trillion). In this situation, bankruptcy of a city triggered involvement by the MIC.

Yubari in Hokkaido had prospered from coal mining at one time but experienced a declining population as coal mining declined. The city invested in sightseeing facilities to promote tourism, but these facilities ran into the red and their failure affected city finances. The city floated bonds to escape deficit, but its indebtedness swelled and the city went bankrupt in 2006. Yubari was delegated the public body for fiscal reconstruction under full supervision by the MIC in 2007. To readjust the city, local taxes and utilities were set at the highest national level, government positions were eliminated, administrative services were cut (e.g., health service and compulsory education), and sightseeing institutions were transferred to private enterprises.

In spite of a permissive system of local bond issue, the bankruptcy of Yubari was not avoided. This older system was abolished for decentralization in April 2006 and replaced by a negotiation process with MIC for issuing bonds. A new local finance system and participation by the MIC were adopted in June 2007; readjustment of local government through the old Local Readjustment Act can start only after bankruptcy, though the MIC can also advise on local finances to prevent bankruptcy.

Additionally, the accounts of local public corporations are now linked to local government accounts to clarify local finance conditions (starting FY 2008). Then, local government must notify its assembly of the real deficit ratio, real deficit ratio under consolidated accounting, debt expenditure ratio, and residents' contribution ratio. Yet, the distribution between central government and local government finances is still inadequate and differences in fiscal state among different local governments is becoming conspicuous. According to a calculation by a newspaper, if local finance were checked by consolidated accounting, over 100 municipalities would have a deficit (*Asahi Shimbun*, June 16, 2007).

11.8 The Second Stage of Decentralization

To decentralize further, the Promotion for Decentralization Reform Act was adopted in December 2006 and a Committee for Promotion of Decentralization Reform was instituted in April 2007. With the inception of the committee, the second stage of decentralization started. The committee issued the "first admonishment" in May 2008. In this admonishment, the committee called for transferring 359 functions on city planning, welfare, health, medical care, and education from prefectures to municipalities (mainly to cities). The committee also proposed to transfer functions of management of national roads and management of national rivers flowing in a single prefecture from the national government to the prefectural government in September 2008.

Reforming local branches of national ministries also came up for debate. The Council on Economic and Fiscal Policy in the Cabinet Office pointed out that local branches caused wasteful spending and categorized them into three

categories: to be abolished, to be transferred to a ministry, or to be transferred to local government in May 2007. The cabinet decided to review the roles shared between central and local government in the “Economic and Fiscal Reform 2007 (Basic Policies)” in June. In response to this, the committee is discussing overlap between local branches of national ministries and similar work done by local governments. In the interim report on the reform of local branches of ministries in August 2008, the committee provided standards and a blueprint of local branch reform.

In addition, restrictions of local government activity by national act were reviewed by the committee for their “Second Admonishment.” According to research by Takero Kobayakawa, a member of the committee, 10,107 provisions of 535 acts tell local governments to execute specific functions or how to execute them (e.g., installation criteria for nursery centers and elder care facilities, eligibility for public housing, curriculum of higher education, and so on). The committee released the second admonishment on December 8, 2008. But relevant ministries have resisted transferring functions and abolishing their branches. At this moment, it is uncertain how the reform proposed by the committee will work out.

11.9 Conclusion

In spite of efforts to decentralize, the central government and ministries still have certain authority and force over local government. Most of local governments depend on fiscal transfers from the central government. To help obtain these, local governments accept central officials who are temporarily transferred to them. Thus, control by central government ministries continues. In the end, independence of local government also requires fiscal independence from the central government. This will require not only tax revenue transfers, but also the correction of fiscal differences among local governments.

At this time, proposals continue to be made. In addition to decentralization under the current two-tier local system, a new local system is also being considered. Local authorities are too diverse to execute the same functions, and a regional system is being studied in order to transfer national functions. For example, in a report by the Local Government System Research Council (February 2006), the council proposed a new two-tier local system: replacing 47 prefectures by 9–13 regional governments (*do/shu*). Further study of transferring national functions to the regional government is expected to take place in the near future.

Whatever style of local system government chooses, IGR will be tied to reform agendas and issues such as depopulation and an aging society. Issues of fundamental financial reform that provides flexibility to local governments in practice are likely to be part of the ongoing debate. Indeed, the newly formed government in August 2009 (led by the Democratic Party of Japan (DPJ)), along with the people’s

New Party (Kokumin Shin-to, which replaced the former LDP and New Komeito coalition in historic elections), has already declared to further promote decentralization. However, at the time of writing any detailed vision of how the new government will reform the IGR in Japan has yet to be disclosed.

Notes

1. Muramatsu and Iqbal. "Japanese Intergovernmental Relations." Muramatsu, Iqbal, and Kume (2001).
2. For example, except with regard to having a welfare office.
3. As prescribed in the Local Autonomy Act.
4. The term "prefecture" is sometimes dropped in reference to metropolitan Tokyo.
5. See Chapter 9 for a lengthier explanation of this.
6. "First Advice of Committee for Promotion of Decentralization," December 20, 1996.
7. During this period, independency of local government was not exactly constant (Koike and Wright 1998).
8. The "decentralize reform" has at least three dimensions: political decentralization, which devolves more policy-making powers to local governments from national government; administrative decentralization, which devolves functions and discretion in policy implementation to local government from national government; and fiscal decentralization, which devolves fiscal powers (especially taxation powers) to local government. As Japanese IGR employs the unitary system, the term "decentralize reform" in this chapter means any reform to devolve the central powers to local governments—both to prefecture and municipalities, unless otherwise specified. The decentralization reform of 2000 was basically the administrative devolution, which devolved certain national functions to local governments, and the local governments gained more discretionary powers in policy implementation process.
9. A main negotiator and committee member was Masaru Nishio, who was also a professor at the University of Tokyo.

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Chapter 12

Public Service Ethics and Corruption in Japan

Kamiko Akio

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12.1 Introduction

Public service ethics have a long history in Japan, going back to Confucian and samurai traditions. Public servants are held in high regard in Japan and, until 1999, legal expressions of ethics were general and few. In 1999, the National Public Service Ethics Law was passed after several scandals had occurred, also signaling the changing prestige of civil servants in Japan. The law states rules regarding gifts, exercise of duties, punishment, required ethics training, and other legal schemes for the suppression of corruption. Although prosecutions under this law are still relatively few, it codifies into law rules that had previously been stated only as agency rules. This chapter also discusses some institutional forms of corruption in Japan.

12.2 Traditional Values in Japanese Public Administration

Historically, the character and values of Japanese public officials were heavily influenced by the Chinese mandarin culture of ancient times. Many thoughts and practices about governing and ruling from the tycoon era (before 1867) were imported from the Confucian and Chinese mandarin culture and indigenized.¹ The unique values and cultures of Japanese public officials, which originated from the tycoon era, were shared among the samurai class that was absorbed into the Japanese civil service in the late nineteenth century (Silberman 1993).²

The samurai spirit, which partially originated from the Zen sect in Buddhism, puts value on honor, pride, and unmaterialistic affluence above anything else. Such strong notions of integrity and honor, which were shared among the samurai class, were inherited by the modern civil service as a basic code of conduct. Even today, most civil servants see integrity as their prominent core value. Another value is unswerving loyalty to the feudal lord, with the idea of both accepting the authority of one’s superior and being the agent of the emperor. These ideas form the backbone of the culture of elitism of the civil service.

Combining these values of honor and loyalty leads to a few distinct behaviors and practices. First, upholding the lord’s “face” (or public honor) was of great importance, and the most humiliating thing for the samurai class was for one’s own misconduct to diminish or lose face for one’s lord. Hence, practices among the

samurai class were well developed and codified to keep their discipline and integrity high—even more so in the group culture of samurai.

Second, the sense of elitism and protecting the lord's face and authority also resulted in the public sense of *kanson minpi* (publicly revered, privately despised),³ especially in the prewar period (Tsuji 1984). The elite government officials were regarded as servants of the emperor rather than of the people. The conduct of these officials, as agents of the emperor, was accepted as the ultimate authority. Without a doubt, behaving in honorable ways furthered their social status in society, too; being held in high regard and seen as the elite in society by citizens and themselves no doubt also contributed to keeping both morals and morale high among government officials.

Yet, not only these shared values of honor and elitism shaped the ethics of the traditional public administration. Materialism also contributed to the high ethos in civil service. Reflecting the authoritarian character of government officials, jobs in government were tenured and officials had lifetime employment. These features are still present today. Their status and tenure were not affected by political party or which administration sat in the cabinet. Also, salary levels of civil servants were comparable to those in the private sector.⁴ Consequently, inappropriate conduct caused not only dishonor to and loss of face of one's superior, but also loss of these material job benefits in the case of dismissal. Misconduct could, of course, also result in career stagnation that reduced the material benefits of civil service. Thus, material benefits and consequences should not be overlooked as providing an underpinning of a strong moral base.

Notwithstanding news of misconduct and corruption in government that hits headlines almost every day in Japan, today's civil servants continue to be held in high regard. The public relies on the government for dealing with many social issues, and most civil servants see integrity as a prominent core value.

12.3 Outline of Legal Stipulations Directly Concerning Ethical Conduct

Broadly speaking, three categories of laws concern themselves with the prevention of corruption of government officials in Japan. The first comprises laws delineating penalties for criminal offenses. In the case of corruption of government officials, the criminal law provides penalties especially for the acceptance of bribes by government officials. The second category comprises laws providing the basis for disciplinary actions against government officials, including the implementation of discipline. The National Public Personnel Law and the Local Public Personnel Law are two such laws. The third category comprises law concerning the conduct of government officials, such as the National Government Personnel Ethics Law and bylaws made by local governments.

12.3.1 Criminal Law

Criminal law provides the basic penalties for bribery in Japan. Section 197 of the law stipulates that a government official who receives, asks for, or agrees to any bribe in relation to his or her official duty will be liable for imprisonment of up to 5 years. The section also provides that those who do such deeds in connection with some special request are liable for imprisonment of up to 7 years. An individual who is not yet a government official but who is about to become one is also liable for imprisonment of up to 5 years if that person receives, asks for, or agrees to any bribe in relation to his or her future official duties.

An official who does not get the bribe, but has it received by someone else, who asks for the bribe to be given to someone else, or agrees to a bribe to be given to someone else in relation to his or her official duty and in connection with some special request is also liable for imprisonment of up to 5 years (Section 197-2). Beyond this, someone who commits the previously mentioned crime and consequently does something wrong or does not do something appropriate is subject to heavier punishment (Section 197-3). Also, someone who offers or promises to offer a bribe is punishable under the same law (Section 198).

Even when a request is not directly concerned with one's duty, an official who, following a special request, asks other officials to do something wrong or not to do something appropriate in return for receiving, asking for, or agreeing to any bribe is also liable for imprisonment of up to 5 years (Section 197-4). Embezzlement is punishable under the same law, but in this case, maximum penalties are the same regardless of whether the criminal is a government official or not (Section 253).

12.3.2 Laws and Codes of Conduct Providing the Basis for Disciplinary Action

The first code of conduct in Japan was introduced in 1887⁵ and remained unchanged until 1947 (see Appendix A, author's translation). The code of conduct contained general admonitions (e.g., "be diligent and loyal to the emperor and the emperor's government") as well as specifically prohibited behaviors, such as "a government official should never be given a free ticket from a private railway company or a private shipping company." When one looks at these provisions of the code, it is surprising how near these old provisions are to what today's government officials and codes of conducts state as rules for officials' behavior.

Yet, there is agreement that, in general, specific rules were largely absent, and the code of conduct makes no mention of punishments. The majority of government offices in the latter half of the nineteenth century were staffed by people from the old ruling class who shared rules that were very deeply rooted. There seems to have been an implicit agreement as to the conduct that government officials were expected to maintain. It may be assumed that, based on these shared notions,

supervisors and agencies had their own accepted or at least unchallenged rules, regulations, and methods for maintaining discipline and honor, including punishments that involved rebuke, humiliation, and career-diminishing consequences for offenders. Simply put, except for matters that were criminal offenses, enforcement of conduct was an internal matter that did not involve courts or law.⁶

The 1887 conduct code for government officials lost its validity after 1947, when civil government officials became servants of the public rather than servants of the emperor. Regulations adopted after World War II (in 1947) are part of the National Public Service Law⁷ for central government employees and include some specific disciplinary actions. Article 96 states:

(Prohibition of Acts Causing Discredit)

Article 96. The personnel must not act in such a way as to discredit his/her position or reflect adversely on positions of the whole personnel.

National Public Service Law also provides, in article 82, for cases where disciplinary actions can be taken:

(Disciplinary Action)

Article 82. In cases where a member of the personnel falls under one of the following cases, he/she may be subjected to an action of reproof, reduction in pay, suspension or dismissal as a disciplinary action:

- (1) When he/she has acted contrary to this Law, or by-laws issued under this Law;
- (2) When he/she has acted contrary to the duties of his/her position or has neglected his/her duty;
- (3) When he/she is guilty of such misconduct as renders himself/herself unfit to be a servant of the whole national community.

Parallel laws were adopted for local officials—specifically, the Local Public Service Law.⁸ Both of the preceding articles are rather abstract, of course, yet they were relatively the only laws stipulating the conduct of central government officials until the introduction of the National Public Service Ethics Law 1999. Although this law does put discipline for unethical conduct into law, by and large the terms of ethics remained similar to those of the prewar period. The reason for this is that, in the period immediately after the war, although the character of government and its constitution changed, bureaucrats were left largely intact. The new officialdom kept continuity with the past and stuck to the same rules of behavior. The fact that no new, concrete, detailed code of conduct was legislated at that time helped the old conduct code to survive.

The biggest change came with passage of the National Public Service Ethics Law of 1999.⁹ Unlike the majority of laws in Japan, the bill was submitted to the Diet by the members of the Diet rather than by the cabinet. The bill was introduced

following several widely reported scandals involving some central government officials, and it is fair to state that passage of this bill signaled the public's growing concern about public officials' ethics. However, although the law focuses on individual conduct, it is important to note that the organizational ethics of putting the interest of the organization ahead of individual compliance results in typical forms of misconduct by government officials of misusing public money—not for one's own benefit, but rather for the convenience of the organization's operation.

The law's general purpose is defined in article 1:

to prevent any behavior by public officials which may promote public suspicion or mistrust, by taking those measures necessary to guarantee ethics concerning public officials' duties, and consequently securing the trust of the public in the public service, taking into account the fact that the public officials are the servants of the entire community and their duties are entrusted by the general public.

The law also provides ethical principles (article 3), such as
(Ethical principles concerning duties for public officials)

1. Public officials should always be aware of the fact that they are not servants of any one part of the community but the community as a whole and should never give differential treatment to the people such as giving preferential treatment to a certain party with regard to information they possess due to their duties.
2. Public officials should always make a clear distinction between their official duties and their private lives, and should never take advantage of their duties or positions for the benefit of themselves or the organization they belong to.
3. When exercising the authority given to them by law, public officials should never engage in behavior which may promote suspicion or mistrust by the public such as receiving gifts from those over which they exercise authority.

This law's main point is the requirement for the cabinet to set forth a cabinet order concerning public officials' maintenance of ethics in their duties.¹⁰ The resulting cabinet order is the "National Public Service Ethics Rules"¹¹ (Appendix B, author's translation). This is a much more detailed set of rules. It defines "interested party" (article 2) and certain relationships considered undesirable, and then it lays down rules, especially on "prohibited behavior" (article 3) and "restrictions on lectures etc." (article 6). These are considered typical misconduct, sometimes bordering on bribe taking. Prohibitions include receiving or borrowing money, goods, or real estate from interested parties (without due compensation) and entertainment by interested parties (including drinking, golfing and other games, and travel). It provides reasonable exceptions of a modest

nature (e.g., accepting simple food and drink offered at a meeting that a public official attends on business).

The rules were not regarded as something totally new—probably because this set of rules was not far from what every civil servant had believed the rules to be. Certainly, they were regarded as rather cumbersome (especially the procedures), but the essence of the rule was felt to be the same as what had existed before, probably with the exception of strong restrictions on dining with those outside the government organization. For example, one rule states that “dining and drinking in the evening, other than dining and drinking in a simple manner at a meeting which the public official attended on business, needs approval of the ethics supervisor.”

In addition, the law and the rule require each ministry to provide training for public service ethics and proper conduct. The National Personnel Authority and the independent National Public Service Ethics Board play the main role in providing the text, case books, and other materials for the training. The ethics training activity at the National Public Service Ethics Board is unique because it provides not only training to government officials, but also seminars and training to private organizations that have contact with government officials. This helps them to understand better the government ethics code that seeks to prevent corrupt behavior by government officials.

12.3.3 Some Other Legal Schemes

Also contributing to prevention of corruption are Japan’s retirement allowance system and the presupposition of lifelong employment system practiced by Japanese government service personnel. Readers may also recall the role of material elements noted in the introduction to this chapter.

12.3.3.1 Lifelong Employment

Laws concerning government services do not explicitly state that government officials are guaranteed lifelong employment. However, everyone in Japan supposes that government employment without a fixed term is lifelong. Although the lifelong employment system, which was one of the most distinctive features of Japanese society, is disappearing, government service is regarded as one of the realms where this rule still applies, and it is valued for that fact. This system naturally cultivates loyalty for the employing organization and consequently has a positive influence on employees’ compliance with the rules.

Also, government service is regarded as the place where the rights of employees are most sincerely respected. It is often said that if a woman wishes to continue with her job after she starts a family, government service, in an office or school, is the place for her to be.

12.3.3.2 Retirement Allowance

Another legal scheme that seems to have much to do with the suppression of corruption is the system of retirement allowances for government officials. Despite the fact that the amount of the retirement allowance is now being reduced to make it comparable to that of private firms, it is still sizable. The amount is also considerable when compared with the usual salary; the maximum amount after lifelong service is worth 60 months' salary. The amount of the retirement allowance increases progressively as the period of continuous service increases, so remaining in the service longer seems advantageous.

The amount goes up especially sharply after one works for government continuously for more than 25 years. For example, disregarding minor exceptions, if an individual quit a central government office after 10 years' service, he or she would get a retirement allowance worth six times his or her monthly salary at the time of quitting. If someone quit a central government office after 30 years' service, following the recommendation of his or her employer, he or she would get a retirement allowance worth more than 50 times his or her monthly salary at the time of quitting.

Because the monthly salary usually gets larger as the length of service mounts in government services in Japan, proportionally, the difference is substantial. This means that interruption of service causes a huge loss in monetary terms. Also, if one is expelled from one's office as a result of disciplinary action, the whole retirement allowance is lost. This also works as a deterrent to corruption because, for a government official—especially for those in higher posts, who usually have many years of service behind them—losing the retirement allowance as a consequence of disciplinary dismissal means a considerable economic loss.

12.4 The Present Situation in Japan

Overall, the number of disciplinary actions against government officials for corruption is small. Most Japanese people feel that government officials are generally trustworthy. Table 12.1 shows the number of disciplinary actions taken toward national government officials for corruption in fiscal years 2005 and 2006. Table 12.2 shows the number of disciplinary actions against local government officials for corruption in FY 2004 and FY 2005.

Considering the fact that there were more than 628,000 central government employees and more than 2,998 thousand local government employees at the beginning of FY 2006, this figure does not seem to be too large.¹² However, the number of cases is rising. Table 12.3 shows chronological changes in the total figures for the national government officials comparable to those in Table 12.1.

Table 12.1 Number of Disciplinary Actions against National Government Officials for Corruption

	<i>Disciplinary Dismissal</i>	<i>Suspension from Duty</i>	<i>Wage Cut</i>	<i>Reprimand</i>	<i>Total</i>
2006					
Acceptance of bribe, etc.	6	0	3	11	20
Embezzlement	114	2	59	82	257
Total	120	2	62	93	277
2005					
Acceptance of bribe, etc.	7	1	13	11	20
Embezzlement	107	10	26	36	179
Total	114	11	39	47	199

Source: White paper on public employees 2005, White paper on public employees 2006, National Personnel Authority.

Table 12.2 Number of Disciplinary Actions against Local Government Officials for Corruption

	<i>Disciplinary Dismissal</i>	<i>Suspension from Duty</i>	<i>Wage Cut</i>	<i>Reprimand</i>	<i>Total</i>
2005					
Acceptance of bribe, etc.	30	1	10	6	47
Embezzlement	87	3	1	1	92
Total	117	4	11	17	139
2004					
Acceptance of bribe, etc.	32	11	4	3	50
Embezzlement	79	6	11	7	103
Total	111	17	15	10	153

Source: Survey on disciplinary actions against Local Government Officials in 2004, Survey on disciplinary actions against Local Government Officials in 2005, Ministry of International Affairs and Communications.

Table 12.3 Number of Disciplinary Actions against National Government Officials for Corruption

	1996	1997	1998	1999	2000	
Acceptance of bribe, etc.	20	18	50	18	19	
Embezzlement	165	167	141	170	184	
Total	185	185	191	188	203	
	2001	2002	2003	2004	2005	2006
Acceptance of bribe, etc.	18	16	8	24	83	20
Embezzlement	170	212	164	153	179	257
Total	188	228	172	177	262	277

Source: National Personnel Authority.

12.4.1 Typical Cases of Corruption in Japan

A typical case of corruption is related to rigging bids. In Japan, as in many other countries, most of the government's large contracts are concluded after the counterpart of the contract is selected in a tender. Backroom intervention by government officials in the process of tender is frequently discovered. Typically, the interventions occur in the form of making a prior arrangement and virtually appointing the contractor before the actual tender is executed. The person who makes the decision receives money for his or her service. The reason behind these cases is contractors' aversion toward instability of their contract acquisition as a result of tender. In other words, contractors prefer stability created through a secret, prearranged rotation system, whereby each player is assured a "piece of the pie." However, when this happens, the price becomes higher and taxpayers suffer.

A second typical group is related to excessive hospitality. There are two subcategories. The first comprises the use of public funds for wining and dining. For example, local government officials entertaining central government officials using public funds came to the public's attention in the 1990s. These cases were known as intergovernmental or government versus government entertainment cases and they were condemned as a misuse of public money. The second subcategory comprises cases in which government officials are given very extravagant treatment by people belonging to the private sector. For example, a scandal involving several Ministry of Finance officials in 1998 led to the enactment of the National Government Officials Ethics Law. Extravagant treatment is sometimes regarded as a bribe, but more often is dealt with as a case of misconduct, which leads to loss of the general public's trust in government officials. Disciplinary actions are usually taken for these cases.

A third group is *amakudari*, a much criticized practice in Japan that many see as a form of institutional corruption (Choi 2007). Literally translated, this term means “descent from heaven” and, in this context, refers to the practice of retired government officials (especially central government high-ranking officials) finding jobs in private firms after retirement from public service. If those private firms genuinely wanted the expertise of the former officials, there would be nothing to criticize. However, certain elements lead to criticism of the practice.

For one thing, many of these people are not hired as a result of their own postretirement job search efforts; instead, their employment is secured through the coercive allotment of the retired government official to the respective private company, which receives a grant or benefit from the ministry concerned (Colignon and Usui 2003). Consequently, many former government officials find their jobs in the field of industry where the ministry to which they formerly belonged has a supervisory authority. The main thing that receiving firms expect of the retired government officials is not necessarily their ability or expertise. Rather, it may be the former officials’ relationship with the present members of the ministry, or it may even be the fact that the ministry feels that it “owes” the firm because the firm has provided its former members with an income.

Much effort has been put into stopping or at least reducing the practice of *amakudari*. Retiring officials need the approval the National Personnel Agency to go straight to a job in the private sector. However, this practice dies very slowly. In fact, it is so persistent that now a bill is being contemplated that establishes a new plan under which individual job brokering activities by each ministry for its retiring officials will be prohibited; only a new entity, independent of all ministries, will be allowed to perform such activities.

This practice is closely connected with the early retirement of central government high-ranking officials in Japan. Following the tradition from the bureaucratic world before World War II, most central government officials, especially those entering the service with the highest qualifications, retire much earlier than the compulsory retirement age of 60. (The average retirement age of those belonging to the group used to be just over 50 and now the government is trying to lengthen their average life of service by 3 years.) This is to ensure that those who join the ministry later do not overtake their predecessors and become their predecessors’ bosses. Therefore, the rule is that if someone cannot remain in the ministry without becoming a subordinate of a younger colleague, the ministry asks that person to retire. In such a situation, the ministry feels compelled to offer him or her a job with comparable income because the official retirement age has yet to be reached. Thus, it is very difficult to discard this practice.

12.5 Conclusion

Various legal schemes in Japan are designed to discourage corruption within government. Stipulations regarding bribe taking carry the severest penalty of all reprimands

and have criminal sanctions. Disciplinary actions are also provided through laws concerning the status of government officials. Beyond specific ethics laws, the pension system for government officials seems to discourage them from misconduct. In Japan, emphasis is also put on the importance of training for government officials in order to enhance their awareness of ethics and, consequently, to prevent corruption. For example, ministers of the national government are required to provide training in this respect according to the national public service ethics rules.

The National Personnel Authority and the independent National Public Ethics Board play important roles in providing ethics training, textbooks, and case studies. Each ministry deploys the ethics management course as a part of its training program. Virtually every general-purpose training program for government officials has some elements designed to sharpen trainees' awareness of ethics.

In addition to the ethics training, other unintended measures, such as working conditions, also contribute to curbing corruption. The "large roomism" working style, where people in the same room in a government office divide jobs among themselves, also works as an anticorruption measure because everyone can watch each other (Inatsugu 2001). E-government development is also part of the efforts for anticorruption measures. The e-transaction between government offices and citizens or private companies has a possibly significant impact on the anticorruption policy.

Currently, the government tries to expand the e-procurement transaction system full scale, which would reduce face-to-face contact between government officials and applicants and thus minimize the possible opportunity for being bribed. More recently, the Whistle-Blower Protection Act was enacted in 2006. The act is expected to work as a preventive measure for corruption by providing a deterrent force among public officials.

Finally, government officials have played a big part in the past development of Japan. But their prestige is now fading with government's tight financial situation and its loss of leadership. Going along with the prestige is their professional pride, which undoubtedly was an underpinning for their sense of ethics. Thus, it seems that policies to bolster their pride, and consequently ethics, are now called for.

Notes

1. The relentless competition for higher civil service entrance exams would be a good tangible example of a copy of the Chinese *keju* entrance exam system for mandarins.
2. In the very beginning, the first modern government in the nineteenth century was primarily staffed by the lower samurai classes. Thus, the thought and spirit of the samurai class was well spread and embedded in the modern civil service culture, which also shapes the values and ethics among public officials. See the chapters on history of public administration in Japan, as well as civil service in Japan, for further detail.
3. This has a few meanings, one of which is to make public expressions of support while refraining from criticism, which is considered to be a private opinion. Another meaning

refers to public officials who exercise their (public) duties with little respect for the (private) rights of citizens. These experiences can go together and did so especially in older times.

4. This is sometimes seen as a trade-off for not allowing civil servants the right to strike.
5. The emperor's decree was published on July 30, 1887.
6. A logical question that follows is whether codes of conduct were necessary or used in the prewar period. However, we do not have the necessary analysis to answer this question.
7. Enacted on October 21, 1947.
8. Enacted on December 13, 1950.
9. Enacted on August 13, 1999.
10. Article 5:

The Cabinet shall set forth a cabinet order concerning public officials' maintenance of ethics in their duties (the National Public Service Ethics Rules), based on the principles stipulated in Article 3. The National Public Service Ethics Rules shall contain stipulations concerning rules, such as the prohibition/restriction of receiving gifts from those who hold a stake in the exercise of the public official's duty, which public officials must observe to prevent behavior which may promote suspicion or mistrust by the public such as making contact with those who hold a stake in the exercise of the public official's duty.

11. Ordered on March 28, 2000.
12. An argument is also made that the prosecution of such cases sends a signal to all and thus has a broad deterrent effect. The effectiveness of or need for the law cannot be judged only by how many cases are prosecuted, of course.
13. Extract from the 1999 original version.

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Appendix A: Conduct Code for Government Officials (1887)

Article 1. A government official should be diligent and loyal to the Emperor and the Emperor's government and should exert utmost in accordance with laws and regulations at his/her work.

Article 2. A government official should obey instructions of his/her superiors. However, he/she may put forward his/her opinions.

Article 3. A government official should, both in public and private life, respect the sense of honor and should never engage in unethical conduct. A government official should never overstretch his/her authority and try to be modest and kind.

Article 4. A government official is prohibited from divulging government secrets, regardless of whether the secret is related to his/her duties or he/she heard it from his/her colleagues. This rule also applies after he/she retires from office. When an official is summoned to court as a witness or an appraiser and asked about an official secret, he/she may relate only what he/she is allowed to tell by his/her superior.

Article 5. A government official is prohibited from divulging the content of an unpublished official paper in private to parties concerned.

Article 6. A government official should never leave his/her office or the place he/she lives because of official requirement without permission from his/her superior.

Article 7. A government official cannot be a president or an executive of a private company without permission from his/her superior.

Article 8. A government official should never receive a gift in connection with his/her duties, regardless of the title under which it was given, and regardless of whether it was given directly or indirectly without permission from his/her superior. A government official needs ratification by the Emperor, when he/she receives a gift including decorations, honors and stipend from a foreign sovereign or a government.

Article 9. A government official whose duty has direct contact with one of the following parties, should never be entertained by them.

1. Contractors of public works
2. Those who maintain accounts and exchanges for government offices
3. Entrepreneurs who receive government subsidies
4. Those who procure goods for government offices
5. Those who have contracts with government offices

Article 10. A government official should never receive gifts from his/her subordinates.

Article 11. A government official and his/her family member should never be engaged in a profit-making activity, either directly or indirectly, without permission from his/her superior.

Article 12. A government official cannot be a member of a brokerage and should never have any connection, even indirectly, with speculative activities.

Article 13. A government official should not be engaged in any business with rewards, other than his/her government duties, without permission from his/her superior.

Article 14. It should be considered a government official's fault if he/she makes an extravagance, loses his/her assets or incurs a disproportionate debt.

Article 15. A government official should never be given a free ticket from a private railway company or a private shipping company.

Article 16. Director-Generals, Heads of Institutes and other selected Directors should supervise their subordinates. When he/she finds one of his/her subordinates in error, he/she should try to redress the person, if the error does not warrant a disciplinary action. He/she should report to his/her superior with details of the error, if disciplinary action is called for. It should be considered as his/her fault if he/she knew the gravity of the error and failed to report it

Article 17. This regulation is applicable to Higher Grade officials, Middle Grade officials and others engaged in government business with remunerations.

Appendix B: National Public Service Ethics Rules¹³ ***(Standard on Ethical Behavior)***

Article 1. Public officials (as defined in Section 1, Article 2 of the National Public Service Ethics Law (which is henceforth referred to as “the Law” herein)) shall show pride in serving as national public officials, shall keep their duties in mind and behave appropriately, with the principles presented in the following Items 1 through 3, which are stipulated in Article 3 of the Law and those facts stipulated in the following Items 4 and 5 as the standard to be observed in maintaining ethical standards at work.

- (1) Public officials should always be cognizant of the fact that they are not the servants of any one part of the community but are servants of the entirety and should never offer differential treatment to the people such as giving preferential treatment to a certain party with regard to information they possess due to their official duties.
- (2) Public officials should always make a clear distinction between their official duties and their private lives, and should never take advantage of their official duties or position for the benefit of themselves or the organization to which they belong.
- (3) When exerting the authority given to them by law, public officials should never engage in behavior which may promote suspicion or mistrust by the public such as receiving gifts from those involved in the objectives of their duties.
- (4) Public officials must aim for the extension of public welfare and make utmost efforts toward attaining this goal, when engaged in their duty.
- (5) Public officials must always behave themselves even in private, being aware that their behavior affects people’s trust to the public service.

(The Interested Party)

Article 2. In this Rule, “Interested Party” refers to the following as stipulated in Items 1 through 10 according to the categories of affairs that each public official is engaged with as his/her duty. However, those whose interest in the affairs in which the public official engaged is only potential, those who are categorized by the decrees of heads of ministries and agencies (as stipulated in Section 3, Article 5 of the Law) as interested in those affairs with little room for the public officials’ discretion, and those who work for foreign governments and international organizations and the like are exempted from this regulation.

- (1) Affairs to grant permission and approval (as is stipulated in Item 3, Article 2 of the Administrative Procedures Law):
- (2) “Entrepreneurs” (as is stipulated in Section 5, Article 2 of the Administrative Procedures Law and includes those who are regarded as “entrepreneurs” by Section 6 of said Article), who run business with the permission or approval in question, “Entrepreneurs” or individuals (excluding those who are regarded as “Entrepreneurs” by Section 6 of said Article) who are applying for permission or approval, and “Entrepreneurs” or individuals who are clearly planning to apply for same.
- (3) Affairs to grant subsidies (as is stipulated in Section 1, Article 2 of the Subsidies Rationalization Law):
- (4) “Entrepreneurs” or individuals who run a business with the subsidy in question, “Entrepreneurs” or individuals who are applying for a subsidy, and “Entrepreneurs” or individuals who are clearly planning to apply for same.
- (5) Affairs to make inspection or audit:
- (6) “Entrepreneurs” or individuals who are the objectives of an inspection or audit.
- (7) Affairs to take disadvantageous administrative measures (as is stipulated in Item 4, Article 2 of the Administrative Procedures Law):
- (8) “Entrepreneurs” or individuals who shall be the objectives of the measure in question if it is ever taken.
- (9) Affairs to give administrative guidance (as is stipulated in Item 6, Article 2 of the Administrative Procedures Law):
- (10) “Entrepreneurs” or individuals who are requested to do something or not to do something through the guidance in question.
- (11) Those affairs under the Prime Minister’s Office or one of the Ministries’ jurisdiction, which is concerned with development, improvement or coordination of a enterprise:
- (12) “Entrepreneurs” running the enterprise in question.
- (13) Affairs concerning contracts which result in expenditure by the central Government or other contracts as defined in Article 29 of the Accounting Law:

- (14) “Entrepreneurs” who have concluded the contracts in question, “Entrepreneurs” who are applying for a contract, and “Entrepreneurs” who are clearly planning to apply for same.
- (15) Affairs concerning necessary adjustment as stipulated in Section 1, Article 18 of the Government Finance Law:
- (16) Those central government organizations that are the objectives of the adjustment.
- (17) Affairs concerning the establishment or revision of the fixed number of officials by each grade as stipulated in Section 1, Article 8 of the Ordinary Government Officials’ Compensation Law:
- (18) Those central government organizations that are the objectives of the establishment or revision.
- (19) Affairs concerning the review of the establishment, revision, or abolishment of the fixed number of officials as stipulated in Item 11, Article 4 of the Ministry of Internal Affairs and Communications Foundation Law:
- (20) Those central government organizations that are the objectives of the review.
 - 1. For the purpose of the application of the preceding Section, key members of the central ministries (those public officials above the rank of Councilor as is defined in Section 4, Article 2 of the Law) are regarded as being engaged in the affairs stipulated in Items 1 through 3 and 8 through 10 of the preceding Section as well.
 - 2. When a public official is transferred and his/her former “Interested Party” (except for those who are regarded as the “Interested Party” according to the preceding Section) in his/her former capacity remains an “Interested Party” to his/her successor, those formerly regarded as an “Interested Party” are still regarded as being his/her “Interested Party” for three years beginning from the day of the transfer (if the former “Interested Party” ceases to be the “Interested Party” to the successor, until the day.).
 - 3. When an “Interested Party” of a public official contacts another public official with the clear purpose of having the latter public official use influence based on his/her position as a public official to realize the interest of the “Interested Party,” the “Interested Party” is regarded as an “Interested Party” of the latter as well.

Article 3 (Prohibited Behavior). Public officials should not engage in the following behavior:

- (1) Receiving money, goods, or real estate from an “Interested Party” (including those in the form of farewell gift, condolence gift, celebration gift, etc.)
- (2) Borrowing money from an “Interested Party” (if the “Interested Party” makes money lending his/her business, only in the case [in which] the money is lent without interest or at a very low interest rate).

- (3) Borrowing goods or real estate without due compensation from an “Interested Party” or at the expense of an “Interested Party.”
- (4) Receiving service without due compensation from an “Interested Party” or at the expense of an “Interested Party.”
- (5) Purchasing unlisted stocks from an “Interested Party.”
- (6) Being entertained by an “Interested Party.”
- (7) Dining and drinking with an “Interested Party.”
- (8) Playing games or golf with an “Interested Party.”
- (9) Traveling with an “Interested Party” (excluding business trips).

Regardless of the preceding Section, public officials may engage in the following behavior:

- (1) Receiving a gift which is for wide distribution for the purpose of advertisement or memorial from an “Interested Party.”
- (2) Receiving a memorial at a “buffet party” (where food and drink are served in a buffet style) attended by a large number of people from an “Interested Party.”
- (3) Using goods offered by an “Interested Party,” when visiting an “Interested Party” on business.
- (4) Accepting a lift in a car (only one [that] the “Interested Party” uses daily for his/her business) offered by an “Interested Party,” when visiting an “Interested Party” on business (only if it is appropriate considering the local transport situation).
- (5) Partaking of light refreshment offered by an “Interested Party” at a meeting which the public official attended on business.
- (6) Partaking of food and drink offered by an “Interested Party” or dining and drinking with an “Interested Party” at a “buffet party” attended by a large number of people.
- (7) Accepting simple food and drink offered by an “Interested Party” or dining and drinking in a plain manner with an “Interested Party” at a meeting which the public official attended on business.
- (8) Dining and drinking with an “Interested Party” paying for his/her own share. However, dining and drinking in the evening, other than dining and drinking in a simple manner at a meeting which the public official attended on business, needs approval of the Ethics Supervisor (as is stipulated in Section 1, Article 39 of the National Public Service Ethics Law) making clear that it does not run the risk of inviting doubt or mistrust about the fair discharge of duties from the public.

In application of Section 1, if a public official purchased goods or real estate, borrowed money, or received service at a grossly low price compared with the market price at the time from an “Interested Party” the public official is regarded as having received money worth the balance as a gift.

(Exceptions to Prohibited Behavior)

Article 4. A public official may engage in the behavior enumerated in Section 1 of the preceding Article, regardless of said Section, with one with whom he/she has a private relationship (a relationship outside his/her status as a public official) even if the one is an “Interested Party,” provided that there exists no fear to invite doubt or mistrust about his/her fair discharge of duties from the public.

1. When a public official finds it hard to judge whether there exists a risk of inviting doubt or mistrust about his/her fair discharge of duties from the public, he/she shall consult with the Ethics Supervisor.
2. A public official may drink and dine with the one with whom he/she had worked in the same department or organization, or with whom he/she had participated in the same training program conducted by a central government organization or was sent to the same training program by the Central Government, and who also is an “Interested Party,” regardless of Section 1 of the preceding Article, provided that the occasion is attended by a large number of people including those who are not “Interested Parties” and that he/she pays for his/her own share.

(Behavior Prohibited Even with a “Non-Interested Party”)

Article 5. A public official should not be hosted excessively like being repeatedly entertained or be given monetary benefits in excess of common practice in social life, even from a “Non-Interested Party.”

1. A public official should not allow an “Entrepreneur” who was not in attendance to pay for the purchase or lease of goods or real estate, or the reception of services, regardless of whether the “Entrepreneur” is an “Interested Party” or not.

(Restrictions on Lectures, etc.)

Article 6. A public official has to obtain prior approval from the Ethics Supervisor when he/she delivers a lecture, participates in a public debate, gives instruction at a training program, writes an article, gives editorial supervision or compilation, or makes an appearance in a radio or TV program in response to a request from an “Interested Party” and resulting in compensation.

1. Ethics Supervisors shall set standards, with regard to the compensation public officials receive from an “Interested Party” mentioned in the preceding Section, corresponding to the kinds and contents of the responsibilities of a public official, for the reference of public officials.

(Consultation with the Ethics Supervisor)

Article 7. A public official shall consult with the Ethics Supervisor when he/she cannot judge whether the counterpart of his/her behavior is an “Interested Party” or not, or if his/her behavior falls under any of the categories stipulated in Section 1, Article 3.

(Report on Income, etc.)

Article 8. Those categories of compensation stipulated in Section 1, Article 6 of the Law as stipulated in the Ethics Rules for National Public Service are as follows:

- (1) Compensation for lectures, etc. paid by an “Entrepreneur” who is an “Interested Party.”
- (2) Compensation for lectures, etc., the content of which is concerned with either the former or present responsibilities of the public official and of which it is made clear that the lecturer is a public official, paid by an “Entrepreneur” who is not an “Interested Party.”

Those items to be stipulated in the Ethics Rules for National Public Service, according to Item 4, Section 1, Article 6 of the Law, are as follows:

- (1) Details of gifts (as is stipulated in Section 1, Article 6 of the Law) and compensation (as is stipulated in said Section).
- (2) Relations between the Entrepreneur who gave the gift or who paid the compensation and the public official who received the gift or who received the compensation, and the relationship between the Entrepreneur and the administrative organization the public official belongs to.
- (3) When the price written according to Item 1, Section 1, Article 6 of the Law is an estimate, the basis of the estimation.
- (4) When being entertained, the name and address of the venue of entertainment and the number and occupation of others in attendance (if it is a buffet party attended by many, the rough number of attendees).
- (5) When the gift was made by an executive, an employee, a representative and the like of an “Entrepreneur” [to] whom Section 6, Article 2 of the Law is applicable, the title or position and the name of the one (when the gift was made by more than one, the title or position and the name of their representative).

Chapter 13

Performance Management Reforms in Japan

Masao Kikuchi

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13.1 Introduction

Performance management reform is a relatively recent focus of the central government in Japan. The 2001 central government reform was the first comprehensive government reform since the modern government system was established after World War II. As part of this reform, a new public management (NPM) ethos was

injected into government management practices. This chapter describes the various tools and practices currently in use, especially the policy evaluation system and the Incorporated Administrative Agency, which are central to modern performance management reforms in Japan.

13.2 History of Performance Management Development

In the aftermath of World War II, one of the main concerns among the Allied occupation forces and policy makers was democratizing and improving the productivity of the Japanese government. Contrary to general perception, the Japanese civil service was relatively small in size, so the effectiveness of this workforce was an essential concern.

Three agencies were assigned responsibilities related to central government performance. First, the Board of Audit is a constitutently independent body whose function is to review and certify public accounts; it focuses mainly on the accuracy and regularity of government expenditure. In the late 1970s, economy, efficiency, and effectiveness (the three E's) were added as audit criteria. Second, within the Management and Coordination Agency the Administrative Inspection Bureau checks the business management of central government ministries, and the MoF Budget Bureau has since been responsible for research relating to budget execution. Third, the Management and Coordination Agency was established in 1948 as a central body of government performance management, although it focused mainly on detecting instances of maladministration (Tsuji 1984). This agency was later combined with other ministries to become the Ministry of Internal Affairs and Communications in 2001. It is fair to characterize the early beginnings as emphasizing financial and management inspection.

Concern with performance management also led to the first Provisional Commission on Administrative Reform in 1962. The commission proposed reform of the government accounting system and replacing the MoF authority with the Cabinet Office in the budget drafting process in order to rationalize and democratize the budget process. Most proposals were not realized, including proposals for performance budgeting, which met fierce opposition by the MoF and some politicians. Nonetheless, some performance management tools (beyond traditional emphases on accounting and inspection relating to budgets and expenditures) were introduced on an ad hoc basis. For example, cost benefit analysis was introduced in mega public works projects in the 1960s.

In later years, other performance management strategies, such as MBO (management by objectives), strategic planning, and ZBB (zero-based budgeting) were discussed and implemented on an experimental basis. This occurred on an ad hoc rather than government-wide basis, at the discretion of individual departments and managers. For example, the MoF conducted various PPBS (program planning and budgeting system) feasibility studies quite intensively in the 1970s. During this

period, the term “urban management” became a widely used catchphrase among local officials as a strategy for maximizing economic effectiveness in public works projects.

In the 1980s, significant privatization of giant public corporations was undertaken. Rapid postwar economic growth brought social issues, such as growing discrepancies among regions, and severe pollution issues in industrial and urban areas, to which the government responded through new resources. Yet, the general “go-go” situation became problematic with the global oil crisis of the late 1970s, which caused great stress to public finances. After issuing a special bond in the mid-1970s to cover government deficits, the government then sought to reduce costs and government responsibilities. Under the Nakasone administration (1982–1987), which was heavily influenced by neoconservatism in its public and economic policies, the second Provisional Commission on Administrative Reform decided to privatize giant public corporations under the slogan, “public finance restructuring without tax increases.”

Major targets of the privatization reform were the Japan National Railway, Nippon Telegraph and Telephone Public Corporation, and Japan Tobacco and Salt Corporation. These three giant public corporations were regarded as ill-managed, stated-owned monopolies that provided poor service to citizens and were the main obstacles to free-market innovation. After the political turmoil in the parliament, privatization occurred for Japan Railway in 1987, Nippon Telegraph and Telephone Corporation in 1985, and Japan Tobacco in 1985. Privatization has remained popular among political leaders and the public.

Almost 20 years later, the government was again keen to privatize other major government functions under the Koizumi administration (2001–2006)—notably, the Highway Public Corporation (2005) and the Postal Services (2007). The administration further privatized the government policy finance institutions such as Development Bank of Japan, National Life Finance Corporation, Japan Finance Corporation for Small and Medium Enterprise, the Shoko Chukin Bank, Agriculture Forestry and Fisheries Finance Corporation, and the Japan Bank for International Cooperation.

Although the Japanese government had tackled privatization, government ministries were managed by the Management and Coordination Agency (combined with other ministries in 2001 to become the Ministry of Internal Affairs and Communications) and the Law on Total Number of National Civil Service in 1969. The main purpose of the agency and the law regarding organizational management was to control the total number of government organizations with the annual scrutiny of proposed creation of new divisions or departments from each government ministry. The scrutiny to control total number of staff postings or organizations had “scrap and build” or “PAYGO” rules, which require that new staff postings not add to the number of staff members or organizations in each ministry. With this practice, although government expenditures had increased in the rapid postwar economic development, the total numbers of ministries, internal organizations, and national civil service were stable (though the number of local civil servants and state-owned company staff members increased).

Beyond privatization and despite general familiarity with performance management strategies, it is fair to characterize performance management in Japan

until the early 1990s as mainly or generally focusing on finding fault—specifically, through inspection of the legality and regularity of accounts and other instances in which maladministration might occur. Indeed, Japanese policy making was almost fully dominated by the plan-oriented approach and hence little attention was paid to performance management and evaluation (Masujima 2006).

The Japanese economy experienced high growth rates after the war and government enjoyed the increasing tax revenue as well. Indeed, there was little impetus to embrace performance management strategies.¹ Basically, performance management was not an important reform agenda for many years, until the Central Government Reform in 2001, which drastically changed performance and budget management in the central government. As late as the mid-1990s and the early 2000s, Hood (1996) and Suleiman (2003) classified Japan as being a country with “low NPM emphasis.” Performance management gained increased importance during the late 1990s and broad awareness with the introduction of the policy evaluation and Incorporated Administrative Agency systems in 2001.

13.3 The Policy Evaluation System since 2001

In December 1997, the Administrative Reform Council, chaired by the prime minister, submitted its final report, which highlighted four reform agendas for reorganization of government systems. One was to strengthen transparency and accountability of the government. In order to do this, the report stressed the importance of result- and performance-oriented management, strengthening the government’s accountability to the public, achieving effective and high-quality public administration, and introducing a policy evaluation system.

To implement the recommendations of the Administrative Reform Council, the government established the Interministerial Preparation Conference for Policy Evaluation to prepare the guideline and necessary legal framework. The “Standard Guideline for Policy Evaluation” was approved by the government in July 2000; the Government Policy Evaluation Bill was submitted to Parliament in March 2001 and enacted and promulgated in June 2001. This has been by far the most significant performance management reform in Japanese government, not the least because it introduces the policy evaluation system, which requires each government ministry to install performance management tools. The purpose of the Government Policy Evaluation Act (GPEA, no. 86 of 2001) is clearly described in article 1:

It is the purpose of this Act to promote the objective and rigorous implementation of Policy Evaluation and to reflect the results of this evaluation in the planning and development of Policy, and to publicize information on Policy Evaluation by providing for basic matters regarding Policy Evaluation carried out by Administrative Organs,

with a view to promoting effective and efficient administration, and ensuring the Government's proper discharge of its responsibility to remain accountable to the public for its operations.

13.3.1 Outline of Policy Evaluation System

Each ministry is required to conduct a self-evaluation through its own policy cycle and to report to the Ministry of Internal Affairs and Communications (MIC). MIC is responsible for the overall management and coordination of the system, for evaluating the evaluation policies of the ministries, for ensuring the comprehensiveness and strict objectivity of their policy evaluations, cross cutting evaluations of inter-ministerial policies, and proposing necessary recommendations to the ministries.

Accountability in government activities is ensured through the publication of evaluation reports from the ministries and the MIC and submitting the annual report of the system from the MIC. Also, the results of the evaluation and the evaluation plan at each ministry, as well as the overall evaluation activities, are scrutinized as meta-evaluation of the system by the Commission on Policy Evaluation and Evaluation of Incorporated Administrative Agencies. The commission is composed of seven leaders from academic and business fields (see Figure 13.1).

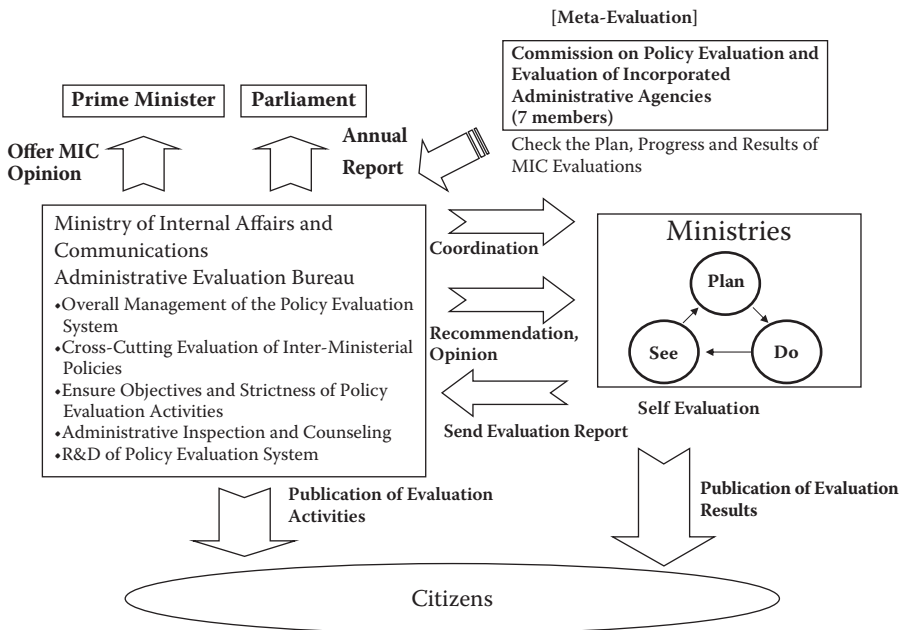


Figure 13.1 Outline of the policy evaluation system. (Prepared from "The Policy Evaluation System in Japan," 2005, by the Ministry of Internal Affairs and Communications.)

Evaluation methods involve (1) project (basic unit of each administrative tool) evaluation, (2) performance evaluation (performance measurement) at the program level (block of administrative activities to solve specific administrative tasks concretely, based on the policy), and (3) comprehensive evaluation (program evaluation) on a specific theme of the policy and programs. In each method, the needs and appropriateness of the policy objectives, as well as policy effectiveness and efficiency, are assessed *ex ante* and *ex post* (see Figure 13.2). In a sense, the *ex ante* and *ex post* evaluations bring the spirit of the PDCA (plan–do–check–act) management cycle to government programs and policies.

Some policy areas, such as public works and projects with an excess of certain budget limits, are explicitly mentioned as requiring project evaluation. Also, all laws and regulations have required a regulatory impact analysis since 2007. As of fiscal year 2005, about 10,000 evaluations have been submitted to the MIC (see Table 13.1). All cases are publicized through evaluation reports and the government’s home page on the Web. Evaluations have resulted in program and policy improvements, including abolition of policies, programs, and projects and reductions in personnel and budget requests. Between 1,000 and 1,500 of all evaluations involve a modified budget request.

To give some examples, in the *ex-ante* project evaluation of the Kawasaki urban rapid transit project by the Ministry of Land, Infrastructure and Transport, total costs (in view of all direct costs and changing socioeconomic conditions) were estimated to be around 246 billion yen, and benefits were estimated to be around 428 billion yen. In this case, the project was discontinued because of little prospect of profit.

	Level	Timing	Purpose	Methodology
Project Evaluation	Projects (Services)	Ex-ante (ex-post in case)	Adoption and Choice of Projects	Estimate and Measure in advance expected effects and cost of projects
Performance Evaluation (Performance Measurement)	Major Programs	Ex-post (regularly and periodically)	Continuous Check and Improvement of Programs	Set achieved targets (mainly outcome) of programs in advance Evaluate performance of these targets
Comprehensive Evaluation (Program Evaluation)	Specific Theme (Policies/ Programs)	Ex-post (after a certain period has passed)	Finding and Analysis of Problems of Policies/Programs	Evaluate policy effects totally and deeply from multiple viewpoints

Figure 13.2 Evaluation methods. (Prepared from “Standard Guidelines for Policy Evaluation,” acknowledged by the Liaison Conference of the Cabinet Office and Ministries for Policy Evaluation, January 15, 2001.)

Table 13.1 Number of Evaluation Cases (FY 2005)

<i>Category</i>	<i>Ex-Ante Evaluation</i>	<i>Ex-Post Evaluation</i>	<i>Total</i>
General policies			
Performance evaluation		679	679
Comprehensive evaluation		104	104
Project evaluation	357	60	417
Subtotal	357	843	1,200
Specific areas			
Research and development	318	625	943
Public works	3,856	3,756	7,615
ODA	30	8	38
Subtotal	4,204	4,329	8,596
Total			
	4,561	5,235	9,796

Source: Prepared from the Annual Report of the Policy Evaluation Activity (2006) from the Ministry of Internal Affairs and Communications.

In an example of an ex-post performance evaluation, a fishing village's facility development project was completed as a part of comprehensive improvement of the fishing village's policy area by the Ministry of Agriculture, Forestry and Fisheries. Using one of the project's performance indicators, the percentage of villages with community sewerage in the population was increased to 34% and reached the policy target. However, local residents' satisfaction with these improvements was only around 85%, which did not meet the target. Based on this performance evaluation, the policy was restructured in ways that increased villages' discretionary choices so that the satisfaction might be increased further.

13.3.2 Progress and Issues

The PDCA management cycle is increasingly institutionalized in administration and many policy areas. According to one evaluation, the policy evaluation system resulted in a cost-cutting of 3.2 trillion yen over 3 years (based on total project

cost base), and the percentage of policies with numerical target indicators for performance evaluation increased from 34% (2002) to 55% (2005). The mind-set of officials has been gradually changing with the initial experience of the policy evaluation system. Based on a survey, most public officials now report being more oriented toward and mindful of seeking cost savings, ensuring outcomes, and using process reengineering methods (Policy Evaluation and Public Relations Division, MIC 2005).

Some recent changes include introducing regulatory impact analysis (RIA) on an experimental basis, as well as a subsequent update in 2005 of the "Guidelines for Policy Evaluation." Yet, some issues have arisen. First, evaluation fatigue among officials is setting in, especially because of the large amount of paperwork and reporting sheets (Yamaya 2005). Evaluation reports submitted by the ministries to the MIC tend to be very thick (like the "Yellow Pages" in a phone directory), reflecting the Japanese bureaucrat's mind of "legalism" and "perfectionism" (Cheung 2005); normal citizens do not read these much, of course. Each ministry and the MIC are now struggling to find equilibrium between simplicity and objectivity (accuracy) in fulfilling accountability to the public.

The second issue is the performance and budget consolidation. In June 2005, the government reviewed the progress of the GPEA and revised the basic policy on policy evaluation to require greater use of evaluation results in the budget process. However, technical, constitutional, and legal constraints exist in doing so (Kimura 2005). Budgetary systems are strictly confined to a single year's budget by public finance law, and program and policy evaluation information is not always available in a timely manner. Government accounting systems are on cash management; accounting systems such as activity-based costing (ABC) are not yet institutionalized. For example, salary and administration costs are "hidden" costs and not always properly reflected in the project evaluation. Realignment inconsistent subsystems of public accounting systems with a cash base and budgetary system with the strict single-year budget has yet to be done.

The third issue is the pluralist nature of the policy evaluation system (Azuma 2005). Although the basic principle of the system is self-evaluation by the ministries, overseen by the MIC, the budgetary process is dominated by the Ministry of Finance and the Cabinet Office. Further, as in other countries, the budgetary process in Japan is highly politicized by influential parliament members (Campbell 1977; Kato 1994). Consolidating performance and budget causes administrative and political tension among ministries and parliament members.

Finally, a fourth issue is insufficient staff competency for evaluation activities. The MIC is responsible for research and development of evaluation, and it is required to offer the necessary training to officials in charge of the evaluation activities. However, the MIC and other ministries lack competent human resources, as with the development and sophistication of the system (Yamanaka 2001). The MIC has started to hire evaluation professionals from academia as well as professional consultants.

13.4 Organizational Reform

Many authors have noted that Japanese public administration is characterized by weak executive leadership and departmental sectionalism, which hinder government performance (Tsuiji 1984). The first Provisional Commission on Administrative Reform in 1962 proposed a reform agenda to establish the Cabinet Office with strong executive leadership. However, it was not realized due to strong opposition by ministries. This constraint remained in place and was reformed for the first time only after about 50 years.

Under Prime Minister Hashimoto's administration, reforms since 2001 include strengthening the cabinet, ministerial reorganization, and reduction in the number of bureaus and departments within ministries (Masujima 2006). The first objective of these reforms was to increase political leadership. To strengthen the administrative leadership of the cabinet and prime minister, the reform introduced new positions in the cabinet secretariat; established a new Cabinet Office; created ministers for special missions; set up councils of important policies, such as the Council on Economic and Fiscal Policy; and placed new, politically appointed positions—senior vice minister and parliamentary secretary—within each ministry. These measures were aimed at “bringing the politics back in” to the policy-making process. With regard to the creation of important policy councils, in reality, the Council of Economic and Fiscal Policy has become more influential in the budget formulation process, which had been occupied by the Liberal Democratic Party and Ministry of Finance.

The second objective was to restructure national administrative organs. One office and 22 ministries in the central government were reorganized into one cabinet and 12 ministries by realigning the roles of the government. Policy coordination on issues that concern two or more ministries would become more effective through the comprehensive coordination of the Cabinet Office, which was given higher status than other ministries. This central government reorganization aimed to eliminate ministerial sectionalism. The Ministry of Construction and Ministry of Transport and National Land Agency, which had been developing land policy separately, now merged into the Ministry of Land, Infrastructure and Transport.

13.5 Performance Management in Local Government

It is worth noting that quite a number of performance management practices were initiated by local governments well before the policy evaluation system was introduced in central government in 2001 (Kubota 2005). For example, the Mie prefecture government, a relatively small regional local government, introduced a policy evaluation and performance measurement system in 1995. The Shizuoka prefecture government started the project inventory system with total quality management (TQM) in 1999. As of January 1, 2006, almost all prefecture (regional)

Table 13.2 Administrative Evaluation System in Local Governments

<i>Local Government Type</i>	<i>Number Installed</i>	<i>Ratio (%)</i>
Prefectures (includes TMG) (<i>n</i> = 47)	46	97.9
Designated (metropolitan) cities (<i>n</i> = 14)	14	100.0
Core cities (pop. more than 300 thousand) (<i>n</i> = 37)	32	86.5
Special cities (pop. more than 200,000) (<i>n</i> = 39)	35	89.7
Other cities (<i>n</i> = 694)	311	44.8
Towns and villages (<i>n</i> = 1,291)	161	12.5
Total (<i>n</i> = 2,122)	599	

Source: Calculated from the Ministry of Internal Affairs and Communications Web site [in Japanese] <http://www.soumu.go.jp/index.html>

governments had installed policy evaluation or performance measurement systems, as had 90% of major cities (with populations over 200,000) (see Table 13.2).

Local government performance management systems have considerable variation: the project inventory system (Shizuoka), benchmark (Tokyo, Shiga), project evaluation (Mie), citizen’s satisfaction (Aomori), and the like. As local governments have gained more experience in performance management, many of them have experienced a bit more innovation too—sometimes addressing matters like performance and budget consolidation, citizens’ engagement in the evaluation process, performance indexing, and developing systems of prioritization.

For example, the administrative evaluation system in Yokosuka, a midsized suburban city (population about 400,000) 50 kilometers from the center of Tokyo, is acknowledged as an innovative leader in administrative evaluation. It was top ranked for its transparency among 698 cities in Japan. In 2004, Yokosuka was internationally recognized by the World Information Technology & Service Alliance. Yokosuka’s administrative evaluation system featured its IT-based system, participatory performance management with citizens’ engagement in the evaluation process, and an established performance management cycle with both internal evaluation by officials and external evaluation by a third-party committee, including its citizens. In this case, voices of “normal citizens” are reflected in the evaluation process through their participation in the third-party committee and citizen’s survey regarding policies (see Figure 13.3).

As the Yokosuka case indicates, local governments are keener to promote performance management reform than the central government is. This may be because

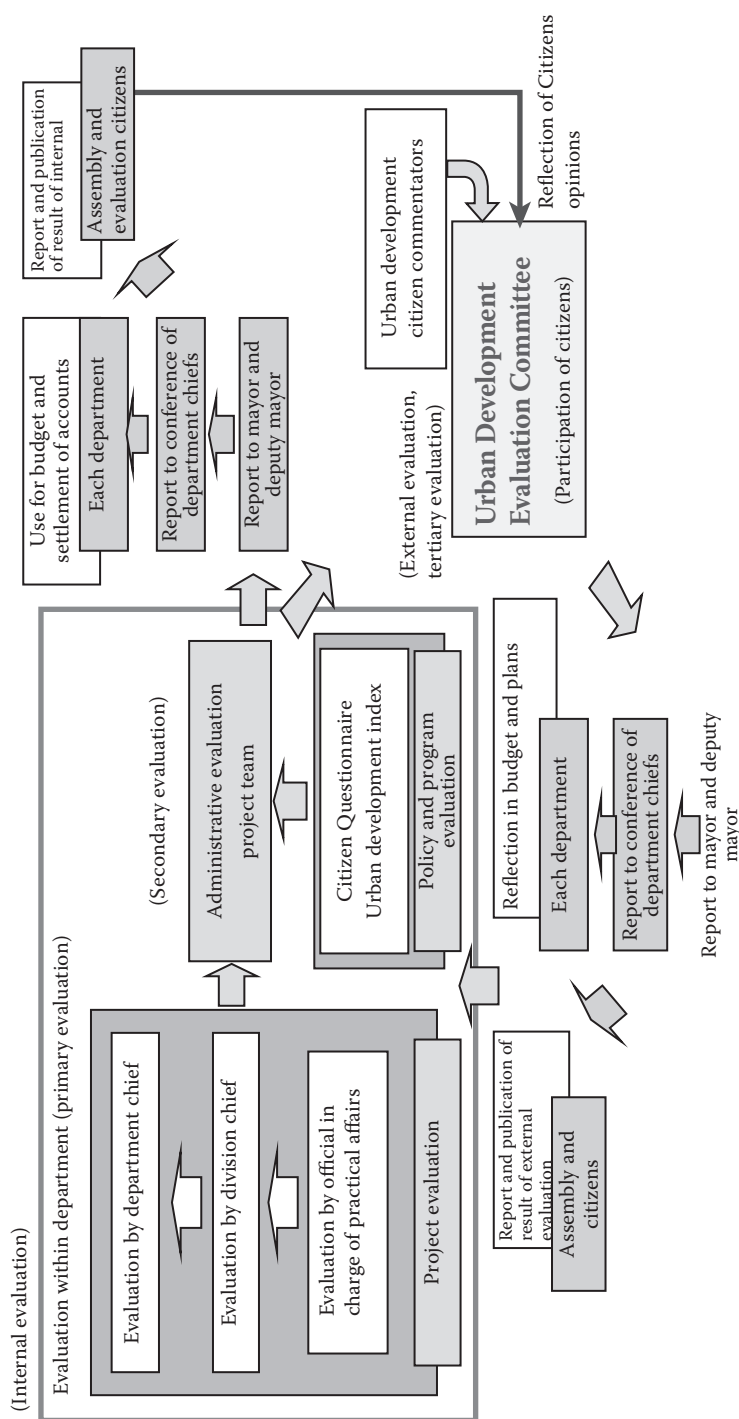


Figure 13.3 Administrative evaluation systems in Yokosuka. (Prepared from “Yokosuka City Efforts for Its Administrative Management—Administrative Evaluation and Administrative Reform,” 2006.)

the local governments have experienced stricter budget constraints, especially in the late 1990s, and have had to prioritize their duties with strategically managing the resources. Also, some mayors and governors in local governments were enthusiastic to imprint the NPM ethos and management in their management system. Finally, in a somewhat ironic twist, because about 70% of government duties in terms of fiscal scale are conducted through local governments, diffusion of the performance management innovation from the local to the central level could be viewed as a natural development.

13.6 Incorporated Administrative Agency System

Another major performance reform is the Incorporated Administrative Agency (IAA) system introduced in 2001. An IAA is an agency with corporate status established by the central government. It is established to undertake a public service function efficiently and effectively. IAAs are established when it is possible to separate this function from a government organ, yet not possible or desirable to transfer the function to private business (e.g., because of a need to ensure service stability, various socioeconomic reasons, monopolistic service provision, lack of viable private organizations, and so on). Many government functions are transferred under the IAA category and, as of FY 2006, 101 IAAs existed in policy areas such as national institutes and universities, national museums, and executive agencies (see Figure 13.4).

The IAA system is a Japanese version of the Next Steps Executive Agency in the United Kingdom or Crown Entity in New Zealand (Yamamoto 2003), except that IAA officials do not have civil service status and the IAA has its own corporate status apart from the national government (Okamoto 2001; Kaneko 2006). The system was introduced to enhance effectiveness, quality, and transparency and was derived from the idea of the executive agency system in the United Kingdom as a new way of organizing and providing paragon government service functions (Sanuki 2005). The new idea taken from the British management practice was localized and designed to fit into the Japanese system in the council deliberation.

The essential point of the proposal was that government intervention in the IAA was to be strictly limited. IAA managers have much discretion in operation, finance, and personnel management. In terms of planning, the responsible minister of the state for each IAA presents the midterm objective, which the IAA must achieve in 3–5 years' duration. The midterm objective includes its duration, efficiency targets, and performance targets. Based on the midterm objective, the IAA is required to draft a midterm plan to achieve the targets presented in the objective and its annual operation plan. According to this midterm and annual operation plan, the IAA performs its operation in a flexible manner.

Regarding ex-post evaluation, the performance of each IAA is periodically evaluated by the IAA evaluation committees under the respective responsible ministry and the Commission on Policy Evaluation and Evaluation of Incorporated Administrative

Cabinet Office (4)

National Archives of Japan
National Consumer Affairs Center of Japan
Institute of Science and Technology

Ministry of Internal Affairs and Communications (3)

National Institute of Information and Communications Technology
National Statistics Center
Public Foundation for Peace and Consolation

Ministry of Foreign Affairs (2)

Japan International Cooperation Agency

Ministry of Finance (5)

National Research Institute of Brewing
Japan Mint
National Printing Bureau

Ministry of Education, Culture, Sports, Science and Technology (25)

National Institution For Youth Education
National Women's Education Center
National Science Museum
National Research Institute for Earth Science and Disaster Prevention
National Museum of Art
Japan Science and Technology Agency
Japan Society for the Promotion of Science
Japan Aerospace Exploration Agency
Japan Student Services Organization
Japan Agency for Marine-Earth Science and Technology
Japan Atomic Energy Agency

Ministry of Health, Labor and Welfare (14)

National Institute of Health and Nutrition
Organization worker's Retirement Allowance Mutual Aid
Japan Organization for Employment of the Elderly and Persons with Disabilities
Welfare and Medical Service Agency
Japan Institute for Labor Policy and Training
National Hospital Organization
National Institute of Biomedical Innovation
Government Pension Investment Fund

Ministry of Agriculture, Forestry and Fisheries (14)

Food and Agricultural Materials Inspection Center
National Center for Seeds and Seedlings
National Livestock Breeding Center
National Agriculture and Food Research Organization
Agriculture and Livestock Industries Corporation
Farmers Pension Fund
Japan Green Resources Agency

Ministry of Economy, Trade and Industry (11)

Research Institute of Economy, Trade and Industry
National Center for Industrial Property Information and Training
Advanced Industrial Science and Technology
New Energy and Industrial Technology Development Organization
Information-Technology Promotion Agency, Japan

Figure 13.4 Main independent administrative agencies. The number after the ministry name indicates the number of responsible IAAs under the ministry.

Ministry of Land, Infrastructure and Transport (20)

Public Works Research Institute
 National Traffic and Environment Laboratory
 National Maritime Research Institute
 National Agency of Vehicle Inspection
 Urban Renaissance Agency

Ministry of the Environment (2)

National Institute for Environmental Studies
 Environmental Restoration and Conservation Agency

Ministry of Defense (1)

The Labor Management Organization for USFJ Employees

Figure 13.4 (Continued)

Agencies situated in the MIC. Each commission member is selected from experts in the policy area outside the public sector. The IAA Evaluation Committee investigates and analyzes the status of the achievement and progress of the midterm objective; if necessary, the committee makes recommendation about an IAA's operation. The results of the evaluation by the IAA evaluation committee in respective ministries are conveyed to the Commission on Policy Evaluation and Evaluation of Incorporated Administrative Agencies. The latter committee is composed of seven members from business and academics and can even make recommendations to each responsible minister to change or abolish the undertakings of the IAA. However, there have been no cases of abolition except for mergers of the IAAs.

As an example of IAA efficiency and innovation, the National Institute of Advanced Industrial Science and Technology (NAIST), which transformed its status from an arm's-length body under the ministry in 2001, changed its payroll system and based it more on performance. About 7% of total salary budget is pooled for performance-based compensation. The band of fluctuation from the average performance pay is between -50 and +200% based on individual performance, so -50 to +200% was introduced. With this incentive, patents and articles produced by NAITS have been significantly increased after transformation to IAA status. As the other case of the business improvement, the National Museum of Art (NMA) has made various efforts to improve its services, including the extension of business hours until 8:00 in the evening to attract more visitors. The number of entrants and the income from the admission fee have significantly increased.

It is obviously too soon to tell how the IAAs will work out. However, one issue has been that, in an effort to limit their numbers, some IAAs have been created with rather diffused missions. The IAA system provides each manager greater flexibility in organizational, human, and financial management, but the question for some is the ends to which this discretion is to be placed; in some cases, the managers are struggling to integrate the corporate plan with diffused missions and targets. Likewise, in some IAAs, the scale of the business and budget has been dramatically increased after the mergers, almost beyond the span of control. This in turn would make the performance evaluation process less objective and relevant. Establishing

clear, specific, integrated missions and targets is likely to become a salient issue for IAAs in upcoming years (Agata 2006).

13.7 Budgetary Management Reforms: Creation of the Council on Economic and Fiscal Policy

As a result of central government reform in 2001, the Council on Economic and Fiscal Policy was established in the Cabinet Office to strengthen executive leadership of the cabinet and the prime minister for important policies and programs in the budgetary process. The Council on Economic and Fiscal Policy is a consultative organ placed within the Cabinet Office. It is headed by the prime minister and includes the chief cabinet secretary, the minister of state for economic and fiscal policy, other relevant ministers (minister for internal affairs and communications, minister of finance, minister of economy, trade and industry), the head of the relevant institution (the governor of the Bank of Japan), and four private-sector experts.

The establishment of the council has definitely had an impact on the budgetary process and its management. Before, the process was dominated by the Ministry of Finance and influential politicians (often called *zoku*, which means lawmakers who represent the interests of specific industries or policies), and the room for the prime minister to exercise executive leadership was limited. Today, the prime minister can exercise executive leadership in policy and budgetary processes by using the council function as a “commanding heights” or “control tower.” Utilization of the council depends on the prime minister’s policy and executive capacity, of course. The Mori administration used little of the council, and perhaps the most often discussed instance of the council’s usefulness is the privatization of the postal services during the Koizumi administration from 2001 to 2006. The prime minister wisely used the council as the strategic headquarters for robust promotion of privatization when he faced political backlash against it.

Moreover, he bolstered its role in the budgetary process, which had long been politicized and decentralized but was changed after the council was created. Now, the council decides the course and strategy for the Japanese economy every June, when the government estimates the next 5 years’ economic and fiscal conditions. In June, the council publicizes “Basic Policies for Economic and Fiscal Management and Structural Reform,” which decides the basic policy and budgetary agenda for the next year. Following the basic policies, the council then releases the budget overview, and all ministries have to take this overview into account when they submit their budgetary request for the next fiscal year in August. The process of budget requests is dominated by the Ministry of Finance, but the council releases “Basic Principles of Budget Formulation” in December to ensure consistency with the strategic policy areas in the next year’s budget.

13.8 Conclusion

In order to respond to changing socioeconomic circumstances and severe financial constraints, many governments have sought to improve their performance and accountability through institutionalizing modern performance management tools. The Japanese government is no exception to the global reform waves that have taken place since the early 1990s, even if coming a bit late to the table.

Certain organizational and cultural constraints that do affect implementation seem to be embedded in Japanese public management practices. The experiences of the policy evaluation system can be viewed as muddling through old processes and new administrative values. Growing concerns about performance and the demand for evaluation information among parliament members, media, and citizens seem to close the policy information disparity just a bit; this had once belonged exclusively to the bureaucrats.

However, it is too early to know the reliability of performance management in Japan. Undoubtedly, the current reforms have brought forth improvement and some quite notable successes, but whether the current efforts will turn out to be adequate is yet unknown. It is desirable to share experiences with neighboring administrative systems in the East Asian region, which have more or less similar administrative cultures—not only for better public administration in Japan but also for the region as a whole.

Note

1. The primary concern among public officials and politicians was how much they got of the “pork” (Campbell 1977).

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Chapter 14

Civil Service Reform in Japan

Yasuyuki Imanaka

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14.1 Introduction: Historical Roots of the Japanese Civil Service

The modern civil service system in Japan arrived in the nineteenth century when the modernization movement, often described as the “Meiji Restoration,” started in 1868.¹ In that year, the first centralized government, called *dajokan*, was established under the emperor.

The first modern civil service entrance exam system based on the merit principle was started in 1887 when the civil service entrance exam rule was established. Both higher civil services, called *koutoukan*, and lower class civil service, called *hanninkan*, were selected and recruited by the imperial government. In 1877, the government also created an educational institution, the University of Tokyo, as a training ground for higher central government bureaucrats. The school was designated to supply talented public officials, whose function was to implement imperial rule throughout the country.

As gatekeepers of the regency, graduates of Tokyo University were given several privileges. Of these, for a long period, the obligation of the civil service exam was waived for them. The required skills and knowledge for civil service were basically legal knowledge rather than management skills or policy knowledge. It might be noted that until around 1990, many officials were in fact recruited from the lower samurai class that had been leading the Meiji Restoration and the activities against the previous tycoon regimes (Silberman 1993).

The recruitment and appointment of *koutoukan* and *hanninkan* were exercised under the name of imperial prerogative in the government, and thus the executive power itself was under the direct control of the emperor. This system of isolation and freedom from any political control was not changed during the prewar period, though the first modern imperial court was created in 1890 and the first party cabinet was established in 1918. Both of these were part of efforts to institutionalize political control over the civil service based on basic thoughts of the democratic civil service system.

The new constitution in 1946 and the following new civil service law in 1947 sought to reform the character of civil service drastically, making it more representative (i.e., going beyond the pool of graduates of elite schools) and creating a democratically responsive group of officials who would serve the people as “civil servants” (Sakamoto 1991). The new constitution stated that “all public officials are to be servants of the whole people and not of any group thereof and the people have the inalienable right to choose and dismiss their public officials” (article 15). Based on this principle, the national civil service law was enacted in 1946; this law addressed vesting appointment power in the hands of ministers, the merit principle, guarantee of civil service status, and the office regulation that prohibited workers from resorting to strikes.

Yet, though the new constitution and civil service law sought to democratize and liberate the civil service from imperial rulings, the Allied forces occupying Japan after its surrender in 1945 did not purge the bureaucracy. Rather, they sought to use the national bureaucracy as their agent of the reform process; the traditionally undemocratic character of civil service remained (Tsuji 1984). The national bureaucracy kept its influential power and dominance of national policy-making processes in the postwar era, causing some to refer to Japan as the “bureaucrats’ kingdom” (Gibney 1998). With regard to civil service reform,

the first comprehensive efforts would have to wait until the turn of the twenty-first century.²

14.2 Outlines of Public Administration Reform (2000) and Civil Service Reform (2001)

Modern civil service reform started on December 1, 2000, when the “Outline of Public Administration Reform” (*Gyosei Kaikaku Taiko*) was approved in a cabinet meeting. Leading up to this were a number of reports, such as those by the Administrative Reform Council (*Gyosei Kaikaku Kaigi*) in 1997 and Civil Service System Research Council (*Kohmuin Seido Chosa Kai*), which published “Report of a Basic Course for Reforming the Civil Service System” on March 16, 1999. The 2000 “Outline of Public Administration Reform” began civil service reform, directing the government to develop new policies and programs to implement these policies when the new central governmental system started on January 6, 2001. This outline is also significant in that it came at the initiative of politicians in response to widespread concern about the public sector and civil service.

The outline is broad reaching and involves more than civil service reform. According to the outline, its purpose is to create a free and fair society based on independent individuals in the twenty-first century. To do this, it is necessary to reconstruct government, specifically through the following goals:

- strengthening the cabinet’s functions and creating comprehensive and flexible government by reorganizing government ministries
- creating a simple and efficient public administrative system by using civilian capabilities and introducing ex post facto policy assessment in order to respect the independence and responsibility of people
- achieving a highly transparent governmental system by disclosing governmental information and increasing accountability
- providing high-quality civil service that truly focuses on the people by computerizing administrative affairs and improving public convenience in utilizing civil service³

The outline notes several problems relating to civil service, which has faced harsh public criticism. Civil servants are seen as being overly content with their organizations, parachuting to private companies after retirement (and using aggressive ways to achieve this), excessively intervening in the public sphere, being hidebound by precedent, not providing service, and so on. The “Outline of Public Administration Reform” states that drastic reforms of the civil service are needed to regain public trust of civil servants. Civil servants should seek to use their abilities with a stronger sense of mission to address challenges facing central and local governments.

The outline mentions a need to increase the importance of merit-based personnel systems. Traditionally, concepts of merit and job classification in Japan have been secondary to those of seniority, showing effort and dedication, and being a creative generalist who gets the job done. Even though the former concepts are part of the laws, in practice they are much less important than the latter. The outline suggests eliminating seniority rules and age-linked wages, introducing merit-based personnel systems, improving personnel evaluation systems, reviewing the rigid recruitment system, and promoting diversity by actively promoting women, employing midcareer workers, and valuing volunteer work.

The outline also mentions a need to increase personnel mobility by advancing personnel exchanges between agencies and between the public and private sectors, as well as to reinforce staff for ministers by allowing them to hire staff from other ministries for policy planning purposes. It makes each minister responsible for managing his or her agency's personnel, thereby avoiding many current rules and inflexibilities imposed by the Central Personnel Administration.⁴

Many retirement issues are discussed, such as preventing government bureaucrats from landing cushy jobs, as well as regulations that prevent bureaucrats from receiving both retirement benefits and salaries by working for public corporations after retirement from public service. It also mentions excessive advantages for long-time workers, pension gaps between the public and private sectors, and a need to extend the retirement age. All in all, it certainly and beyond a doubt confirms the need for reforming the Japanese civil service system, some of which is seen as requiring revisions of the National Civil Service Law and Local Public Service Law.

One year later, on December 25, 2001, the cabinet approved "Outline of Civil Service Reform" (*Kohmuin Seido Kaikaku Taiko*), providing detailed directions for civil service reforms. This outline also set a time limit for amendments of the National Civil Service Law, directing the government to submit a bill to the Diet by the end of 2003, to submit related bills and subordinate laws by the end of FY 2005, and to transition toward a new system by FY 2006. In the following, specific recommendations made in the outline are listed.⁵

1. *Construction of new personnel system.* (i) Creating a new job classification system which provides standards for recruitment, salary, and evaluation according to their job ability.⁶ (ii) Establishing a new recruitment system based on job classification and putting the right person with the right abilities in the right place. (iii) Develop a new evaluation system for discharging or demotion based on clear standard and measures. (iv) Creating a new salary system which reflects employees' ability, duty and achievement, including incentives which reflect employees' ability, duty and achievement. (v) Introducing a new evaluation and assessment system based on employees' ability and achievement. (vi) Setting organization goal and establishing standard for behavior (i.e. work performance levels). (vii) Establishing a system for developing human resources and for supporting "fast-track" bureaucrats based on eagerness and

- ability, regardless of recruitment category. (viii) Establishing a new personnel system for executive staff (e.g., Vice Minister, Director, Assistant Vice Minister and etc.). (ix) A new system that supports employees who seek to improve themselves through education, including a study abroad program.⁷
2. *Recruitment of diverse human resources.* (i) Revising the recruitment examination in order to obtain a broader pool of successful candidates. (ii) Making more use of “open” recruitment for filling internal positions, thereby helping employees to better use their talents. (iii) Recruiting more human resources from private sector, allowing public servants to be employees at private companies, and creating a more flexible salary system to make this possible. (iv) increasing the recruitments of females, and helping both females and males to achieve a good balance between work and family
 3. *Establishing proper rules for reemployment.* (i) Develop rules for approving reemployment, especially restricting reemployment at an economic company to appeal to civil servants (i.e., anti-lobbying).⁸ (ii) Develop rules regarding reemployment at special public corporations and charitable corporations to avoid or reduce retirement benefits and salaries for directors, including rules that require public corporations and the government to disclose how many retired public servants are serving as a executive at a corporation or its affiliate company. (iii) Rules to adjust the present retirement benefit system which is advantageous for longtime employees.
 4. *Improvement of organizational performance* (i) Allow ministries to determine their own staffing needs based on their judgment and responsibility. (ii) Create a “national strategy staff” from inside or outside the government through which the Prime Minister appoints employees at his or her discretion for purposes of policy development. (iii) Reduce extra duties that come from preparation for the Diet, legal screens, budget negotiations, discussions among ministries, etc. which causes extra duties consistently.

However, this ambitious reform effort fell far behind meeting the intended targets dates. The government was not always able to summarize different opinions, and it faced many problems. Concerns of technical difficulty were raised (the new system would be quite different from the existing one), as well as matters of (un)fairness, such as differences across ministries, ministers approving their own reemployment, and increased rights of government employees to match the greater discretion of personnel managers.

14.3 Four More Reform Efforts: 2004–2007

Four additional policy statements provided a further “push” toward civil service reform. These are piecemeal, culminating efforts that nonetheless cover a lot of the previously discussed ground while also showing continued commitment.

The “Policy of Future Administrative Reforms” was approved on December 24, 2004; in this document, the government argued how to crystallize the plan and how to coordinate interests among stakeholders based on the drift of the “Outline of Civil Service Reform.” In this policy statement, the government decided to deal with the following issues: reemployment, development of career paths that better reflect employee abilities, development of a system of personnel evaluation for merit-based decisions (including the development of a trial effort in 2005), and efforts to increase personnel exchanges with the private sector.

A year later, the “Important Policy of Administrative Reform” (cabinet approval) was adopted on December 24, 2005. In this policy, the government announced a trial of its new personnel evaluation system that involved employees’ abilities and service records, with gradual phase-in starting in the second half of FY 2006. In addition, the government moved to promote human resource exchanges between the public and private sectors, to deal with the problem of civil servants retiring just after they had studied abroad, and to look into reemployment following early retirement.

In June 2006, the Law for Promoting Public Administrative Reforms to Achieve Simple and Effective Government was passed; it required government to review the administrative organization, administrative management and reform, and ways of reducing labor costs. It also finalized plans to adopt the personnel evaluation system based on ability and record, as well as final retirement management and human resource exchange policies. It began a broad review of civil service reform activities, including civil servant rights, the role of the National Personnel Authority, the salary system, public opinion, and specific matters relating to salary, reemployment, personnel evaluation, etc. In “About the Actual Decrease of the Number of Civil Servants” (approved by the cabinet on June 30, 2006), a discussion was begun about how each ministry would decrease the number of employees in order to reduce the total number of employees 5% by 5 years from 2006.⁹

Later, in “About Civil Service Reform” (cabinet approval), the government decided to submit bills for amending the National Civil Service Law; these were enacted in June 2007. The amendments include the introduction of a new personnel evaluation system (based on ability and record), regulation of reemployment after retirement, unification of reemployment by creating the Human Resource Exchange Center (Kanmin Jinzai Kouryu Center), and establishment of the Reemployment Watchdog Committee (*Saishuushoku tou Kanshi Iinkai*).

In addition, “About Civil Service Reform” included creating a committee of intellectuals under the prime minister to review, advise on, and possibly propose legislation about the civil service system (Law of Civil Service System Reform, tentative). Thus far, the committee has discussed the recruitment of specialist personnel, the introduction of more open recruitment, further expansion of personnel exchanges, and extending the retirement age. The committee also produced a report, “Civil Servants’ Basic Rights in Regard to Their Labor” (*Koumuin no Rohdo*

Kihon Ken ni tsuite), on October 19, 2007. The report suggests allowing civil servants to have a labor pact but postponing their right to strike.

These efforts show ongoing commitment to civil service reform, furthering the groundwork laid by the “Outline of Civil Service Reform” discussed earlier. In addition, some panels and councils were created to support civil service reform, often providing the loci for the policy discussions and studies mentioned previously:

As noted before, a committee of intellectuals was established under the prime minister (formally called the Administrative Reform Promotion Office Expert Panel). Proposals from this panel are expected to be introduced into the Diet. The Council for the Comprehensive Reform of the Civil Service System was created under the prime minister based on “About the Civil Service System Reform.” It has discussed matters about recruiting specialists, introduction of open recruitment, expanding human resource exchanges, increasing the retirement age, management of executives by the cabinet, creating a national “strategic staff” to assist ministers in their policy research and development, recruiting older civil servants, developing talented civil servants who can work internationally, and motivating civil servants.

The Council for Institutional Design of the Human Resource Exchange Center will be established in 2008 to manage and unify rules about reemployment within 3 years. The council conducts hearings with ministries and agencies, and it studies the problems of early retirement, the dual-career system, and establishment of specialist staff.¹⁰

14.4 Major Reforms of the Civil Service System

Although the civil service reform process is still ongoing, it is useful to list reforms that have already been implemented. In many cases, however, it is still too early to tell what the eventual result of these efforts will be. The following sections use the outline of the preceding discussion of the “Outline of Civil Service Reform.”

14.4.1 Construction of New Personnel System

Although the government did not introduce the job classification system suggested in the “Outline of Civil Service Reform,” it did amend the National Civil Servants Law and introduced a personnel system based on personnel evaluation that focused on abilities and service records. Personnel evaluation is defined as “the evaluation of service records that is used for the basic information to manage personnel such as recruitment, promotion or discharge based on the record of the employee’s ability or result in working.” Employee salaries are also affected by this personnel evaluation, and each minister has to evaluate employees’ performance regularly based on this evaluation standard. In addition, the government now provides standards

for each position and its expected performance, and applicants' promotions and transfers to new jobs are evaluated against these standards. The new methods were set by government decree after receiving comments from the National Personnel Authority. Policies for recruitment, promotion, transfer, or demotion are set by cabinet approval.

For example, personnel evaluation is implemented in two forms: job activity and job performance. "In case of poor job performance"—one of the reasons for discharge—has been changed to "in case of poor job performance in light of personnel evaluation or working condition." The standard for discharge was clarified by the National Personnel Authority on October 13, 2006, and now includes poor job performance as well as, for example, mental or physical disorders, violation of an order, and disappearance. With regard to salary, the National Personnel Authority suggested, in August 2005, that it was necessary to construct a salary system that takes seniority into account in order to keep up employees' morale and realize effective personnel management, as well as to reform salary and other benefits to address regional wage disparity. Following this, since 2006, the government has gradually sought to flatten salaries, address local allowances, and reflect performance in salary decisions.

The government also enacted a law that clarified employee self-development efforts for national civil servants. Now, civil servants can take a 2-year leave from their jobs for studying at an undergraduate or graduate school and up to 3 years for studies abroad. In June 2006, the government also passed a law stating that civil servants who retire during or within 5 years of study abroad must return government-paid monies related to such activities.

14.4.2 Recruitment of Diverse Human Resources

The National Personnel Authority improved the recruitment exam for first-class civil servants by introducing history and classics to cultural subjects, requiring knowledge of economics for law specialists and vice versa, and increasing the importance of the essay exam.¹¹ The government also facilitated recruitment from the private sector by allowing them to start at levels that are equivalent to the first-class civil exam. The law of human resource exchange, amended in June 2006, enables public servants to be employees at a private company. The "Basic Plan for a Gender-Equal Society" suggests promoting active recruitment of females, setting the goal that 30% of recruitment be females in the first-class civil exam. Each ministry had to follow this plan and ensure that females accounted for 25% of new employees in the first-class category in 2007. The recruitment of females is approaching this goal.

14.4.3 Establishing Proper Rules for Reemployment

The government has adopted various rules to address the problem of reemployment. Employees are now prohibited from helping retired officers find reemployment, and

incumbent officers are prohibited from searching for reemployment at their related corporations. The Human Resource Exchange Center, headed by the chief cabinet secretary, is now in charge of this. If executive bureaucrats gain reemployment within 2 years after their retirement, they have to report it to the prime minister. The government also created a Reemployment Watchdog Committee, which investigates alleged violations of reemployment regulations and is also in charge of exemptions relating to reemployment regulations. Importantly, an amendment of the Retirement Benefit Law was passed that prevents employees from gaining multiple retirement benefits from working at different public agencies.

With regard to antilobbying rules, retired officers who gain a post at a company are prohibited from appealing to public servants about a contract or decision involving their present company or related company within 2 years of their retirement, relating to activities which happened up to 5 years before their retirement. In addition, a retired officer cannot approach a contract or decision that the retired officer made by himself or herself. If a civil servant is approached by a retired officer, that servant has to report it to the reemployment inspector. Violation of these rules is subject to criminal proceedings.

Regarding the retirement system, the government also increased retirement benefits for medium-range employees so that benefits are more proportional to the number of service years. The government increased the retirement buyout age for executives, increasing it by 3 years in the 2008 fiscal year.

14.4.4 Improvement of Organizational Performance

Efforts are underway to cut back the number of civil servants and to implement streamlining processes. This includes staff training and processes for transferring human resources when decreasing the number of employees. Efforts have also been undertaken to eliminate overwork—for example, by increasing the cost-consciousness of executives and making active use of policies that allow people to start earlier or end later.

14.5 Conclusion

The government has progressed in making civil service system reforms, reflecting the initial “Outline of Public Administrative Reform” and “Outline of Civil Service System Reform.” At this time, it is difficult to assess civil service reform, not only because some policy measures are still in development, but also because those that have been adopted have only recently been implemented.

Although it is too soon to tell how these reforms will work out, a few things are worth noting. First, there is clearly progress toward reform. For example, the recruitment of females is approaching initial targets. Second, some initiatives are responses to widespread public concerns, such as the reemployment issue. These

issues have not let up, and politicians have been responsive by continuing to push them. Yet, there is widespread questioning of whether these measures will be adequate to address this matter. Are they written broadly enough to cover most instances? Will public service executives ignore the rules or find ways around them? Only time will tell; a skeptical public is watching.¹²

Third, although simple reforms and changes in the system, such as providing leaves of absence from a job for self-development, are readily implemented, changes in merit evaluation, job evaluation, salary structures, reemployment, and employee rights are much more complex and difficult to manage. Progress on these matters is likely to be slow. Indeed, there is a perception that, despite the seeming comprehensiveness of reforms, in fact, many have only limited scope and coverage at this time, or implementation might not be very vigorous. For example, it remains to be seen how much of salaries will be affected by performance-based evaluation and how many employees will be dismissed because of poor performance. Will these reforms really increase organizational improvement and efficiency? It remains to be seen how much change will actually be realized.

Fourth, how will we know? Evaluation studies have been undertaken in Japan, but they are few. The National Personnel Authority, an independent agency, has been reluctant to involve itself in political or high-profile issues. It tracks a broad range of detailed administrative statistics, tracks progress on policy objectives, and provides comparative analyses of rules and regulations with other countries; however, it does not conduct many detailed evaluation research studies. For example, although we will likely know the number of exchanges with the private sector, factors affecting these exchanges may not be known or may be transparent. Academic studies on these matters are also few; thus, we may lack in-depth knowledge of how well these reforms are working beyond some limited, albeit relevant, administrative statistics.

In short, progress has been made toward civil service reform in ways that were not seen before 2001. However, it is too early to tell what results are or will be.

Notes

1. See Chapter 9 for a general overview of this history. Prior to 1868, the Japanese island had been ruled and governed by the tycoons for more than 250 years under the feudal system. In order to catch up with the great powers in the Western countries, the Meiji era government was formed to strengthen state capacity with a policy of increasing wealth and military power.
2. With regard to recruitment, Kim (2002) notes: "The predominance of alumni from prestigious universities in the upper echelons of the bureaucracy continued unabated in both societies [Japan and Korea]." Also, Chapter 9 shows the growing role of politicians since the 1970s, suggesting increased responsiveness by bureaucrats since then. There is also literature on the Hashimoto reform (1996–1997) and earlier efforts at reform (e.g., Tanigaki 2001).

3. Several key issues in public administrative reform are indicated in the outline: (1) the necessity of public corporation reform, civil service reform, public accounting reform, reform in the relationship between government and public agencies, and the introduction of public sector evaluation in terms of creating a new governmental system appropriate in the new age; (2) the necessity of much further decentralization in order to reexamine the relation between the central and local government and to promote the autonomy and independence of local governments; (3) from the aspect of constructing a new relationship between public and private sector, the necessity of relaxation of regulations; and (4) the necessity to promote many things, such as realization of electronic government, amalgamation of policy implementation by reorganization of central government ministries, and reduction of governmental work. The civil service reform is one of these reforms. The need for reform is also mentioned in Kim's article (2002, 391), which shows that both Japan and Korea had similarly modest rankings of government efficiency: 29 and 31 out of 49 countries, respectively, in 2001, according to the International Institute for Management Development.
4. Under the present system, Central Personnel Administration checks *ex ante* the quorum (salary), organization, and number of employees. However, in a new system, the Central Personnel Administration establishes a clear standard in advance and checks whether the minister keeps that standard or not. Also, following the objective of the Basic Law on Reforming Government Ministries, each minister has to separate voluntarily plan and implementation regarding personnel affairs, service, and organization in order to maximize the organization's ability.
5. The preamble additionally adds the need to reform bureaucrats' ways of thinking and behavior in order to serve the public better and to establish a creative environment in which bureaucrats can be competitive in bringing their full abilities into play.
6. It should be noted that job duties are often ill defined and that promotions are often based on the tradition of not being promoted ahead of a colleague who entered the agency earlier. Such practices are seen as furthering fairness and hence harmony, but do little to address the ills mentioned earlier.
7. Interestingly, the Japanese government also redeems the cost of sending bureaucrats to study abroad when they take early retirement.
8. The outline suggests that the cabinet sets the standard for the approval system by government decree and harmonizes the management of this system. Personnel management officers announce details about each case. The National Personnel Authority comments on the standard for approval and makes several recommendations for improving the implementation of approval. It also tries to introduce sanctions against violation, including some penalties.
9. The total number of employees is also tied to actual GDP growth in future years.
10. With regard to local government civil servants, the bill for amendment of the Local Public Servant Law was submitted to the Diet, but it failed to pass and remains under deliberation. After the amendment of National Public Servant Law, the LDP suffered a crushing defeat in the upper house election. As a result, the LDP and Komei Party cannot reach a majority, and the DPJ is the leading party in the upper house. In this situation, there would be twists and angles before civil service system reform could be achieved, including local public servant system reform and labor rights problems.

11. Responding to the growing number of professional graduate schools of public administration and public policy, the National Personnel Authority, which is responsible for the national civil service exam implementation, added the new subject, "public policy," in the National Civil Service Exam for the first-class law, economics, and public administration category in 2006. The students of major professional graduate schools of public administration and public policy expressed their first career option to be national public service (32.7%), according to a survey on attitudes toward work (student questionnaire) conducted by the National Personnel Authority (NPA 2006). For instance, the number of applicants from the professional graduate school of public administration and public policy for the National Civil Service Exam for the first-class law, economics, and public administration category grew 22.4% in 2009 from the previous year. However, reflecting the legal capacity tradition for the civil service exam, the number of applicants from law school graduates has also grown and competition is severe between the professional graduate school of public administration and public policy and the law school (<http://ssl.jinji.go.jp/en/recomm/annual2006/pdf/I0103.pdf>).
12. Perhaps the fact that it has taken so many years to pass these rules is indicative of bureaucratic disinterest and, in some cases, resistance.

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Chapter 15

E-government in Japan

Kazuhiro Asano

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15.1 Introduction

This chapter discusses Japanese policy in e-government since 1994. Japanese IT policy is characterized by several major plans spanning a wide range of activities, such as promoting advanced IT infrastructures, applications, digitization of government documents, information standards, and many other matters. This chapter shows that considerable effort has been needed to forge and implement comprehensive policies; not all agencies and sectors of society are always on board or in agreement. The chapter also discusses development of and current issues in

IT policy and e-governance, including privacy and e-voting, which have become major issues in recent years.

15.2 Modern History of Japan's IT Policy and Strategies

15.2.1 The 1990s

The start of modern IT policy in Japan began with the Advanced Information and Telecommunications Society Promotion Headquarters, which was created by the Japanese cabinet and chaired by then Prime Minister Murayama, on August 2, 1994. This initiative was taken in response to the United States' Information Superhighway Initiative under the leadership of then Vice President Al Gore; the headquarters was the first step toward the Japanese version of the Information Superhighway Initiative.¹

Japan experienced fierce competition between ministries for the leadership of the headquarters. For example, the Ministry of Posts and Telecommunications (MPT) was in conflict with the Ministry of International Trade and Industry (MITI), which was in charge of computers, over appointment of the vice chairman at the headquarters. In fiscal year 1995 budget requests, the two ministries raced for outlays for information infrastructure development.² To promote comprehensiveness and avoid the sectionalism of different agencies, the government set up a panel of 12 experts from the private sector at the headquarters on August 31, 1994. In a policy speech at the 131st session of the Diet, Prime Minister Murayama (Japan Socialist Party) asserted his strong determination to promote the IT introduction. Yet, the policy spelled out on February 21, 1995, reflected separate MPT and MITI proposals and fell far short of being a comprehensive policy.

On January 11, 1996, MITI Minister Hashimoto from the Liberal Democratic Party replaced Murayama as prime minister and chairman of the Advanced Information and Telecommunications Society Promotion Headquarters. Prime Minister Hashimoto aimed to reorganize the 23 major central government agencies into 13 agencies in order to reduce sectionalism.³ This also influenced IT policy formulation, easing disputes within the headquarters. In the summer of 1996, Prime Minister Hashimoto stated that because "information and telecommunications form a strategic sector to lead the economy, their development is a very important strategic challenge for Japan."⁴ In the autumn of 1997, the headquarters promoted IT by launching a panel of experts on electronic commerce—a growing topic of the time.

On June 18, 1998, the panel released a report, "Japan's Efforts for Promotion of Electronic Commerce"—the first basic policy on e-commerce. The report found that "it is difficult to conclude that all government agencies have moved closely together to make sufficient efforts" and that "as government responses to problems regarding e-commerce are uncertain, private sector economic units have no choice but to hesitate to fully introduce e-commerce."

Parallel with these efforts, on December 25, 1994, the cabinet adopted the “Basic Plan for Promotion of Digitization of Administration” as a 5-year plan from fiscal year 1995 in order to “shift from paper-based information processing to digitized information processing utilizing telecommunications networks.” Under the plan, the government formulated the “Guideline for Reforming Application and Reporting Procedures in Response to Digitization” and began to implement measures for digitized procedures. In fiscal year 1997, digitization covered only 1,373 procedures—15.56% of the total of 8,822 application and reporting procedures for the central government (MIC 1998). In 1 year, the percentage rose to 24.71% (MIC 1999).

Following the basic plan, the government launched the Kasumigaseki WAN (wide area network), which combined government agencies’ respective local area networks (LANs) to facilitate and upgrade flow of data between agencies.⁵ On December 20, 1997, the government revised the basic plan to promote the digitization of administration more comprehensively. The new plan called for

promoting digitization of application procedures, one-stop administrative services, and increased use of the Internet for providing administrative information
developing comprehensive electronic document management, including official document exchanges and advanced utilization of government agency LANs and the Kasumigaseki WAN
using the Kasumigaseki WAN to link local governments and public corporations together
early resolution of common problems such as the originality of digitized documents, identification of information transmitters and receivers, fee payment methods, etc.

The government sought to create an advanced digitized administration, or an e-government, by the beginning of the twenty-first century, and the plan covered 5 years between fiscal years 1998 and 2002.

Toward the late 1990s, a number of initiatives emerged. First, the Y2K (year 2000) computer problem attracted a good deal of attention; the concern was whether software would malfunction when the year changed from 1999 to 2000 or, in two-digit form, from 99 to 00—a discontinuous progress. On September 11, 1998, the headquarters⁶ released “Action Plan on the Year 2000 Computer Problem” and took measures to solve the problem.⁷ The action plan called for simulation tests, information provision, other voluntary checkups, and reports to be sent to relevant government agencies. The Y2K computer problem attracted global attention and was a key topic at the Birmingham Group of Eight Summit (May 15–17) and a Japan–United States summit (September 22) in 1998. Whether because of the testing or for other reasons, Japan and the world reached January 1, 2000, without any serious IT accidents or disasters.

Second, the government adopted another basic plan, this one titled “Action Plan under the Basic Policy for Advanced Information and Telecommunications Society Promotion.” Adopted on April 16, 1999, this plan provided priority funding for

four key objectives of the basic policy: (1) full-fledged diffusion of e-commerce, (2) computerization of the public sector, (3) improvement of information literacy, and (4) development of an advanced information and telecommunications infrastructure. Budget outlays for measures contributing to advancement of the information and communications area were increased from 1,060.3 billion yen (in fiscal year 1999) to 1,655.5 billion yen (MIC 2000b).

Third, this plan was also interested in personal information protection. The headquarters set up a panel on personal information protection on July 23, 1999, and, on November 11, announced an interim report titled “A Desirable System for Protection of Personal Information in Japan.” On December 3, the headquarters pledged to respect the interim report by the panel on protection of personal information and consider specific measures for establishing a basic legal system. This followed in the wake of media reports of massive customer data losses at Nippon Telegraph and Telephone Corp. and NTT DoCoMo Inc. Customer data were stolen through in-house business database terminals and traded by mediators through the Internet (*Asahi Shimbun*, July 2, 1999, p. 1).

At that time, only administrative agencies protected electronically stored personal information; no law existed to protect customer data managed by NTT, financial institutions, and other private-sector entities (*Asahi Shimbun*, July 3, 1999, p. 35). This was Japan’s first effort to consider personal information protection laws for the private sector and it was clearly needed urgently.

15.2.2 The Early 2000s

At the turn of the millennium, the development of IT policies received further invigoration. First, another new basic plan was released by the headquarters, which was now being chaired by Prime Minister Mori who had succeeded Obuchi upon his sudden death. On March 31, 2000, “Basic Framework for Promotion of Digitization of Application and Reporting Procedures” was released; it furthered online application, reporting, and other procedures between citizens and the central government. By the end of fiscal year 2003, 13,317 procedures (96% of procedures subject to online implementation) were to be made available online (MIC 2000a).

Beyond this, on July 5, 2000, Mori announced that the headquarters had been renamed the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society (IT Strategy Headquarters) and that a new IT Strategy Council, consisting of private-sector experts and chaired by then Sony Chairman Nobuyuki Idei, had been created under the supervision of the new headquarters.⁸ Mori also created a new ministerial post for IT, and the chief cabinet secretary then also served as IT minister (Cabinet Secretariat 2000). The changes reflected dissatisfaction with Japan’s progress in IT. Indeed, when a new basic IT strategy was released on November 27, 2000, it frankly admitted Japan’s lag in introducing IT: “Japan falls far behind other nations in embracing the IT revolution.” Figure 15.1 shows the history of Japan’s IT policy development.

August 2, 1994	"Advanced Information and Telecommunications Society Promotion Headquarters" established within the Cabinet
July 7, 2000	"IT Strategy Headquarters" established within the Cabinet / "IT Strategy Council" established
November 27, 2000	"Basic IT Strategy" decided
November 29, 2000	"Basic Law on the Formation of an Advanced Information and Telecommunications Network Society (IT Basic Law)" passed
January 6, 2001	"Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society (IT Strategic Headquarters)" established within the Cabinet
January 22, 2001	"e-Japan Strategy" decided
March 29, 2001	"e-Japan Priority Policy Program" decided
June 26, 2001	"e-Japan 2002 Program" decided
June 18, 2002	"e-Japan Priority Policy Program - 2002" decided
July 2, 2003	"e-Japan Strategy II" decided
August 8, 2003	"e-Japan Priority Policy Program - 2003" decided
February 6, 2004	"e-Japan Strategy II Acceleration Package" decided
June 15, 2004	"e-Japan Priority Policy Program - 2004" decided
February 24, 2005	"IT Policy Package - 2005" decided

Figure 15.1 Japan's IT policy history. (Source: <http://www.kantei.go.jp/jp/singi/it2/enkaku.html>)

The new headquarters' basic IT strategy of November 27, 2000, cited four priority policy areas:

- establishment of ultrahigh-speed network infrastructure and competition policies
- facilitation of electronic commerce
- realization of an electronic government
- nurturing of high-quality human resources

Regarding electronic government, the strategy stated that “under an electronic government, administrative transactions among government offices or between governments and citizens/businesses that have been conducted on a document and/or meeting basis will be made available online, and information will be shared and utilized instantly across various central and local government offices through information networks.” Specifically, six actions were identified:

- All local governments should be connected to local authorities’ wide area network by fiscal year 2003.
- Secure administrative IC cards with digital signatures should be introduced immediately.
- Central government should increase information exchanges with the public via the Internet.
- The central government should decide on and propose a standard information system plan for local governments immediately.
- Administrative procedures and management, such as the reduction and standardization of documents required for administrative and legal procedures via the Internet, should be increased.
- Government procurement was to be digitized via the Internet.

With regard to digitization of procurement procedures, the government launched a new unified system for qualifications of participants in competitive bidding in January 2001 and a comprehensive database covering procurement information of central government agencies in June 2001.

On November 29, 2000, 2 days after the adoption of the basic IT strategy, the Basic Law on the Formation of an Advanced Information and Telecommunications Network Society (IT basic law) was enacted. As provided in article 25 of the law, the government established the IT strategic headquarters in the cabinet on January 6, 2001. On January 22, 2001, the headquarters decided on an e-Japan strategy based on the basic IT strategy. The e-Japan strategy called for the government to “promote the establishment of one of the world’s most advanced Internet networks within 5 years, and enable all the people who need it to have ultrahigh-speed access networks (30–100 Mbps as a standard) at affordable rates.” On March 29, 2001, the government adopted the e-Japan priority policy program as an action plan for the e-Japan strategy (see Figure 15.2).

Many of the preceding initiatives were released in following months and years. For example, in April 2001, the Ministry of Internal Affairs and Communications launched the e-Gov electronic government window with a search and guidance function that would prompt central government agencies to provide information in a unified manner and allow citizens to access information more easily from these agencies (CIO Liaison Meeting 2007). On April 26, 2001, the new Koizumi cabinet was inaugurated, which furthered these efforts. On June 26, the government adopted its e-Japan 2002 program (“Basic Guidelines Concerning the IT Priority Policies in FY

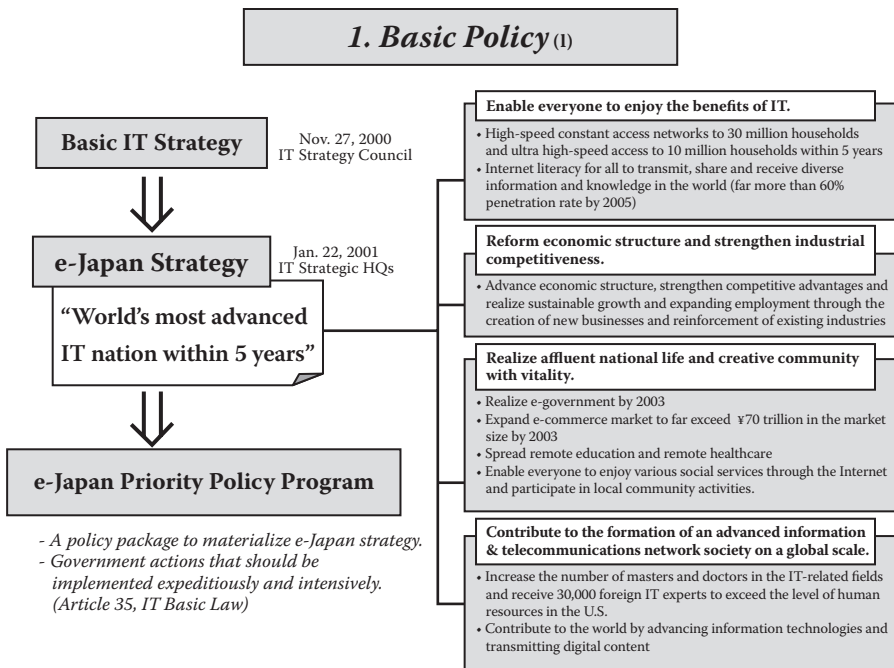


Figure 15.2 Basic policy of the e-Japan priority policy program. (Source: <http://www.kantei.go.jp/jp/singi/it2/dai3/jyuten/0329sum3.html>)

2002”), which reflected the e-Japan strategy and e-Japan priority policy program in fiscal year 2002 for different government agencies.

According to information released on June 18, 2002, the government reported that it had implemented all of the 103 measures it had planned for the initial year (as part of a total of 220 measures to be completed by fiscal year 2002).⁹ Yet critics paint another picture. They note that government officials had little IT knowledge and depended on IT companies even for the initial planning stage, and that IT companies attempted to obtain the first government contracts even at the cost of profit, build their favorable systems, and monopolize subsequent contracts.

A typical example was the National Tax Agency’s electronic tax return filing and payment system. NTT Data Corp. offered a price of only 10,000 yen to win a contract for the first test phase, for which the agency had set aside 550 million yen. Later, NTT Data offered a price of 980 million yen for the second-phase contract and obtained it. No rival bidders emerged for the third-phase contract. The company was thus awarded a 6.1 billion yen discretionary contract for the third phase. It was also awarded the fourth-phase contract, under which it leased equipment for 270 million yen per month in addition to an initial payment worth more than 700 million yen. As for personal identification systems for online

applications, critics said the government could have avoided massive spending by introducing a unified system for all government agencies. Government agencies began to build their respective personal identification systems individually and were forced to develop a system for combining their respective systems (*Asahi Shimbun*, November 4, 2002, 3).

Yet, progress was made during this period. On July 2, 2003, the headquarters announced its "E-Japan Strategy II," which noted,

The Establishment of the Environment for Internet Utilization target of providing high-speed Internet to 30 million households and ultra-high-speed Internet access to 10 million households was achieved. In addition, Japan has the lowest high-speed Internet connection rate in the world, with more than 7 million households subscribing to digital subscriber line [DSL] service. Great headway has also been made in the development of systems for the better facilitation of e-commerce and e-government. Much has been achieved in the past 2 years. Therefore, we can say that we have successfully carried out most of the goals of the first phase of Japan's IT strategy plan, and are now ready to move ahead to the second phase of Japan's IT strategy....In this second phase, we will begin to utilize the infrastructure which was established during phase I to actively transform many of our social and economic systems under the concept that the private sector has a leading role to play with government support in these reforms, hence, clarifying the roles of the private sector and the government.

On July 18, 2003, the government adopted the e-government building plan at a liaison meeting of chief information officers from central government agencies that furthered earlier policies providing citizen-oriented administrative services and improving the efficiency of government. The latter linked IT to efficiency through elimination of operational overlaps, utilization of common systems for common or similar operations of different agencies, unification and concentration of operations and systems, and optimization of operations and systems, including outsourcing of stereotyped operations and making efficient use of human and material resources for simplifying and streamlining administrative services.

This plan was again revised on June 14, 2004, and called for expansion of one-stop administrative services and the e-Gov electronic government. It urged the government to promote online filing of frequently used applications (used 100,000 or more times annually on average). It also called for stepping up optimization of operations and systems by compiling an operational and system reform policy (spelling out elimination of operational overlaps, outsourcing, unification and concentration of systems, and other reforms) by June 2005 to clarify the picture of operations and system optimization.

Moving in the direction of greater comprehensiveness, on August 8, 2003, the government adopted the “E-Japan Priority Policy Program 2003,” classifying relevant government actions into five categories:

- furnishing of overall direction
- implementation of regulatory reforms and competition policies
- motivations for the private sector
- implementation of minimum investment, gap remedies, and security
- promotion of a more efficient, advanced government and efficient distribution of resources

Perhaps associated with this, in 2004 an information and telecommunication ministry initiative emerged as a topic, though this may have also reflected renewed sectionalism. The long tale is as follows. The initiative to unify administrative operations for information and telecommunications first surfaced when the Hashimoto cabinet considered realignment of central government agencies. The new Information and Telecommunications Ministry initiative was proposed by Prime Minister Koizumi. On January 16, Koizumi told the year’s first meeting of the Council on Economic and Fiscal Policy:

Since the Ministry of International Trade and Industry and the Ministry of Posts and Telecommunications [have] existed, industrial and economic administration services by MITI have been separated from telecom administration services by the MPT. The business world might have been embarrassed. Even if we call on the present Ministry of Economy, Trade and Industry and the Ministry of Internal Affairs and Communication to cooperate in IT administration, such cooperation cannot be done under the present vertical division of administrative services. If they enhance cooperation, overlaps may be eliminated. We should utilize the Council on Economic and Fiscal Policy to merge their IT administration operations well. (Council on Economic and Fiscal Policy 2004)

Then, a newspaper said that at a CEFPP meeting, Koizumi indicated his eagerness to create an information and telecom ministry by combining operations of the two relevant ministries (*Asahi Shimbun*, January 17, 2004, 3). However, he later retreated on the information and telecom ministry initiative. Koizumi told the House of Councilors later:

Recently, some newspaper reported that an information and telecom ministry would be created. What I have said is not creation of any new organization. I would like to emphasize the cabinet should be united to promote cooperation to eliminate overlaps and waste investment regarding operations involving multiple ministries. In order to achieve the world’s most

advanced IT nation under the IT Strategic Headquarters in the cabinet, relevant government agencies should unify and implement their IT policies beyond their sectionalism. This is what I have said. (House of Councilors minutes no. 3 for 159th Diet session, January 23, 2004, 20–21)

A secretary from the Ministry of Economy, Trade and Industry was reportedly behind the setback of the information and telecom ministry initiative. The secretary instructed the Cabinet Secretariat in charge of the IT strategic headquarters to work out a list of anticipated questions and planned answers that would prevent the initiative from being emphasized. This was because the secretary was concerned that 85 officials at four divisions under one bureau in METI might have been swallowed by the MIT's two bureaus (comprising 29 divisions with 609 officials for IT administration) if the two ministries' IT administration operations were merged (*Asahi Shimbun*, March 22, 2004, 3). These remarks and moves indicate that sectionalism within the government was still affecting Japan's IT efforts.

Still, policies were moving forward. On February 6, 2004, the government decided on the "E-Japan Strategy II Acceleration Package" to accelerate implementation of "E-Japan Strategy II" (adopted by the IT strategic headquarters in July 2003) and to achieve the goal of turning Japan into the most advanced IT nation in the world by 2005. On June 15, 2004, the government adopted the "e-Japan Priority Policy Program 2004," which said that "in order for the related ministries and agencies to be able to implement actions more systematically and comprehensively, the Liaison Committee among Ministries and Agencies on IT was set up in February of this year under the supervision of the cabinet." Interestingly, the program called for the establishment of the PDCA (plan–do–check–act) cycle for IT policies.

On February 14, 2005, the government decided on the "IT Policy Package—2005," which said:

As a result, Japan has made significant progress in the area of IT and has realized remarkable achievements. For example, Internet service in Japan is now the fastest and cheapest in the world, and Japan's e-commerce market has grown to become the second largest in the world after the United States...On the other hand, where the use of IT in areas such as e-government, medical services, and education is concerned, there still remain issues that need to be addressed in order to ensure that people can safely and genuinely have a real sense of the convenience that IT offers.

The document pointed to delays in three IT areas: (1) promotion of central e-government, (2) promotion of local e-government, and (3) promotion of utilization of infrastructure shared between central e-government and local e-government.

Late in 2005, Japan finished the fifth year since the adoption of the basic IT strategy that sought to turn Japan into the world's most advanced IT nation in 5 years. On January 19, 2006, the Japanese government adopted the "New IT Reform Strategy—Realizing Ubiquitous and Universal Network Society Where Everyone Can Enjoy the Benefits of IT," launching a new IT introduction challenge. For promotion of e-government, where progress was slower, the strategy included a portion titled "The World's Most Convenient and Efficient E-government—Handling 50% or More of All Filings Online and Creating a Small and Efficient Government." Yet it also frankly admitted existing problems with the e-government promotion:

The use of e-government services by individuals and businesses is not increasing substantially because of a lack of convenience from the perspective of users and other reasons, and the introduction of electronic processing by local governmental bodies linked to resident services is inadequate, and users including individuals and businesses do not feel that convenience and the quality of services are increasing.

An action plan to promote use of online government services was later adopted to achieve at least 50% processing of procedures online. The plan included annual online processing targets: 16% for fiscal year 2006, 21% for fiscal year 2007, and 28% for fiscal year 2008.

The "Priority Policy Program 2006," as adopted on July 26, 2006, included "The World's Most Convenient and Efficient E-government—Handling 50% or More of All Filings Online and Creating a Simple and Efficient Government." It called for (1) creating e-government in which convenience and enhanced services could be experienced, (2) promoting optimization of operations and systems, (3) improving and strengthening the e-government promotion setup, and (4) ensuring system reliability and safety and enhancing security. On August 31, 2006, the government decided on the e-government promotion plan for 5 years from fiscal year 2006 at a liaison meeting of chief information officers from government agencies. The plan emphasized "the establishment of a process management setup with the PDCA cycle based on the cost-benefit performance."

On April 5, 2007, the government compiled the "New IT Reform Strategy—Policy Package," seeking a breakthrough for problems to be solved for Japan's new development. The "Priority Policy Program 2007," released on July 26, called on the government to "build a standard model by fiscal 2010 for the electronic administrative service infrastructure allowing easy implementation of various administrative procedures on a one-stop basis and to pave the way for development of software manuals that are easy for small-company owners to use for comprehensive electronic administration services."

The government had been promoting its "u-Japan" initiative for a shift from wired telecommunications infrastructure development to a seamless ubiquitous environment encompassing wired and wireless networks (MIC 2007a). The "2006

White Paper on Information and Communications in Japan” said that, in realizing a ubiquitous network society, the government should prevent ages, sexes, city sizes, annual income, and other attributes from causing wide gaps in utilization of information and telecommunications networks.

At the same time, the white paper noted that less populated regions had not necessarily made smooth progress in utilization of information and telecom networks. This indicated a widening geographical “digital divide” in Japan. At the end of 2006, in fact, the Internet diffusion rate stood at 81.3% in special wards, ordinance-designated major cities, and prefectural capitals versus 74.1% in other cities and 63.4% in towns and villages (MIC 2007b).

A good deal has been accomplished. The policies and basic plans are accompanied by funding, authority, and implementation. For example, the number of Internet users in Japan in 2006 reached 87.54 million, representing a rapid increase from 11.55 million in 1997. The Internet diffusion rate, or Internet users’ share of Japan’s population, skyrocketed to 68.5% from 9.2% (MIC 2007b). As of 2005, 97.6% of enterprises in Japan had introduced the Internet (MIC 2006, 22), but the percentage for enterprises with chief information officers was limited to 16% (MIC 2006, 94). Regarding Internet banking, deposits at four Internet banks in Japan totaled 1,058.3 billion yen at the end of March 2005, up 47.0% from a year earlier (MIC 2007b, 78–79).

15.3 E-governance Issues in the Late 2000s

How far has Japan’s e-government plan developed? Many government agencies have become fully searchable online, including various kinds of administrative records.¹⁰ Beyond this, in fiscal year 2005, 96.2% (13,719) of the government’s total administrative applications and reporting procedures were available online. The online availability rate of other administrative procedures (not involving applications or reporting) was 65.0% (10,695) procedures. By comparison, among independent administrative agencies, these rates were 12.0% (175 procedures) and 7.0% (159 procedures) (MIC 2007b, 297). Efforts were under way in many areas, such as online tendering and bid-opening systems and optimizing operations and systems.¹¹

Yet, despite progress on IT systems and the digitization of administrative procedures and government in general, new issues emerged in the late 2000s. Four of these relating to e-governance are discussed next.

15.3.1 E-government Security

Around 2005, government information security again became a major issue, and the government created the Information Security Policy Council to develop the needed policies and measures. A series of sensitive data leaks had caused concern.

For example, on February 23, 2006, the media reported that military training schedules and other data at the Maritime Self-Defense Force (MSDF) had leaked into the Internet through Winny file exchange software (*Asahi Shimbun*, evening ed., February 23, 2006, 1).

According to the report, MSDF data included confidential warship call signs and military training schedules in an MSDF. The data that leaked into the Internet amounted to 1,000 pages. An officer's private personal computer had leaked the data through the Winny file exchange software. The MSDF officer put the data into the personal computer in defiance of an official Self-Defense Forces (SDF) directive that prohibited SDF officers from bringing SDF data home (*Asahi Shimbun*, February 24, 2006, 39).

The vice minister for defense then issued a notice banning handling of inside information with private personal computers. Nevertheless, a newspaper report said data of the Ground Self-Defense Force (GSDF) leaked through Winny from a GSDF officer's personal computer (*Asahi Shimbun*, evening ed., February 3, 2007, 14). Data leaks through Winny took place at the Ministry of Land, Infrastructure and Transport as well. On June 2, 2006, the ministry announced that a list of names, mailing addresses, and affiliations prepared by the defunct Ministry of Construction for some 1,800 officials had leaked into the Internet (*Asahi Shimbun*, evening ed., June 3, 2006, 15).

The Cabinet Office's poll on personal information protection in September 2006 found that 71.1% of respondents were concerned about leaks of personal information (MIC "2007 White Paper on Information and Communications in Japan," Gyosei 2007, 178). Administrative agencies were seen as failing to manage information security, and this was also reflected in the security ratings of agencies (see Table 15.1).¹²

15.3.2 Local Government E-governance

The "2003 Guideline for Promotion of Local Governments' E-governance" released by the MIC Local Administration Bureau stated that it was desirable for local governments to prepare e-governance development plans (or review existing e-governance development plans). Many local governments developed e-governance infrastructure and online administrative procedures under these 2003 guidelines, though MIC had long shown interest in this matter.¹³ By April 2006, 91.5% of prefectural governments and 30.8% of municipalities had prepared e-governance development plans (MIC 2007b, 301). All officials were provided with personal computers at their main offices in 82.1% of municipalities (MIC 2007b, 299). By April 2006, 89.4% of prefectural governments and 31.0% of municipalities had introduced application and reporting procedure acceptance systems.¹⁴

It is worth noting that all prefectural and municipal governments had established personal information protection ordinances by 2007.¹⁵ According to the "2007 White Paper on Information and Communications in Japan," the

Table 15.1 Comprehensive Ratings of Information Security Measures for Terminals and Web Servers

<i>Comprehensive Ratings</i>	<i>Terminals</i>		<i>Web Servers</i>	
	<i>CY 2006</i>	<i>CY 2007</i>	<i>CY 2006</i>	<i>CY 2007</i>
Cabinet Secretariat	B	B	B	B
Cabinet Legislation Bureau	C	B	B	B
National Personnel Authority	C	A	B	B
Cabinet Office	C	B	C	B
Imperial Household Agency	D	A	C	A
Fair Trade Commission	C	A	A	A
National Police Agency	D	A	B	A
Financial Services Agency	B	B	B	A
Ministry of Internal Affairs and Communications	C	B	B	B
Ministry of Justice	D	B	C	B
Ministry of Foreign Affairs	D	A	B	B
Ministry of Finance	C	B	B	B
Ministry of Education, Culture, Sports, Science and Technology	C	A	B	A
Ministry of Health, Labor and Welfare	D	B	B	B
Ministry of Agriculture, Forestry and Fisheries	C	A	B	A
Ministry of Economy, Trade and Industry	C	A	B	A
Ministry of Land, Infrastructure and Transport	D	B	C	B
Ministry of the Environment	B	B	B	A
Ministry of Defense	C	B	B	A

Source: <http://www.nisc.go.jp/conference/seisaku/dai13/pdf/13seisakupress.pdf>

MIC provided financial and other support for achieving all local governments' implementation of information security auditing and would extend advice and other support to the local government CEPTOAR (capability for engineering of protection, technical operation, analysis and response) created in March 2007 for local governments to share information security data and measures (MIC 2007b, 303).

Although local governments as well as the central government have been plagued with data leaks through the Winny file exchange software, some local governments have received high ratings for their security. The New York-based Intelligent Community Forum, which assesses e-governance development at municipalities, selected Kanagawa Prefecture's Yokosuka as one of the top seven intelligent communities in 2004, Tokyo's Mitaka in 2005, and Chiba Prefecture's Ichikawa in 2006. Mitaka topped the ranking in 2005 (InfoCom Research Inc. 2006), but no Japanese municipality was listed in the top seven for 2007.

On March 20, 2007, the MIC replaced the 2003 guideline with "New Guideline for Promotion of Local Governments' E-governance—Realizing Convenient, Efficient and Vigorous Local E-governance by Fiscal 2010." This was taken as an indication of MIC's continuing interest in ensuring e-governance in local government.

15.3.3 Juki Net

The Juki Net is local governments' joint resident registry network system and includes information on such matters as residents' names, birthdates, sexes, and addresses as well as their residence certificate codes for their identification at any location in Japan. The MIC has positioned the Juki Net as the base for e-governance of central and local governments.¹⁶ E-governance of central and local governments allows citizens at home or in the workplace to receive administrative services through personal computers and the Internet on a 24-hour basis, in principle. However, Internet-based administrative procedures are protected by the JPKI (Japanese Public Key Infrastructure) personal authentication system, which has been designed to prevent identity theft, document falsification, and other fraudulent acts (MIC n.d.).

The first phase of the Juki Net services started on August 5, 2002; it included eliminating residence certificate copies for passport applications and situation reports from mutual aid pension receivers. The second phase, which started on August 25, 2003, included simplification of relocation procedures, remote provision of resident certificate copies, and delivery of resident registry cards.

Juki Net was expected to play a key role in developing the official personal authentication service and thus become a key e-governance infrastructure for central and local governments. However, developments against the system began because of concerns about personal information protection. In a bid to eliminate doubts about the Juki Net, MIC sought to reassure citizens of security measures to prevent outsiders' invading the network and insiders' abuse of personal information. It also

noted similar systems of social security numbers in the United States and Canada and personal identity numbers in Northern Europe and South Korea.

Yet, even before the Juki Net services started, Fukushima Prefecture’s Yamatsuri town government pledged to refrain from joining the Juki Net system, and some other local governments followed suit. With population at 6,832 as of December 1, 2007, Yamatsuri is known for its unique town building policy, including opposition to the central government’s promotion of mergers between municipalities. Tokyo’s Sugunami ward and Kokubunji also chose to keep away from the Juki Net due to doubts about personal information protection.

When the first phase of the Juki Net services was launched, some 410,000 citizens (93% of Japan’s population) remained outside the system (*Asahi Shimbun*, evening ed., August 5, 2002, 15). But on August 5, 2002, a citizen filed a lawsuit against Osaka Prefecture’s Toyonaka city government with the Osaka District Court, asking the court to prevent his personal data from being included in the Juki Net system (*Asahi Shimbun*, August 6, 2002, 30). This triggered a wave of lawsuits against the Juki Net (see Table 15.2). Doubts grew because the Juki Net

Table 15.2 Rulings on Major Lawsuits against Juki Net

February 27, 2004	Osaka District Court	Plaintiff loss (1)
May 30, 2005	Kanazawa District Court	Plaintiff win (2)
May 31, 2005	Nagoya District Court	Plaintiff loss
October 14, 2005	Fukuoka District Court	Plaintiff loss
February 9, 2006	Osaka District Court	Plaintiff loss
March 20, 2006	Chiba District Court	Plaintiff loss
April 7, 2006	Tokyo District Court	Plaintiff loss
April 11, 2006	Wakayama District Court	Plaintiff loss
July 26, 2006	Tokyo District Court	Plaintiff loss
September 29, 2006	Nagoya District Court	Plaintiff loss
October 26, 2006	Yokohama District Court	Plaintiff loss
November 9, 2006	Utsunomiya District Court	Plaintiff loss
November 30, 2006	Osaka High Court	Plaintiff win (3)
December 11, 2006	Nagoya High Court’s Kanazawa branch	Plaintiff loss (4)

Source: *Asahi Simbun* evening edition, December 11, 2006, p. 19.

Notes: (3) came on an appeal against (1), and (4) on an appeal against (2).

system was launched in the absence of a personal information protection law, which then Prime Minister Obuchi had promised as a precondition for launching the Juki Net system (*Asahi Shimbun*, September 6, 2002, 37).

Even after the Juki Net system became operational, some local governments vowed to withdraw from the system. Tokyo's Nakano ward announced its withdrawal on September 11, 2002, and Kunitachi on December 26, 2002. However, after five personal-information protection laws were enacted on May 23, 2003, some local governments retracted their withdrawals from the system.

On May 30, 2005, the Kanazawa District Court issued Japan's first court ruling that the Juki Net system infringed on privacy rights. The ruling came in a lawsuit against the central government, Ishikawa Prefecture, and the Local Authorities Systems Development Center, which managed the Juki Net system. (But the Nagoya High Court's Kanazawa branch turned down the district court ruling later. The suit is now pending at the supreme court.) On November 30, 2006, the Osaka high court issued a decision ordering resident certificate codes to be deleted from the Juki Net system. Osaka Prefecture's Minoh city government, a defendant in the case, gave up filing an appeal against the high court decision. As a result, a court decision allowing some citizens to withdraw from the Juki Net took effect for the first time in Japan.

In the end, the number of Juki Net cards that were issued with 11-digit resident certificate codes by the end of March 2007 was limited to 1.41 million, covering only 1% (!) of Japan's population (*Asahi Shimbun*, June 16, 2007, 10). These data indicate citizens' strong opposition to the citizen numbering system.

15.3.4 Electronic Voting

A law on special voting methods using electromagnetic voting machines for elections of local government assemblies and heads took effect on February 1, 2002. In response, Okayama Prefecture's Niimi city became Japan's first municipality to implement electronic voting for mayoral and assembly elections on June 23 of that year. In an accident, however, voting machines failed to accept voting cards (*Asahi Shimbun*, June 24, 2002, 3). In electronic voting in Gifu Prefecture's Kani city on July 20, 2003, voting machines went out of order, forcing suspension of voting at all voting sites.

On July 8, 2005, the supreme court invalidated the Kani election results, forcing the city to implement the election again with the conventional voting method based on paper ballots. An election material supplier that had leased the electronic voting system to the Kani government reached an out-of-court settlement with the municipality later to pay 84.34 million yen in damages. An electronics manufacturer that participated in development of the electronic voting system agreed to contribute 16 million yen to Kani (*Asahi Shimbun*, Gifu ed., March 10, 2006, 27). These troubles prompted some local governments to repeal electronic voting ordinances. As of June 2007, only eight municipalities had kept electronic voting effective (*Asahi Shimbun*, June 13, 2007, 4).

On December 7, 2007, the Japanese House of Representatives' special committee on political ethics and election systems passed a bill to revise the law for special provisions for the public office election law to introduce electronic voting for national elections, but the bill was shelved for consideration in 2007. Still, efforts that pave the way for electronic voting have been going on for some time, including the creation of the Association of Electronic Voting Systems in May 2001 by companies developing such systems.

The 2007 "New Guideline for Promotion of Local Governments' E-governance" called for improving the reliability of electronic voting systems and continuing support in and after 2007 for local governments planning to introduce such systems. It cited four advantages of electronic voting: (1) prompter and more efficient ballot-opening procedures, (2) elimination of doubtful or invalid votes for accurate reflection of voters' wills in results, (3) easier voting procedures for elderly and disabled persons with handwriting difficulties, and (4) reduction of voting site officials. At present, however, local governments may be paying attention to disadvantages rather than advantages.

15.4 Conclusion

This chapter discussed an intensive, albeit short, history of Japanese government IT promotion through numerous basic plans promoted by the Advanced Information and Telecommunications Society Promotion Headquarters, which was later renamed the Strategic Headquarters for the Promotion of an Advanced Information and Telecommunications Network Society. Although this approach was surely a top-down one (indeed, the headquarters was chaired by successive prime ministers), it also reflected the need to overcome rivalry (sectionalism) by different agencies.

In addition, various local governments led in IT, and the government benefited from the technical expertise of companies and many citizens' growing familiarity with and use of the Internet. The top-down approach furthered the policy development and implementation of a broad range of e-government practices, making government operations more efficient and citizen access to government services more convenient.

Yet, the preceding discussion also shows ongoing issues, notably over security in recent incidents. Leakage and misuse of personal data stored in government databases are important concerns. The cases involving military data and the resident registry system indicated a concerned citizenry. The Japanese government is expected to face various difficulties in developing true e-governance in the future.

Notes

1. Japan perceived the Al Gore initiative as a top-down effort to increase U.S. IT competitiveness, and Japan responded with urgency in kind, formulating its top-down initiative.

2. Eventually, their ministers shared the vice chairman post (*Asahi Shimbun*, August 3, 1994, 11). In fact, a senior MPT official said, "We have not coordinated with MITI over budget requests. Our relations with MITI do not allow us to coordinate" (*Asahi Shimbun*, August 27, 1994, 1).
3. Eventually, the new system was launched on January 6, 2001. The MPT merged with the Ministry of Home Affairs and the Management and Coordination Agency into the Ministry of Internal Affairs and Communications. MITI was reorganized into the Ministry of Economy, Trade and Industry.
4. House of Representatives minutes, no. 32, for the 140th Diet session, May 8, 1997, p. 16.
5. The secretariat for the Kasumigaseki WAN is the Administrative Management Bureau at the Ministry of Internal Affairs and Communications. The WAN itself is operated by the Institute of Administrative Information Systems. Later, the Kasumigaseki WAN was linked to the LG WAN of local governments in fiscal year 2002 and to a judicial information and communication network for courts in fiscal year 2004.
6. Then chaired by Keizo Obuchi, who replaced Hashimoto as prime minister.
7. The action plan noted: "Today when less than 500 days are left before the year 2000, both the government and private sectors should expend all possible means to solve the problem by doing what they should do as early as possible." The plan also said, "In finance, energy, information and telecommunications, transportation, medical services, and other important areas for social and economic activities, relevant government agencies should be encouraged to thoroughly address the year 2000 computer problem."
8. Prime Minister Mori also told the press conference, "On the IT revolution, we will have to implement a policy that would allow all the people, from children to the elderly, to enjoy benefits in their daily life and would stimulate economic development."
9. The e-Japan Priority Policy Program 2002 also said that Japan's Internet diffusion rate rose substantially from 21.4% in December 1999 to 44.0% in December 2001.
10. Table 1: Government Agencies That Can Be Searched through e-Gov Window (<http://www.e-gov.go.jp/help/jyouhou.html>).
11. For example, the Ministry of Internal Affairs and Communications took the initiative to introduce electronic tendering and bid-opening systems by the end of fiscal year 2003. On March 1, 2007, a liaison meeting of chief information officers from government agencies produced a decision on the "Basic Guideline for Government Procurement Regarding Information Systems." The guideline encouraged free, fair competition to realize a truly competitive environment and secure greater transparency and fairness of procurement procedures. It also urged the MIC to expand the database for government procurement and the examination of bids.
12. In 2005, 79.0% of government agencies had already prepared information security rules, and all remaining agencies were either preparing such rules or planning to do so (MIC 2007b, 144). Fiscal year 2008 information security outlays totaled 33.8 billion yen on a budget request basis—up 3.8 billion yen or 13% from the fiscal year 2007 budget (National Information Security Center 2007).
13. This 2003 document was in fact a revised version of its "Guidelines on Local Governments' Promotion of Computerization Measures Meeting the IT Revolution" (announced in August 2000) and the "Central and Local E-government Promotion Program" (October 2001).
14. Those that introduced electronic tendering for public works by April 2006 accounted for 78.7% of prefectures and for 7.5% of municipalities. Those that introduced

electronic tendering for projects other than public works were limited to 51.1% of prefectural governments and 2.0% of municipalities (MIC 2007b, 299).

15. Those that developed information security policies by April 2006 covered 100% of the prefectural governments and 96.2% of the municipalities.
16. The MIC home page says, "The resident registry law was revised in 1999 to add codes on personal resident certificates and to network municipal resident registries for the local governments' joint system that utilizes the resident certificate codes for providing administrative agencies with personal identification information services and for processing resident registry operations beyond municipal borders."

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SOUTH KOREA

3

M. JAE MOON, COORDINATOR

Chapter 16

History and Context of Public Administration in South Korea

Seung-Yong Rho and Seung Jong Lee

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16.1 Introduction

Korea has a long history, dating back to about 2300 BC, but modern public administration was not established until the late nineteenth century. This chapter discusses how modern Korean public administration has evolved from a weak government system in the nineteenth century to an authoritarian bureaucratic state that led to fast economic development in the postwar period and then to a democratic institution in the last 20 years. In the process, Korea has experienced a diminishing role of the executive and traditionally powerful bureaucracies and an increasing role of civil society, the judiciary, the legislative, and the private sectors. This chapter also discusses the administrative culture closely related to Confucianism and provides an overview of recent administrative reforms.

16.2 Historical Development and Context of Public Administration

Korean public administration can be divided into four stages: (1) public administration before the Republic of Korea (before 1948), (2) nation building (1948–1961), (3) the modern bureaucratic state (industrial revolution, 1961–1987), and (4) the “debureaucratized” democratic state (democratic revolution, 1987–present).

16.2.1 *Public Administration before the Republic of Korea (prior to 1948)*

Since the late nineteenth century, the modernization of Korea has been initiated by the political and bureaucratic elite. During that period, the Joseon kingdom was a centralized unitary state, but its governance capacity was very weak. The king shared power with the conflict-ridden and divided upper class of nobility, which functioned as de facto political parties (Palais 1975). The central government appointed the governors of 340 local authorities, but the land-endowed and controlling gentry and nobility actually acted as administrators in each district. The kingdom maintained a small government. For example, there was no well-established administrative

apparatus to collect data on population and land; consequently, there was lack of information for public policy development (Jung 2005).

The aim of Sungri-hak, a Confucian ideology that dominated the kingdom, failed to motivate the ruling elite to press for a Western form of modernization and industrialization (Park 1991, 50). Moreover, the feudal values of mainstream society posed an additional obstacle to the development of civil society. Some bureaucratic noble reformers attempted various reforms but were unsuccessful. The main reason for the failure of these top-down reform attempts was public apathy. In the absence of public participation, the endeavors failed to secure support because their purpose was unclear. The lack of a coalition between reformist elites and the king also contributed to the failure, which in turn allowed the former to solicit the support of foreign powers.

The Joseon kingdom was colonized by imperialist Japan in the early twentieth century. The colony was ruled by a highly centralized bureaucracy with the legislative, executive, and judicial powers centralized under the Japanese governor. During the Japanese occupation from 1910 to 1945, some elements of modern administrative bureaucracy were institutionalized, and the overall size of the state increased. But the expansion of the government was not a well-balanced one because Korea was exploited as a base for Japanese imperial expansion on the Asian continent. Although the Japanese occupation introduced a more efficiently centralized administration system, it was severely flawed in that the suppressing functions of the government were strengthened but its welfare functions were not well established.

As World War II ended, Korea was liberated; however, social chaos ensued as the nation faced division because of different ideologies and the beginning of the cold war. Because of the social chaos, the U.S. military regime (1945–1948) ruled the nation during the postcolonial (after World War II) period and retained the “overdeveloped state apparatus” of the colonial Japanese government (Choi 1989). Efforts to introduce an American model of more decentralized and pluralistic political and administrative systems ended in failure (Jung 2004).

16.2.2 Nation Building (1948–1961)

On May 10, 1948, general elections were held in the southern half of the Korean peninsula (North Korea refused UN-supervised elections). A constituent national assembly was formed through the elections and the constitution was framed based on democratic principles. The National Assembly then elected Dr. Syngman Rhee as the first president of the republic. He formed the government and promulgated the birth of the Republic of Korea on August 15, 1948, after 3 years of U.S. military government.

When Korea framed a new constitution of the First Republic, an opportunity existed to institutionalize democratic governance. However, the postcolonial social chaos, the North–South division, and the outbreak of the Korean War all forestalled the democratic opportunity. Rather, maintaining public order and liquidating the legacies of Japanese imperialism were the urgent tasks, and coercive control by police and military forces intensified. The ideological confrontation intensified

between the right and left wings before and after the inauguration of the government. Rhee's government strengthened anti-Communist policies, squashed ideological conflicts, and firmly established social order. The National Assembly enacted a law designed to punish "antinational" activities and clear away the legacies of Japanese imperialism. Many persons who had engaged in pro-Japanese activities were investigated and tried by an ad hoc 10-member panel set up under the law.

However, their punishment was not fully carried out because the Syngman Rhee government placed a higher priority on anti-Communist campaigns and, importantly, many government officials who had served in the Japanese colonial government also filled key positions in the administration, largely because human resources were so scarce. Officials embraced the inherited colonial governance system with which they were familiar, and this resulted in a striking continuity of administrative institutions and behaviors during the First Republic.¹ The "holdover" officials also sought political coalition with the ruling Liberal Party as a means of defending their prior involvement with the imperialist colonial government and to further their careers. Their orientations also posed a critical obstacle to the development of political and administrative democracy in postwar Korea.

From the beginning of and during the Korean War (1950–1953), the Syngman Rhee government tightened its anti-Communist posture, restricting freedom of the people in the process. Syngman Rhee was seen as a strong and autocratic leader. While he was leading South Korea in the war, his authoritarian leadership intensified and corruption became rampant.² He also sought to prolong his rule by illegally revising the constitution to accommodate a direct election of a president who had vast executive powers. The end of this period came in 1960. The ruling Liberal Party rigged votes blatantly in the 1960 presidential election in an attempt to prolong its rule. Massive antigovernment demonstrations by students and citizens in April 1960 toppled the authoritarian regime. The Liberal Party regime collapsed and President Rhee stepped down from office. He died 5 years later, living in exile in Hawaii.

An interim government, set up in 1960, revised the constitution to adopt a parliamentary cabinet and install lower and upper houses of the National Assembly. The reformers put forward more democratic and decentralized administrative systems.³ General elections held under the new law saw the birth of a cabinet headed by Chang Myon (John M. Chang) of the Democratic Party. However, the Chang cabinet faced challenging tasks of restoring public order, establishing a firm national security posture, and realizing the people's aspirations for a peaceful reunification of Korea.

16.2.3 Modern Bureaucratic State (1961–1987)

16.2.3.1 Part 1 (1961–1972)

The tasks faced by the Chang cabinet proved difficult. Incessant political wrangling occurred within the ruling Democratic Party, as well as social instability, which unending street demonstrations increased. Capitalizing on the social confusion, a

military clique, led by Maj. Gen. Park Chung-Hee, took power in a coup on May 16, 1961. The Military Revolutionary Committee announced that it had taken over all three branches of the government and proclaimed a six-point pledge: a strong anti-Communism stance, respect for the UN charter, closer relations with the United States and other free nations, eradication of corruption, establishment of a self-supporting economy, and efforts for national reunification. Park also pledged transfer of the government to civilian rule as soon as the revolutionary missions were accomplished. This, however, was the start of 18 years of the Park Chung-Hee government.

The postcoup government consisted mainly of former military officials. The military suspended the constitution and formed a junta to impose a military rule. Reneging on the pledge to return power to civilians, the military formed a political party, called the Democratic Republican Party, and amended the constitution to introduce a power structure featuring strong presidential government and unicameral national assembly systems. A new constitution was approved in a national referendum and promulgated in December 1963, thus inaugurating the Third Republic.

In the presidential election held in October the following year, Park Chung Hee, who had resigned from the army, ran for office, despite his original promise of retiring from politics, and was elected president. In the National Assembly elections held in November, candidates from Park's Democratic Republican Party won an impressive victory, forming a stable majority force. With the stage thus set, Park formally took office in December. In the 1967 presidential election, with 51.4% of the total votes, President Park was reelected over his chief opponent, Yun Po-sun, to a second 4-year term. In 1971, he won a third term by defeating Kim Dae-jung.

The Park Chung-Hee government carried out strong and effective economic development plans to modernize the country, proceeding with a neomercantilism-based industrialization strategy led by the government. A number of new administrative organizations were created to support the state-led economic development projects. The executive branch was integrated effectively by several central agencies, including the Economic Planning Board (EPB), which served as a pilot agency for the 5-year economic development plans (Caiden and Jung 1981).⁴

Under President Park's leadership, the human and natural resources of the nation were effectively organized for the first time in modern history. The economy began to grow at an annual rate of 9.2%. Per-capita gross national product (GNP) increased from a mere US\$87 in 1962 to US\$1,503 in 1980, and exports rose by 32.8% a year, from US\$56.7 million in 1962 to US\$17.5 billion in 1980. However, at the same time, the administrative system became more centralized, and the government relied increasingly on the coercive apparatus, including the Korean Central Intelligence Agency (KCIA), for maintaining social order. Local self-governance was deferred.

During this period, the bureaucracy was also strengthened, and a merit-based career civil service system was institutionalized. From the late 1960s, several years after the National Civil Service Law amendment in 1963, the number of civil

servants who were newly recruited on the basis of open competition had increased dramatically. Especially, the staff higher than section chief level (G5) began to be recruited, mainly by the higher civil servant examination (HCSE), which is the most prestigious merit-based recruitment system in Korea. The ratio of those who were recruited by the HCSE to the total director-general-level civil servants (G1–G3) increased from 3.2% before 1960 to 58.3% in 2006 (Civil Service Commission 2006).

The authoritarian governments also conducted a series of anticorruption movements. Right after the military coup in 1961, steps were taken to reduce corruption and punish offending officials for “inefficiency” and “negligence.” But the so-called “four scandals” in the Park government (rigging of the stock market, excessive profits on imported taxicabs, diversion of foreign exchange to construct the Walker Hill resort, and imported pinball machines) indicated that the campaign had limited success (Caiden and Jung 1981).⁵ Most Korean people considered these as mere political measures to rationalize the weak legitimacy of the authoritarian government or to control antigovernment groups or personnel.

In a general sense, it can be said that in this period of government-led economic development, government had typical characteristics of a developmental state:

- The administration overpowered the parliament and developed a centralized power structure, at the top of which was the president.
- It was an authoritarian state with strengthened governmental power and a powerful substructure because the government controlled and governed its society prompted by the lack of powerful civic groups, which could check on the government.
- The governmental bureaucracy was equipped with relatively high autonomy from the parliament and was competent and strongly cohesive; thus, it was capable of defining, planning, and proceeding with the development.
- National security and economic development were the main issues and dominant goals of the state.

16.2.3.2 Part 2 (1972–1987)

Perceiving grave implications for Korea in rapidly changing domestic and international contexts, the Park administration introduced new constitutional amendments that were proposed in October 1972 and approved in a subsequent national referendum. With the promulgation of the revised constitution in December, a new political order, referred to as the *yusin* (revitalizing reforms) system was established and the Fourth Republic inaugurated. In the ensuing years, Korea successfully weathered the oil crisis and continued to develop economically. The *saemaeul undong* (new community movement) brought increasing prosperity to rural and urban areas and provided experience in problem solving.

Successful as he was in developing a backward economy and modernizing certain aspects of society, President Park relied on autocratic means of policy formulation and implementation. The yusin constitution made it possible for him to remain in office indefinitely through well-controlled electoral procedures and also ensured him a kind of built-in majority in the legislature. People began criticizing the harshly repressive measures of the government. There were criticisms of injustices perpetuated for the sake of economic growth, particularly among the underprivileged. Trade union movements were severely restricted. The combination of pent-up dissatisfaction with the high-handed methods of the government, lack of political participation, and need for economic redistribution spelled the end of the Park regime.

On October 26, 1979, President Park was assassinated by Kim Jae-Gyu, a retired army lieutenant general and director of KCIA. Under the constitution, Prime Minister Choi Kyu-Hah became acting president and, shortly thereafter, was elected president by the National Conference for Unification, an electoral college of the yusin system. During the months following Park's assassination, Korea went through a difficult period of political, social, and economic instability. Hanging in the balance was either Korea's development toward a fuller democracy or its reversion to the autocratic past.

Under such circumstances, another military leader, Maj. Gen. Chun Doo-Hwan, emerged. A new military coup occurred on December 12, 1979 and Chun took control of the government after forcibly suppressing the Gwangju civilian uprising for democracy in May 1980. Chun was subsequently elected president by the electoral college set up under the yusin constitution on August 27. In October, he promulgated a new revised constitution that limited the presidency to a single 7-year term.

Following the establishment of the Fifth Republic, events moved quickly. Political parties began to organize again in December 1980, and all political activities were resumed in January 1981; martial law was lifted at the same time. A presidential election was held in February along with National Assembly elections. On April 11, the opening session of the National Assembly, consisting of 276 members from eight political parties, was convened and the groundwork for the Fifth Republic was in place. On March 3, 1981, President Chun took office.

Although it was virtually the same as the Third and the Fourth Republics in its autocratic governing style, the Fifth Republic registered some remarkable achievements, including the country's first-ever surplus in the international balance of payments and a peaceful transfer of power at the end of the 7-year term of President Chun—no small feat considering Korea's past record of political upheaval at the end of every presidency. The period also was plagued by many political problems that tended to overshadow the accomplishments. Issues included the legitimacy of the government and pressure for constitutional change for the direct election of a president. The Sixth Republic was born out of the need to find a solution to these pressing issues, which had grown to crisis proportions.

16.2.4 “Debureaucratized” Democratic State (1988–Present)

The Sixth Republic began with the inauguration of Roh Tae-Woo as president for the 13th presidential term and the simultaneous implementation of the revised constitution. These events had been preceded by the June 29, 1987, “Declaration of Political Reforms” in which Roh acceded to all of the opposition’s demands, thereby defusing the political crisis and providing for the first direct election of the president in 16 years. The constitution was revised again, reintroducing the direct popular election of the president, this time for a single 5-year term. The Sixth Republic, unlike the fifth, thus began on a positive note with the most serious political issues resolved.

President Roh began his term of office promising that authoritarian rule would end and that the June 29 declaration would continue to be faithfully implemented. Many steps were taken to change not only the appearance but also the substance of the government. There was widespread public distrust about administrative efficiency and accountability. Changes ranged from the repeal or revision of nondemocratic laws, after the entire legal code had been reviewed, to the use of a round table at presidential meetings to improve interaction with his ministers. A number of people who had been detained on political charges were released and had their civil rights restored. Institutional and noninstitutional interference in press activities and labor–management affairs was discontinued.

Kim Young-Sam, the first civilian president democratically elected since the military coup in 1961, publicly vowed in his inaugural remarks to build a “new Korea.” He pledged to fight against corruption in the public and private sectors and to revitalize Korea’s economy. One of President Kim’s initial symbolic measures after taking office was to open the streets around Cheong Wa Dae (the Blue House)⁶ and the residence complex to ordinary citizens.

In his first few months in office, President Kim was more active in his fight against corruption than anyone could have ever imagined, unleashing a veritable whirlwind of reform. His cabinet almost immediately published “100-Day Plan for the New Economy,” a series of short-term measures designed to boost the economy. The Kim government also restored the local autonomy system that had been suspended since the 1961 coup.

Asserting that “no one should strive for power and money at the same time,” President Kim also required the submission of financial statements by all major government, political, and military figures, most of which were made public. Several of the initially appointed cabinet members were forced to resign when the public became aware of their past improprieties. President Kim expected his reform campaign against corruption to continue throughout his 5-year term, and his anticorruption efforts extended not only to the administration and party, but also to the military, universities, banks, and even traffic police; some of these had been considered sanctuaries in past regimes. The Kim government legislated the property registration system for public officials and the practice of real-name financial transactions.

But, when the foreign currency crisis swept across Asia during 1997 and 1998, Kim's government failed to defend the nation's financial system and eventually requested the intervention of the International Monetary Fund (IMF) for a bailout. The December 18, 1997, presidential election was significant in Korean history because it signaled the first peaceful, democratic transition of power from a ruling party to an opposition party in Korean history. The election was a kind of social revolution—one that could only have been achieved through the ardent desire of the Korean people, who eagerly anticipated the dawning of a new age in Korea as a result of their newfound power. News media around the world described the inauguration as the day when genuine democracy began in Korea and said that President Kim was a world-class leader who could lead his nation out of crisis and rebuild it.

The Kim Dae-Jung government was inaugurated in February 1998 with the avowed objectives of overcoming the financial crisis and promoting a market economy. To achieve these goals, it brought openness and reform in overall national administration and surmounted the economic difficulties. President Kim's inauguration ushered in an era in which all people were able to participate as the masters of the nation. In his inaugural speech, President Kim urged the nation to surmount the national crisis and make a new beginning.

To overcome the economic crisis through reform, the president sought a "spiritual" revolution that would value the rights of the individual and pursue administrative reform based on new public management. Governmental powers for policy decisions and execution were set to be distributed throughout the provinces, and the government started to be increasingly dependent on partnerships, networks, negotiations, and organizations. The government, however, still played a leading role in coordinating or rebuilding economic and other systems.

The autonomy of the developmental state has weakened due to a mature civic community, strengthened capabilities of conglomerates, enhanced negotiating powers of the labor forces, increasingly diversified government functions, and less cohesive bureaucracy. International bodies coordinated such policies as liberalization, eased restrictions, privatization, and other domestic policies and thus also weakened the developmental state. Governments needed to find new ways of strengthening their economies in the global, knowledge-based world.

In the December 2002 presidential election, Roh Moo-Hyun from the ruling Millennium Democratic Party won with a narrow margin over opposition candidate Lee Hoi-Chang. First and foremost, the Roh government was created on the basis of the power of popular participation, born from the strength of the people's power. Voluntary fund-raising and election campaigns by citizens who cherished principles and common sense led to Roh's victory in the election. The Roh administration, the 16th in the republic's history, set forth three goals: "democracy with the people," "society of balanced development," and "era of peace and prosperity in northeast Asia."

President Roh, a former human rights lawyer, initiated reforms pursuing full realization of democracy in government operations as well as social practices and

emphasizing a fair distribution of wealth. In his administration, government innovation had been one of important agendas to be accomplished by the end of his term. His administrative innovation focused on the process of reform rather than government structure reform, which was stressed by former presidents. Overall, the Roh government attempted many innovative measures for enhancing social equality and democracy, but it failed due to lack of political leadership on the one hand and resistance of elite groups on the other. A year after taking office, Roh became the center of contested bribery scandals; he committed suicide on May 23, 2009. The current president is Lee Myung-bak (2008–present). His government is expected to take an active role in revitalizing the economy in the global economic crises that began in late 2008.

16.3 The Administrative System in Korea

16.3.1 *Central Government*

Under Korea's presidential system, the president performs his executive functions through a cabinet made up of 15–30 members and presided over by the president, who is solely responsible for deciding all important government policies (Figure 16.1). The prime minister is appointed by the president and approved by the National Assembly. As the principal executive assistant to the president, the prime minister supervises the administrative ministries and manages the Office for Government Policy Coordination, under the direction of the president. The prime minister also has the power to deliberate major national policies and to attend meetings of the National Assembly.

Members of the cabinet are appointed by the president upon recommendation by the prime minister. They have the right to lead and supervise their administrative ministries, deliberate major state affairs, act on behalf of the president, and to appear at the National Assembly and express their opinions. Members of the cabinet are collectively and individually responsible to the president only.

In addition to the cabinet, the president has several agencies under his direct control to formulate and carry out national policies, including the Board of Audit and Inspection of Korea and the National Intelligence Service. The heads of these organizations are appointed by the president, but the presidential appointment of the chairman of the Board of Audit and Inspection is subject to the approval of the National Assembly.

The Board of Audit and Inspection has the authority to audit the financial accounts of central and local government agencies, government corporations, and related organizations. The board is also vested with the power to inspect abuses of public authority or misconduct by public officials in their official duties. The results of audit are reported to the president and the National Assembly, although the board is responsible only to the chief executive.

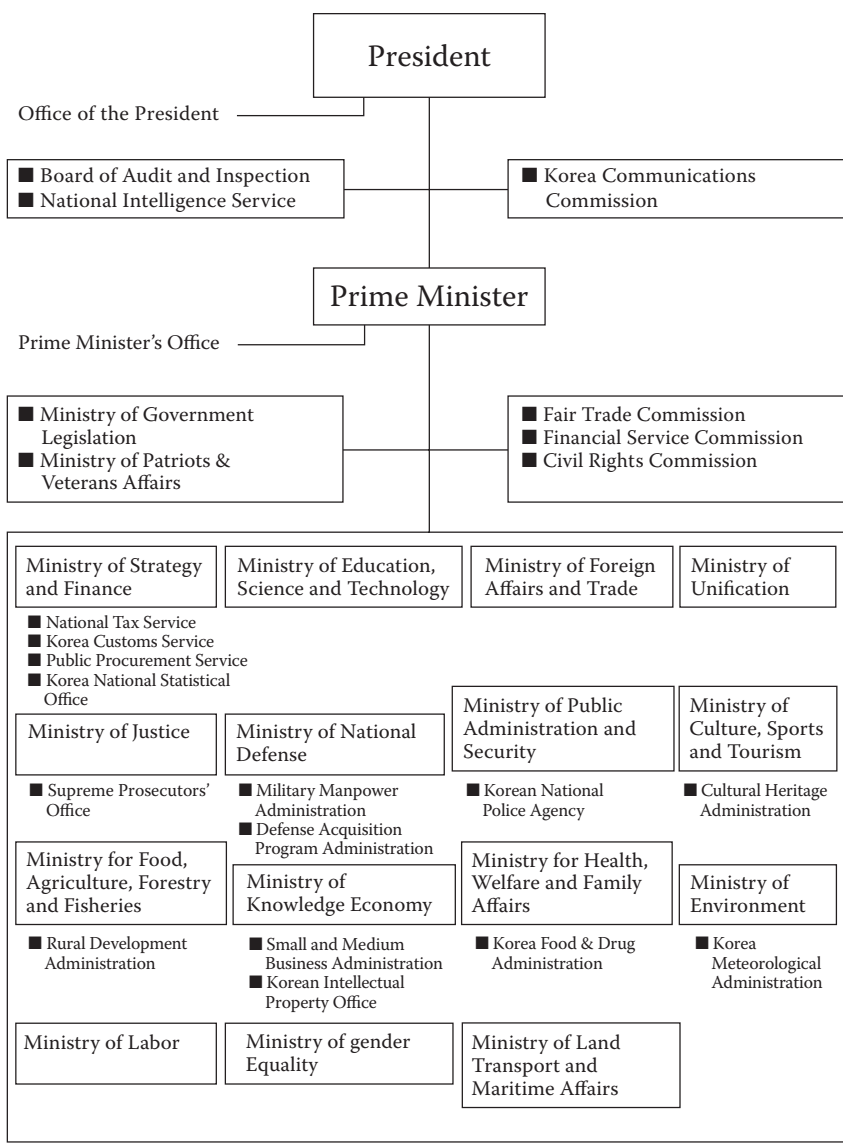


Figure 16.1 The executive branch in Korea. (Source: <http://english.president.go.kr/government/branch/branch.php> [accessed August 20, 2009].)

The National Intelligence Service is authorized to collect strategic intelligence of internal as well as external origin and information on subversive and international criminal activities. It also plans and coordinates the intelligence and security activities of the government. Table 16.1 shows the number of public employees in Korea. Table 16.2 explains the basic personnel system in Korea. There are nine

Table 16.1 Number of Civil Servants^a

<i>Governments</i>		<i>No. of Civil Servants</i>
Constitutional Court		231
Legislative		3,469
Judiciary		15,636
Executive	Central government	605,924
	Local governments	346,922
Others		2,648
Total		974,830

Source: Adapted from Korea Statistical Information Service (<http://www.kosis.kr/>).

^a As of 2008.

grades (ranks); senior civil service started on July 1, 2006, including from first to third grades. In general, the three channels of recruitment are based on open competitive examination. However, to prevent a backdoor entrance by political or personal patronage, the National Civil Service Act prescribes 12 cases in which noncompetitive recruitment is allowed.

16.3.2 Local Government

Highly centralized governments have been a strong tradition in Korea, extending back more than 600 years and continuing throughout the military-led regimes of modern Korea. Local governments were no more than local administrative districts of the central government. The heads of local governments (in effect, solely administrative authorities) were appointed by the central government, and their capacity for autonomous decision making was virtually nonexistent.

Local autonomy remained largely unfulfilled until July 1995, when the nation elected governors and mayors for provincial and local governments for the first time in the more than 30 years since the coup. The second comprehensive local elections were held on June 4, 1998, 3 years after the first elections in 1995. Beginning with the 1998 elections, local elections have taken place every 4 years. Since the late 1990s, Korea has considered decentralization between the central and local governments an important strategy for a flexible and efficient administration and has aggressively promoted governmental reforms for decentralization. The main role of the Ministry of Government Administration and Home Affairs

Table 16.2 Basic Personnel System in Korea

Rank	Position		Channel of Recruitment	How Long to be Promoted (years)?	
				Minimum	Actual
First grade	Secretary general	Senior civil service			
Second grade	Director general				
Third grade				5	8.10
Fourth grade	Division director			5	8.09
Fifth grade	Deputy director		Higher civil service exam	4	9.00
Sixth grade	Officer			3	7.01
Seventh grade			Exam for rank 7	3	5.07
Eighth grade				2	3.04
Ninth grade			Exam for rank 9		

Source: 2008 Public Servants Census (2009) by Ministry of Public Administration and Security.

has been evolving from controlling to supporting local governments, sometimes against other central ministries.⁷

Local government today is extensive and provides many services.⁸ Currently, there are 16 provincial-level governments and 230 lower level local governments (hereafter, referred to as municipal governments), including 75 *si* (city) governments, 86 *gun* (county) governments, and 69 *gu* (autonomous district) governments within the provincial-level metropolitan cities. Municipal governments have an administrative system at the district level. This system consists of *eup* (urban district) and *myeon* (rural district) in the *gun* government and *dong* (urban district) in the *si* government.

Each municipal government has several of these districts, which serve as field offices for handling the needs of their constituents. Their population ranges from about 5,000 to 20,000 residents, depending on the size of jurisdiction areas. District offices are engaged mainly in routine and simple administrative and social service functions. Unusual and complex matters are dealt with directly by the municipal governments. Some essential functions, like public safety, road signs, fire protection, and public schools, are handled directly by central or provincial

governments through their own field offices; some other functions, like public health services, are handled directly by the municipal government through separate delivery systems.⁹

Local public service members account for about 35% of total government employees as of 2000. This is a slight increase from the 1998 figure of about 32% of total government employees. In terms of their personnel and budget, the Ministry of Government Administration and Home Affairs (MOGAHA) performs primary supervision and controlling functions. Personnel systems, including classification, recruitment, promotion, and remuneration, are the same as those of the central government. Every policy determined by the central government applies uniformly nationwide. Yet, issues regarding local governments have been one of the major areas of reform and this trend will continue in years to come.¹⁰ Intergovernmental relations (IGR) are discussed in Chapter 18.

16.4 Administrative Culture and Values

Korean administrative culture has been strongly influenced by Confucianism. Chung Yak Yong, a renowned Confucian pragmatist in the nineteenth century, presented honesty, fidelity, and frugality as the codes of conduct for those aspiring to government positions. Korean administrative culture rooted in Confucianism is characterized by the emphasis of such values as “face,” “familism” (modeling organizations on families), interpersonal networks, paternalism, group orientation, and the sense of moral obligation (Hamilton 1996a, 1996b; Lockett 1993; Redding 1993, 1996; Redding and Wong 1993). These values of administrative culture can be characterized as involving a strong sense of morality, strong interpersonal networks, and orientation toward the group rather than toward individualism.

Confucianism cherishes ethical values of courtesy, good manners, and moral duty in social relationships. One of the most important concepts to understand the implication of moral obligation in interpersonal relationship is *face* (Redding and Ng 1982; Redding 1993). Face means a person’s conformity to implicit moral principles of social behavior recognized as valid by others considering her or his social standing, position, and age (Lockett 1993, Redding and Ng 1982; Redding 1993; Redding and Wong 1993). People should always behave in ways that are appropriate to their social standing in order to maintain their social relationships. Thus, the concept of face heightens individuals’ sensitivity to others’ normative evaluation of their behavior.

This is very closely related to personal integrity (Redding 1993), and the loss of face implies a loss of integrity; in community settings, this can lead to alienation and ostracism (Redding and Wong 1993). Accordingly, people should hold to virtues such as politeness, honesty, loyalty to others, and deference that Confucian ethics emphasize in order to get legitimacy of their behavior by keeping face in

interpersonal relations. The social and cultural setting in Korea that emphasizes moral obligations in interpersonal relationships helps develop and maintain ethical or proper conduct in public administration.

Korean administrative culture is featured by networks that are normative, relational, hierarchical, and substantive (Hamilton 1996a). *Familism* (Hamilton 1996a; Lockett 1993; Redding 1993, 1996; Redding and Wong 1993; Wong 1996) is one of the cultural factors to facilitate a network-based society. Because of the Confucian importance of the family, relationships in organizations tend to be modeled on familial relationships; that is, a group or organization is viewed as a family. Most management and business practices are performed in the predominant context of such familism (Redding and Wong 1993).

Familism emphasizes cooperativeness based on affective bonds at both vertical and horizontal levels—in other words going along with the boss and getting along with fellow workers (Redding and Wong 1993). At the heart of relationships between managers and employees are the subordinate's respect for and loyalty to the manager and the superior's paternalistic patronage, care, and protection of employees, based on such Confucian virtues as filial piety, respect for authority and age, and loyalty to others (Redding 1996). Needless to say, this kind of familial relationship in an organization is characterized by affective or emotional affiliation of employees with the organization in which they are embedded (Redding and Wong 1993).

The prevalence of familism and relationship orientation necessarily leads to group orientation. An ambiguity exists in the boundary between group or community and self or individual (Hamilton 1996a; Redding and Wong 1993). Collectivist tendencies of attachment by the individual to a group prevail in organizations where social needs rather than individual needs are stressed (Redding and Wong 1993; Lockett 1993).

In sum, the emphasis on the personal tie or network, sensitivity to interpersonal social relationships, interdependency, and affective bonds among people lead to social harmony. Western countries are viewed as putting far greater importance on practical and pragmatic values based on egocentrism, individualism, rationalism, and volunteerism than Korean culture, which emphasizes moral and normative values focusing on social networks and group values.

Diligence, frugality, and savings are not only economic principles but also values in Confucianism, as in the Protestant ethic. Elite bureaucrats' leadership and planning in collaboration with political leaders during the modern bureaucratic state (1960–1987) can be understood as representing a paternal role appropriate to the times. The service oath taken by all public officials in November 1981 (Ministry of Administration 1979, 13) contains the phrases “devotion and loyalty to the nation,” “honesty and service to the people,” “creativ[ity] and responsibility for duty,” “respectfulness and faith at work,” and “uprightness and order in personal life.”¹¹

For all its potential contributions, however, Confucianism has negative connotations to some. In terms of bureaucrats' ways of thinking, value orientations,

and behavioral patterns, Korean bureaucracy is dominantly imbued with a negative connotation. It is widely believed that bureaucracy is subject to authoritarianism, formality, fatalism, compassion, and factionalism—markedly different from a Western European bureaucracy based on rationality, which Max Weber espoused (Cho 1973; Kim 1966; B. S. Kim 1968; H. D. Kim 1968; Paik 1987). There is a tendency to single out Confucianism, among others, as the major factor for the negative aspects of bureaucracy entrenched in Korea. There is a strong view that Confucian heritage has had an adverse impact on the positive development of bureaucracy.

As demonstrated previously, the Korean administrative culture was dominated by occupational hierarchy, “groupism,” and authoritarianism. That culture was, in a way, connected to the centralized political and administrative structure. According to Chae and Cho (2004), performance review in an authoritarian culture was characterized by evaluation based on dominance and obedience, evaluation taking more account of occupational hierarchy, and top-down evaluation. Performance incentives were typically granted in favorable consideration of long service, experience, loyalty, team work, and emphasis on seniority. Promotion decisions put emphasis on loyalty and obedience and took more account of the judgment of the higher-ups rather than efforts exerted by individuals. The situation, however, has slowly been undergoing change due to democratization after 1987 and internationalization; more weight is given to administrative democracy and performance.

16.5 Administrative Reforms

16.5.1 *A History of Reforms*

The Korean government has ongoing reforms. The principal objectives of reforms of earlier periods were nation building in the 1940s, restoring social order and reconstruction in the post-Korean War era of the 1950s, and facilitating rapid industrialization in the 1960s and 1970s. These reform goals reflected an ideology of “administered development” (Caiden and Jung 1981). Since the late 1980s, public-policy makers in Korea have continued aggressive administrative reforms, but these have been different from earlier ones. They have been guided by reconsideration of the appropriate role of government in a democratic and developed country, as well as a need to respond to new exigencies, such as the Asian financial crisis of the late 1990s.

During the late 1970s, a number of policy makers and experts began to think that the Korean economy no longer needed to rely on aggressive government interventions, which had included the 5-year economic development planning that had been a staple since 1962. Reconsideration about the appropriate role of government was further stimulated by the small-government idea prevalent in Anglo-American countries. In 1980, the Chun Doo-Hwan government adopted the idea

of a market-oriented government, which was partially introduced through the 1981 administrative reform of October 15, which in one move dismissed about 12% of higher ranking central government civil servants (Jung 1997). From that time until 2003, with the inauguration of the Kim Dae-Jung government, small government was the norm for undertaking serious administrative reform in South Korea. Since 1987, the democratization of public administration has been another important objective of public administration reform.

In 1988 under the Roh Tae-Woo government, the Presidential Committee on Administrative Reform (PCAR), which initially consisted primarily of civilian experts, proposed a “small and efficient government that would contribute to the formation of a democracy” as the most important reform goal (Jung 1997). Reducing the tremendous number of government regulations imposed upon civil society and decentralizing power both between the central and local governments and within the bureaucracy were among the major goals of the PCAR and they were well reflected in its final proposal (PCAR 1989). Implementation, however, was feeble and, during the 5 years of the Rho Tae-Woo government, the civil service increased by 180,000, which is an average annual increase of 4.7% (Korea Institute of Public Administration 1996). The government also did not effectively implement the reform goals of deregulation and decentralization.¹²

The Asian financial crisis was a key turning point. By the end of 1997, the Kim government had failed to manage a lack of foreign currency liquidity and had to request a rescue loan from the IMF. The government of Kim Dae-Jung, inaugurated in February 1998, had to start its term by overcoming the foreign exchange crisis and the resultant economic difficulties; Korea’s economic growth rate decreased from an average of 7% since the 1960s to –6.5% in 1998. The unemployment rate, which had remained below 2.5% throughout the 1990s, increased to 8% in 1998. Under the supervision of the IMF, the Kim government aggressively conducted a series of structural adjustments in the financial, corporate, labor, and public sectors. The IMF’s guidelines for the public-sector restructuring devolved from the market-oriented reform model of new public management.

New public management theory was introduced as an administrative reform theory calling for governmental reform under the Roh Moo-Hyun administration. It subsequently gained strength as a “systematic design for governmental reform” that could clean up inefficiency of planned economy, power concentration and abuse, corruptions (see Table 16.3), inflexibility and incompetence of bureaucracy, and authoritarian rule by the bureaucracy—all of which showed the limitations of the developmental state (Ministry of Finance and Economy 1999, 288–324; 2000, 188–224; T. R. Kim 1999; H. J. Song 1999; Bak, Hee Bong 1998; G. W. Kim 1998).

The Presidential Committee on Government Innovation and Decentralization was established in April 2003 as an organization to lead the reforms of the Roh government. The purpose of the committee was to materialize “public administration that serves the people” as well as “local autonomy in which independence and accountability work hand in hand.” The committee had responsibilities to

Table 16.3 Major Anticorruption Efforts by the Korean Government

Year	Efforts
1981	Promulgated the Public Service Ethics Act
2001	Promulgated the Anticorruption Act
2002	Established the Korea Independent Commission against Corruption (KICAC)
2008	Anticorruption and Civil Rights Commission (ACRC): consolidated three agencies (KICAC with the Ombudsman and the Administrative Appeals Commission)

Source: http://www.acrc.go.kr/eng_index.html (accessed August 20, 2009).

the president’s inquiries covering five fields: government reform, public personnel management reform, local decentralization, finance and tax system reform, and e-government. Rather than pursuing reforms by various policies, the Roh government set the direction for reforms within a comprehensive macroframework, devised a road map for each area, and pursued reforms consecutively and continuously.

Since the early 1990s, every president has established an organization in charge of government reform and utilized it as a major vehicle for promoting organizational change and development in the public sector. Table 16.4 summarizes government reform organizations.

16.5.2 Assessing Reform Achievements

16.5.2.1 Downsizing Government

Korea has kept its governments comparatively small. The number of government employees as a percentage of the total workforce, the amount of public expenditures on wages as a percentage of gross domestic product (GDP), and total government expenditures as a percentage of GDP are the lowest among Organization for Economic Cooperation and Development (OECD) countries. Since the early 1980s, the country has publicized a small-government policy as an important goal of administrative reform, even though the Roh government pursued an efficient and capable government regardless of the size.

The Chun government first applied the idea of small government in Korea in 1981 with the reduction of 599 employees at the upper division director level and 35,890 employees below that rank—about 5% of the central government. This downsizing, however, focused mainly on reducing the number of civil servants without reducing the number of functions or positions of the central government. Consequently, the number of government employees increased again, starting by about 1.7% the next year.

Table 16.4 Government Reform Organizations

<i>Government</i>	<i>Reform Organization</i>	<i>Activities</i>
Roh Tae-Woo (1988–1993)	Presidential Committee on Administrative Reform	Reducing government regulations and decentralizing power
Kim Young-Sam (1993–1998)	Presidential Committee of Administrative Innovation	Organizational restructuring, management reform, improvement of service delivery, deregulation, and anticorruption
Kim Dae-Jung (1998–2003)	Presidential Committee Promoting Government Reform (former Administrative Reform Committee)	Organizational restructuring, management reform, deregulation, anticorruption, public enterprise reform, and building e-government
Roh Moo-Hyun (2003–2008)	Presidential Committee on Government Innovation and Decentralization	Road maps for public-sector reform in such areas as government reform, personnel management reform, local decentralization, finance and tax system reform, and e-government
Lee Myung-Bak (2008–present)	Presidential Council on National Competitiveness	Deregulation and public- sector reform

Source: Author.

The Kim Young-Sam government conducted reorganizations in 1993 and 1994 that abolished a substantial number of positions in the central bureaucracy but failed to reduce the total number of public service employees. One reason for this was the National Service Act, which protected public servants from involuntary resignations and created so-called “satellite” personnel. With the exception of the years from 1998 to 2002—immediately after the foreign exchange crisis—the total number of civil servants has continued to increase. The foreign exchange crisis of 1997 forced the Kim Dae-Jung government to make structural adjustments and unconditionally adopt the new public management model to comply with IMF recovery guidelines (Jung 2006).

Unlike the previous four governments, the Roh Moo-Hyun government did not adopt a small-government policy. Instead, the Roh government proposed an efficient and capable government as one of its most important reform goals. Other objectives of administrative reform included (1) making the government more

open, transparent, and closer to the people; (2) improving the quality of life for people; and (3) introducing simplified and uniform procedures (PCGID 2003). The Lee Myung-bak administration has not seemed to emphasize downsizing the government but the data to verify this are unavailable at this time.

Yet, although Korea has not been as successful at downsizing government as it had planned, its governments remain the smallest among OECD countries. In the 1980s, Korea's government expenditure as a percentage of GDP was among the lowest of OECD countries (at about 20% and no financial deficit). Consequently, the government did not take the issue of budget size seriously and did not present a specific expenditure deduction plan. Since 1988, public expenditure has continually expanded, with nearly a 10% increase in the 2000s. This continual growth of the Korean government can be explained by political democratization. Since the 1987 democratic transition, public service demands have constantly been increased, especially for the poor, disabled, aged, women, and the young. With a more competitive electoral process, the new political environment has forced policy makers to respond to the demands.

16.5.2.2 Deregulation

Since the early 1980s, the government has invested considerably in regulatory reforms in order to revitalize business. The Korean government has initiated a wide variety of deregulations by establishing the PCAR (1993–1998), the Economic Deregulation Commission (1993–1997), and the Regulatory Reform Council (1998–present). According to official annual reports, a number of administrative procedures and regulations have been improved. For example, 1,880 among the 2,177 regulatory reform cases filed in 1993–1996 were settled (Jung 2001). However, 70% of the cases settled by the PCAR were procedural rationalizations, and merely 10% involved the abolition of regulatory functions. Under the Roh administration, the number of government regulations has increased. During the first year of the government, the regulatory practice increased from 7,575 cases to 7,797 cases. The sunset law was applied to only 0.58% of total government regulations (Kwon 2005).

16.5.2.3 Reorganizations

The Korean government conducted a series of reorganizations designed to improve policy coordination while also reducing the size of government. Policy coordination among agencies was difficult because of the incremental growth of the bureaucracy, leading to functional overlaps among government ministries and agencies. To improve policy coordination and streamline the policy process, reform committees proposed a “superministry” system that merged related organizations and functions of different agencies. The Kim Young-Sam government succeeded in dramatically reorganizing the central government by abolishing three ministries, one agency, and one outer bureau (Jung 1997).

The powerful agency of Korea's development state, the Economic Planning Board, was merged with the Ministry of Finance to establish the Ministry of Finance and Economy. The 1993 reorganization eliminated four ministers, five vice ministers, five deputy vice ministers, 34 bureau director generals, 127 division directors, and 966 staff below the rank of division director. Since that time, however, the superministry system as a strategy for enhancing policy coordination capacity and for reducing government size has lain dormant.¹³

However, the Korean government has established a number of new institutions in response to postindustrialization and postdemocratic transition issues (Jung 2007). This includes the Ministry of Labor (1981), the Supervisory Commission (1998), the Constitutional Court (1988), the National Ombudsman (1994), the new Ministry of Ocean and Marine Resources (1996), the Ministry of Gender Equality (2001), and the Higher Officials Maladministration Investigation Agency (2005). These new institutions have resulted in greater democratization of public administration, provided more checks and balances within the government, and offered citizens and interest groups greater access to government.¹⁴

16.5.2.4 Administrative Efficiency

One of the reform goals that the Korean government has publicized is reengineering the administrative process to overcome bureaucratic inefficiencies. These reforms include empowering lower levels of administration, institutionalizing a performance evaluation system, creating the British style of executive agencies, and developing e-governance. Policy coordination among the ministries and agencies has been hierarchical, stemming from the presidential secretariat at the Blue House and the powerful central agencies, such as the Ministry of Planning and Budget, since 1998.

Since the late 1990s, Korea has introduced the executive agency system. However, its agencification attempt has been limited in comparison to those of Great Britain, Australia, and New Zealand. Since 2000, the Korean government has established 23 administrative executive agencies (AEAs) that implement routine policy functions such as issuing driver's licenses and operating national theaters. E-government projects are another attempt at "debureaucratization." The Korean government has achieved the world's highest level of e-government. For further discussion, please see Chapters 20 and 22.

16.5.2.5 Decentralization

The Korean central government has controlled local governments effectively by various institutional arrangements. As the transition toward democracy gained momentum in the late 1980s, the government instituted a series of devolutionary reforms (described in Section 16.3.2). Notwithstanding sizable decentralizing efforts, however, the central government still retained a number of control

mechanisms over local governments' personnel management, public finance and budgeting, and reorganizations because the centralization legacy has been so deeply rooted. Most central ministries and agencies still directly execute their policies through local governments using "administrative guidance, which makes difficult a cooperation between the central and the local governments."¹⁵ Decentralization has been increased considerably in recent years, but there is still a long way to go.

16.6 Conclusion

This chapter shows Korean public administration developing in successive stages from a small, ineffective government during the Joseon kingdom of the late nineteenth century to a far more efficient and democratized government at the present time. A modern public administration system was applied after World War II, after which Korea experienced social turmoil. During the Korean War, an authoritarian regime established by a military coup developed a strong bureaucracy that led the state in economic development and national security. But democracy and local governance were curtailed, and corruption was widespread. Strong public discontent led to the end of these military authoritarian regimes. Since 1987, democratic governance have been strengthened, and many reform efforts have been undertaken to ensure the accountability and effectiveness of government, increase public participation, resume a local autonomy system, and liberalize market activities.

Notes

1. As but one small example, in personnel policy, the rank classification of the Japanese colonial government replaced the position classification, which was introduced during the U.S. military regime.
2. Political and administrative corruption was so prevalent that Korea was nicknamed "Republic of Corruption" (Jung 2004).
3. For example, control of the national police was transferred from the Ministry of Home Affairs to the new Public Security Commission, which was expected to contribute to making the police politically neutral. Also, the government began to prepare multi-year economic and land development planning by creating the new Headquarters of National Land and Construction.
4. The government attempted also to introduce a performance budget system, though it was not institutionalized.
5. Other anticorruption measures attempted during the period include "officialdom purification" in the late 1970s and "social purification" in the early 1980s (Oh 1995, 256–258, 263–266).
6. The Korean Blue House is the president's office and residence, equivalent to the U.S. White House in Washington, D.C.

7. The Law for Promoting Transfer was enacted in 1999 in order to transfer the functions of the central government to local ones (Jung 2002). Following the recommendations of the Local Transformation Promotion Committee (1999–present), 917 administrative functions of the central government were devolved to first- and second-tier local governments.
8. The functions of the elected local government leaders, according to law, include the following: any functions delegated by the central government, management of public properties and facilities, assessment and collection of local taxes and fees, provision of services and goods to residents, and management of other administrative affairs. Each of the local governments has a Board of Education for handling education and cultural matters within its jurisdiction. Local councils are also authorized to inspect and audit local governments.
9. Although they have, to some extent, their own functions, provincial governments basically serve as an intermediary between the central and municipal governments. Thus, their administrative systems are smaller versions of the central government's. In fact, administrative units are generally a one-to-one match with the central government's ministries and agencies, so policies and programs directed by a specific central agency can be handled by a corresponding unit in the provincial government. The administrative systems within municipal governments are similar to those of the provincial governments. Thus, the administrative systems of all levels of government, including even those of the nonautonomous administrative districts beneath municipal governments, can be characterized in two words: uniform and comprehensive.
10. At times, the Ministry of Government Administration and Home Affairs has indicated that municipal governments' administrative district offices (eup, myeon, and dong) should be substantially reduced in number and converted into regional service centers. An electronic resident registration card system will soon be introduced, replacing the current paper-based document systems; the management of government-operated sewage treatment plants, cultural centers, and sports facilities will be contracted out to the private sector. A substantial proportion of the work performed by unskilled administrative and clerical support personnel, manual laborers, security guards, garbage collectors, street sweepers, and road repair workers will be reduced or contracted out.
11. The service oath also contains compliance with laws and orders, honest and faithful performance of duties, being creative and positive in carrying out missions, maintenance of secrecy on duties, practice of justice, and rooting out of irregularities.
12. The Presidential Committee of Administrative Innovation (PCAI), formed in 1993 under the leadership of President Kim Young-Sam (again consisting primarily of civilian experts) publicized reform goals such as "reforming the presently prevailing bureaucratic-minded institutions and practices," "establishing a democratic and efficient administration and building," and "a lean, clean, and strong government" (PCAI 1995, 14). As one of its small government strategies, the Korean government announced a privatization policy for public enterprise. Targeted for privatization by 1997 were 13 public enterprises, including the "big four": the Korean Telecommunication Corporation, the Tobacco and Ginseng Corporation, the Korea Heavy Industry, and the Korea Gas Corporation. However, because of a fluctuating stock market as well as the reluctant compliance of the powerful Ministry of Finance and Economy, which is a stakeholder in public enterprises, the privatization plan has been only incrementally implemented.

13. The Kim Young-Sam government also established a new Ministry of Ocean and Marine Resources in 1996.
14. Of course, they also make policy coordination a bit more difficult, but that is a subordinate concern at this time in relation to these ministries.
15. In the 1990s in Korea, 48% of all local governments' tasks were tasks of agency delegation from the central government (Jung 2002).

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Chapter 17

Public Policy Processes and Citizen Participation in South Korea

T. J. Lah

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17.1 Introduction

A strong, government-initiated economic development has been the preeminent priority of Korea since the end of the Korean War in 1953. Economic development greatly succeeded under President Park Chunghee’s regime in the 1960s and 1970s, and successive presidents’ economic strategies have not been that far from those of their predecessors.

From the late 1980s, Korea began experiencing a great paradigm shift. The old economic development paradigm directed and controlled society using a top-down system where efficiency was the highest value and one-way communication was accepted with little question or resistance. The new democratic paradigm respected forming national consensus through public participation, collaboration, and deliberation, and focused on the transparent implementation and fair evaluation of public programs. The new, flexible model with increased public participation came at the cost of social instability and unrest in the 1990s and 2000s.

This new paradigm is far from complete, and Korea is experiencing various conflicts between a government accustomed to the old way of thinking and a public that calls for more participation and consideration of stakeholder opinions in making public policy and programs. Only recently in Korea has understanding developed that social conflicts created by unilateral decision making incur costs that collaborative, participative, or deliberative democracy¹ can prevent or resolve (Agranoff and McGuire 2003; Gray 1989; Bingham, Nabatchi, and O’Leary 2005). Although the participatory approach seems to create costs in the short run, the approach may be more efficient in the long term by preventing conflicts. The policy-making process that Korean society claims to build would depend increasingly on the civil society.

A country’s governance and participation system is best understood when it is approached from cultural and social perspectives and historical development of the nation (Van Speier 2009). The governance involves people (Bingham et al. 2005). This chapter discusses the policy-making processes in Korean society, describing the background and the workings of the strong administration system. It then discusses the establishment of a participatory government in recent years and gives an example of the processes followed by the Ministry of Environment. The chapter then turns to institutional efforts to integrate public participation in the policy-making process, including recently adopted participation systems. Although Korea still has a way to go and lessons to learn, the spirit of democracy and the call for stakeholder participation are strong.

17.2 The Policy-Making Process in Korea

17.2.1 Background: The Process before the 1990s

Before the late 1980s, the policy-making process in Korea was limited to an inner government circle, which included only related ministries and offices, and the Blue House.² The national emphasis on economic development and the strong-government tradition and political system effectively excluded the participation of noticeably underdeveloped political entities such as the National Assembly and political parties, NGOs (nongovernmental organizations), interest groups, and the public from the policy-making process. Public opinions were rarely expressed and civil movement groups were uncommon. People had been viewed only as objects to supervise and control (Kim 1992; Ahn 2008). There was little chance for NGOs to participate formally in the policy process. Government bureaucracy monopolized the de facto policy-making rights in a very stable environment.

Thus, the characteristics of the policy-making process between the 1960s and 1980s under the authoritarian ruling of presidents Park Chunghee, Chun Duwhan, and Roh Taewoo can be summarized as the monopoly of decision making in the public policy process. In many cases, official policy making meant nothing more than a formal process of confirming already made deals. Most important decisions were decided unofficially in prior confidential meetings. Official public meetings, such as cabinet meetings, served only as a confirmation and documentation process.

Because the policy-making process was secretive and closed to the public, it was virtually impossible for citizens to express their opinions in the process. In contrast, big companies, some of which were better known as *chaebols*, formed deep and close ties with the upper class of political society and exercised their influence over the policy-making process. The government needed reliable business partners, with substantial size, that could serve as a major economic development engine for the country. In return, the business firms wanted government support to play as partners.

The first (1962–1966) and second (1967–1971) “Five-Year National Economic Development Plan” called for concentrating government support on business areas such as oil refineries, cement, fertilizers, ship-building, synthetic fibers, electronics, iron, and chemicals (Choi 2008, 112). Without adequate experiences or sufficient financing, business firms could not help but count on administrative support and direct and indirect financial investment from the government for incubating the industrial success. The government’s goal of economic development and those of businesses interests matched perfectly.

The result was huge success in economic development. Through a series of economic development plans, Korea recorded an average economic growth rate of 8.45% for the period of 1962–1981 (recalculated from Kang, Lee, and Choi 2008, 181). Business firms were actively integrated in the national economic plan to achieve the development goal. This typical development state model served the country very well with regard to economic achievement.

Unfortunately, economic success came with serious side effects. This rapid growth was possible at the expense of due process and social justice. Business firms took the opportunity for economic rent-seeking (Kong 1995, 238–239). Many of the industries the government wanted to develop were naturally monopolized by business firms that were close to the government through special tax favors and unfair business permissions (Cho 1990, 180). In fact, most of the firms that grew in the development era thanks to government support became chaebols and still enjoy that status today. The government tolerated regulatory violations that the business firms intentionally or unintentionally committed.

Through this process, the government was at risk of being captured by industrial interests. To tame the government and advance private interests, business firms tried illegal methods such as bribery and unfair favor exchanges. Corrupt business practices were widespread and the government closed its eyes to the corruption in the name of economic development.

These behaviors continued until the late 1980s and have left a deep negative legacy by planting a couple of dreadful sentiments in Korean society. The first is the abhorrence of chaebols and distrust in government. The second is that results are more important than process: If results are successful, then undue process can be justified. Korea sacrificed a lot of fundamental issues during the economic development period that booted the nation's smooth democratic transition. The country achieved tremendous economic growth in such a short period of time in compensation for ignoring the virtues of democratic values.

17.2.2 The Strong Administration System

The path and timing of social and economic development in Korea are different from those of the model for Western countries. Taking after the Japanese development state, the Korean model relied heavily on the elite bureaucrats (Ahn and Jung 2007). Moving late to industrial development and suffering from extreme poverty, Korea needed strong economic leadership and the leader was the president. Unfortunately, following the strong political leadership model in pursuit of rapid economic development meant giving up democratic values. The growth-first practices championed by the government gave the wrong signal to society that democratic demands such as human rights or consensus building come only after economic development. Escaping from poverty was the foremost national priority, so the country had few choices and permitted the president to become as powerful a leader as he could in pursuit of national economic welfare (Hahn 2008, 9–10).

Y. S. Ha et al. (2006) argue that Korean government is based on strong administration and that this feature is the major obstacle to a democratic policy-making framework. The constitution clearly defines the separation of power, and the sixth constitutional amendment in 1987 attempted to limit the authority of the president. Yet, Korea has traditionally relied on strong presidents. As a formal apparatus to implement the presidential initiatives (most of which are used for fairly justifiable

purposes such as accelerations in economic development), the government possesses very strong power as well (Kim 1996; Ha 2004).

The most powerful institutional check of the legislature to the government is the inspection of the administration (Ahn 1994). The authority of the National Assembly to conduct inspections of government offices was resurrected in 1988. But the members of the National Assembly often suffer from the lack of adequate information access. The comparably weak expertise of assemblymen in the given area in general also contributes to failure of effective inspection and provides the government leeway to escape inspection questions easily.

Government has also played a very important role in making the laws. Government dominated the number of passed bills until recently (Table 17.1). Although it may seem that legislature-initiated bills outnumber government-initiated bills lately, a majority of ideas of the legislature-initiated bills still come from the government. Assembly members may introduce a bill, but the major idea of it often originates from governmental organizations. The quality of proposed bills is also much better in the government-initiated cases, as shown in the withdrawal rate. According to the *Law Times* (2009), the withdrawal rate of government-initiated bills was only 0.33% (two cases) in the 18th National Assembly as of April 2009, while that of legislature-initiated bills was as high as 11% (402 cases). The source also reported that the passage rate of legislature-initiated bills was a very low 4.4%.

Table 17.1 Number of Proposed and Passed Bills

	<i>Government Initiated</i>	<i>Legislature Initiated</i>
Proposed bills		
15th National Assembly (1996–2000)	807 (41%)	1,144 (59%)
16th National Assembly (2000–2004)	595 (24%)	1,912 (76%)
17th National Assembly (2004–2007.6.30)	865 (14%)	5,372 (86%)
Passed bills		
15th National Assembly (1996–2000)	659 (59%)	461 (41%)
16th National Assembly (2000–2004)	431 (46%)	514 (54%)
17th National Assembly (2004–2007.6.30)	405 (30%)	926 (70%)

Source: Ministry of Government Legislation, 2007.

Policy discussions between the government and the ruling party are led by the government. In many cases, the ruling party justifies and confirms the government's agenda by proposing the government-originated bills. The ruling party and sometimes even the nongovernmental parties have nothing to lose in this practice because they can propose bills by their names. Public petitions of the government outnumber those of the legislature, which clearly shows that the public regard the capacity of the government more highly than they do that of the legislature (Ha et al. 2006).

In a similar vein, an interesting case is found in Seoul metropolitan government (SMG). The SMG began a Web-based public proposal system named "Ten-Million Imagination Oasis." The system aimed to take creative ideas from the 10 million residents in Seoul to improve the various aspects of the municipal administration. As of April 2008, the SMG had received 13,149 ideas in the portal since the program began in October 2006; this equaled 23 proposals a day (SMG 2008). However, an internal portal existed through which SMG officials—only the officials—could propose ideas to improve the city services. It is interesting that approximately 60,000 ideas were registered in that portal in the same period of time. The number of ideas submitted by government officials far outnumbered those of citizens, as did the number of adopted ideas.

Together, the observations point to the fact that the Korean government is a dominant sector compared to the legislature or the public. Although the country respects the formal separation and distribution of powers between sectors, the government leads the civil society by all means. This is a natural outgrowth of the old tradition in the 1960s, 1970s, and 1980s.

During this period, the Korean legislature, political parties, and pressure groups were immature (Paik 1989). Government bureaucrats were an elite group recruited through a very rigorous examination system—the higher civil service examination—that was enacted in 1949 and amended in 1961 and 1963. In such circumstances, the government, under the direction of dictatorial presidents such as Park Chunghee, Chun Duwhan, and Roh Taewoo, possessed strong power, pushed the idea for developing the country, and led the society in most ways. Unfortunately, rapid economic development came at the expense of sacrifice in terms of democratic policy-making processes in the country.

17.2.3 The Establishment of Participatory Government in the 1990s

Since the late 1980s, thanks to continued efforts to imbue a democratic spirit in the country, the public request to participate—either formally and informally—in governmental decision making started to gain momentum. President Roh Moo-hyun (2003–2008) named his new government as participatory government in his inaugural address in 2003 and developed many kinds of road maps to promote citizen participation and decentralization. The current Lee Myung-bak government

(2008–present) does not deviate a lot from its dependency on citizen participation, particularly after the turmoil of candlelight vigils against the Free Trade Agreement between Korea and the United States. Recent conflict experiences would nurture the democratic policy-making culture in Korea eventually.

The National Assembly and political parties took an increasingly stronger stance toward government for being authoritarian and formalistic. Various social groups proactively expressed their own views. Even lay citizens started trying to convey their viewpoints through group movement. The wide use of the Internet was critical in setting this new trend. All of these new trends meant a slow but irrevocable power shift from the monopolistic government to the public. More precisely, the government could not maintain its closed and secretive manner; thus, it reluctantly opened its work and process to the public because persistent requests for more participation disturbed the monopoly of government bureaucracy in the policy-making process (Park 2004).

The participatory government had been established and stabilized throughout the 1990s; many efforts to reform the policy-making process have been made in the 2000s. As a result, many have taken concrete institutional form. The Presidential Committee on Government Innovation and Decentralization (2007) points out three such forms.

The first is the revitalization of the policy community, which comprises the various conference groups that collect opinions and build broad consensus among government, interest groups, experts, and related parties in each stage of the policy-making process. The Korean government runs more than 400 policy communities, including various kinds of government committees and online and off-line newsletters and briefing systems. However, the use of policy communities is not yet full fledged in Korea. The representation and accountability of committee members and their managerial skills need more attention. The online policy community has its own problems. Because of the unilateral public relations activities of government offices, authentic public deliberation is infeasible in the government-prepared online community.

The second effort is the extension of public information disclosure and increased accessibility. Although the Public Information Disclosure Act came into effect after 1998 and various forms of information sharing have been used (Kim, Lee, and Han 2004), there is still room for improvement. The information disclosure method is now more of an on-demand style and needs to transform to the more proactive disclosure system. Government is currently encouraging all administrative organizations to join this voluntary disclosure and full-access policy.

The last effort is the cooperative relationship between central and local governments. In Korea, provincial assemblies were established in 1991 and residents have elected local government heads and provincial assembly members directly since 1995. However, the central government still regards local autonomous entities as the subordinate organizations. For this reason, the central government has recently tried to reduce the supervision and control of central government and to take the

role of postcontrol supervision only on the assumption that the decentralized function works properly.

Of course, the participatory approach has a downside, too. It could invite disrespect for government, politicking among interest groups, strategic manipulation of power, and narrow special interests at the expense of more legitimate concerns (Schneider and Ingram 1997). Although participation generally enhances public trust, consensus-building activities may not be directly linked to enhancing public trust unless administrative performance improves. Wang and Van Wart (2007) argue that administrative integrity and performance are essential to increasing public trust.

Public participation could even create new conflicts between central and empowered local governments. Hence, a good deal of policy and academic interest exists in exploring and evaluating new mechanisms to avoid or reduce conflict and to resolve it quickly and efficiently when it surfaces. If managed well, public conflict can be healthy and productive and can improve final policy outcome. However, many Korean conflict cases have turned out to be very destructive, both mentally and physically, and have created irrevocable gaps between the conflicting parties. A series of bitter experiences tipped the government to prepare a conflict management plan, which was developed to the president's regulation.

The executive order of "Conflict Prevention and Resolution of Public Entities" of 2007 prescribes the establishment of a communication channel at the institutional level between the legitimate participants for a given policy agenda. Through this channel, government officers, interest groups, issue experts, and NGOs may have deliberative discussions, and mediation and coordination of conflicts can be made.³ Using this channel is essentially participatory decision making and conflict management. The new model will take some time to settle in. The public will need experience for the new system to work smoothly. Fortunately, the executive order is comprehensive in nature and focuses on such efforts at the institutional level. The goal of this bill is to contribute to social unity by integrating diverse social interests and managing conflict.

The main elements of this regulation include the use of conflict impact analysis and participatory decision making, as well as creation of the Conflict Management and Deliberation Committee and Conflict Management Support Center, which contains the Conflict Arbitration Institution. The Korean conflict management scheme is relatively closer to what Bingham et al. (2005) call the quasi-legislative process in that it utilizes processes such as deliberative democracy, public conversations, participatory budgeting, citizen juries, collaborative policy making, and various other forms of dialogue among citizens, rather than relying on the quasi-judicial process such as alternative dispute resolution (ADR) in the form of mediation, facilitation, or arbitration. With the help of this institutional effort, it is hoped that the participatory policy-making process will reduce future conflicts in Korea.

17.3 An Example of the Policy-Making Process: Environmental Policy

This section describes the policy-making process through an example of environmental policy. The backbone of this process is no different from that of other policy spheres. After recognizing social problems, the government puts them on the policy agenda and gathers information about them. Then, the government devises several plans based on the collected information and evaluates them. Finally, the best alternative is selected.

In the environmental policy process, the Ministry of Environment (MOE) establishes the basic goals and objectives of the policy, reviews and coordinates related policies, and makes regulatory standards for implementation through legislative function. Although MOE is the major engine for making and implementing national environmental policy, environmental affairs are so enormous and complex that policy-making entities also include but are not limited to local MOE offices, related central government ministries and offices, the Presidential Green Growth Commission, and local autonomous governments.

Some policies need discussion only within MOE. However, increasingly, more policy programs need deliberation not only inside the environmental circle, but also within other related government offices. For the latter, MOE first makes its own proposal through internal discussions and then compares and coordinates with counterproposals from other offices through a series of midlevel managers' talks. Then, the synthesized proposal goes through top managerial-level meetings, such as ministerial and vice ministerial meetings. Depending on the agenda, the decision may pass through the Presidential Green Growth Commission. Policy decisions are finalized at the Cabinet Council as a protocol and finally confirmed by obtaining the sanction of the president.

As in the other policy fields, the environmental policy-making process is circulatory and complex, so the final decision may be different from the initial policy intention (Kim and So 2001). The demands of many stakeholders to alter the policy to their interests accounts in many instances for the final look of the decision. The ruling party has an impact through the formal government ruling-party consultation process. The nonruling parties also have chances to make arguments on policy issues at the National Assembly through legislative activities and political pressures. Many others, such as business companies and environmental NGOs, use lobbying activities or formal requests to related government offices to influence the policy outcome favorably to their interests. Although MOE is responsible for the overall decision-making process and the final policy outcome, the process is characterized by a lot of conflict, negotiation, bargaining, and consensus building among the policy stakeholders. Figure 17.1 displays this process in a nutshell.

The environmental policy field is the one in which public participation is commonly used. Nevertheless, the decision-making system is still not effectively

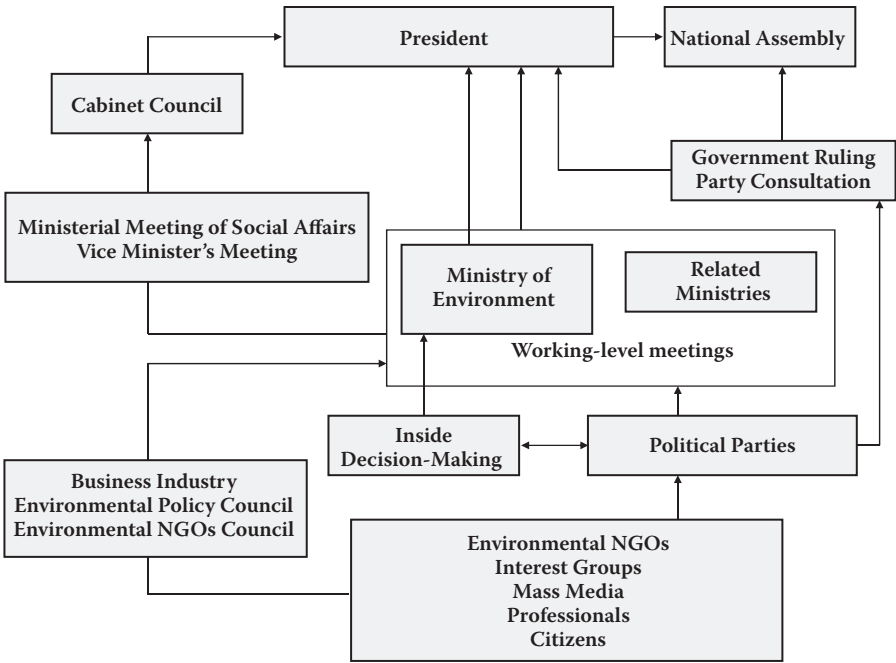


Figure 17.1 Decision-making process of environmental policy. (Revised from Kim, B. C., and J. J. So. 2001. *Summer Conference of Korean Association for Policy Studies*, 89–115.)

integrating relevant stakeholders such as the public or environmental NGOs. The government does not prefer open, two-way communication because that could decrease prompt and efficient decision making.

17.4 Institutional Efforts to Integrate Public Participation

To overcome the defect of the unilateral policy-making process, the Korean government is experimenting with various participatory systems. Citizen participation can be of diverse forms and embodied at each stage of participation: agenda setting, policy making, policy implementation, and policy evaluation (Kim et al. 2004). The participatory systems currently perform at both central and local government levels. Advisory committees, ombudsmen, public hearings, and volunteers are all very popular forms of participation. More recently, Internet-assisted participation and more formal rule- and regulation-based participation, such as citizen referendum, citizen recalls, and citizen audit calls, are gaining attention. Table 17.2 displays

Table 17.2 Examples of Participation Systems in Ministries

Ministry	Name	Explanation
Ministry of Labor	Labor Policy Professionals Group Management	Constructs database of labor policy-related professionals group for providing information and collecting opinions about policy ideas
Ministry of Commerce, Industry, and Energy	Foreign Investment Ombudsman	Handles bottlenecks and provides advice for problems of foreign investment
Ministry of Environment	Committee of Light Oil Vehicles	NGOs and professionals participate in setting sales permission guidelines of light oil vehicles
Ministry of Information and Communication	Participation Net	Internet home page used for policy innovation proposal, policy debate room, and electronic public hearing
Ministry of Education and Human Resource Development	Private Education Expense Reduction Monitoring	Entrust teachers, parents, and students as monitoring agents and collect opinions for private education expense reduction
Korean Customs Service	Voluntary Customs Agent for Cybersmuggling Regulation	Entrust experienced and informed citizens as voluntary customs agents and search cybersmuggling information
	Private Enterprise Self-Inspection System	Under the guideline of the customs service, businesses self-inspect tariff-related matters and the amount of taxes and refunds

(Continued)

Table 17.2 Examples of Participation Systems in Ministries (Continued)

<i>Ministry</i>	<i>Name</i>	<i>Explanation</i>
	The Customs Shinmungo (Bell)	Collects petitions or opinions for better customs service and reflects them to policy-making and system improvements
	Audit Notice and Result Report Room	Notifies businesses-targeted work areas and dates of audit; discloses audit results afterward on the home page

Source: MOGAHA. 2004. “The State of Citizen Participation System: Central Administrative Agencies.”

specific examples used at the ministries. More specific explanations of innovative participatory forms recently introduced to Korea are discussed next.

17.4.1 Citizen Referendum

Citizen referendum may be a very effective tool to resolve challenging policy issues that government is unable to solve (Y. C. Yang 2007, 94). Although referendum was introduced in Korea in 2004, local residents had already voted for pending issues on several occasions previously. These occasions included landfill siting in Ulsan; cable car system construction in Tongyoung; administrative city boundary demarcation in Gwangjin-Gu, Seoul; move of the U.S. Army camp in Incheon; and nuclear waste disposal siting in Buan.

The Korean referendum system provides voting rights to those age 20 or over. Policy issues that impose heavy burdens or have important impacts on residents are the candidates for referendum. The necessity for referendum is decided through local ordinance. Heads of local government offices can claim the necessity for referendum to listen to public opinion about policies that could have a direct and important impact on residents, such as creation, union, or repeal of local autonomous entities and the establishment of important facilities in a locality. Residents can also call for the referendum if 0.05% of the total residents call for one. If half of the members are present and two-thirds of them are in favor, the local assembly may also call for a referendum.

The first referendum since its formal introduction in Korea was held in Jeju in 2005. Residents there voted “yes” to unifying of the administrative zone, making the province a special self-governing one, effective in 2007. Another important case is

the four-way referendum for nuclear waste disposal siting decision. Because finding a place for a nuclear waste disposal facility was a very urgent national problem, the central government auctioned off the site. The central government announced that the bidding city with the most residents who agreed on hosting of the facility would be endowed with an astronomical amount of grant money. In a very close competition, Gyeongju got the most votes and defeated three other bidders—Pohang, Gunsan, and Youngduk. More explanation about this case is provided later in this chapter.

17.4.2 Citizen Recall

Government officials may be dismissed from their positions before their terms are completed (Kim 2004) upon the charges, petitions, or votes of citizens. Korea adopted this system in 2007. All rights are suspended if at least 10% of the residents declare their intention for the recall vote. One-third of the residents must sign on the Recall Request Form and submit to the Election Committee for setting up a vote, and the officials in charge are removed from the office on a majority vote. Citizen recall is the emergency safety apparatus against derailment from constitutional order and causes public officials to behave ethically; however, it functions more as prevention than correction (Myung 2007).

The efforts of citizens in Goyang and Gwangju played a key role in the passage of the citizen recall system (Kim 2006). For the first time in national history, Goyang attempted to recall its mayor for arbitrarily issuing business permits to pubs and motels in a school zone. But the effort failed after a series of tedious lawsuits. In Gwangju, citizen groups contended that at least 10 of the 29 politically appointed higher level local officers in the metropolitan Gwangju government were linked to corruption. Realizing that this contention needed a legal basis for charging the officials with wrongdoing, the citizen groups secured more than 18,000 residents' agreement to create a local ordinance for citizen recall. The ordinance passed the city council in 2004. However, the city of Gwangju brought a lawsuit against the citizen groups that it eventually won. Nevertheless, these local efforts expedited the introduction of citizen recall.

17.4.3 Citizen Litigation

In a citizen litigation system, the citizens as tax payers monitor possible wrongdoing and squandering of the public expenditure. Although public audit and evaluation institutions exist, citizens can directly ask for financial accountability from the government. Korea introduced a similar system in 1949, but it was abolished in 1988. A 2006 amendment to the Local Self-Governance Act resurrected the clause pertaining to citizen litigation.

As a prerequisite of the citizen litigation movement, citizen budget surveillance is very active. One of the biggest citizen groups in Korea, Citizens' Coalition for Economic Justice, first organized a budget surveillance committee in 1999; other

NGOs jumped into the movement after that. In response, the Ministry of Planning and Budget created a budget-waste watch center for taking such calls. A total of 574 cases were reported in 2006 (Lee 2007). Calls are then relayed to the responsible institutions. Because citizen litigation is direct control of public budget waste, it is not yet widely used. Indirect measures such as budget surveillance, citizen audit request, or citizen recall are used more often.

17.4.4 Citizen Participation in the Government Budget System

Traditionally, government is solely responsible for compilation of the budget. However, government increasingly reflects citizens' voices in its budgetary process. As a part of government innovation, the Ministry of Government Administration and Home Affairs advises each locality to include citizens in the budget-making process through the "Local Government Budget Making Guidelines" from 2005.

Citizen involvement in the budget system may be divided into several types, depending on the level of citizen participation (Gwak 2005). In most cases, the participation level is mild: The government encourages the public to participate in Internet surveys, public hearings, and informal talk sessions. However, a stronger participatory form also exists. In the north gu of Gwangju, which is known for a strong self-governing tradition, citizens enacted the ordinances themselves. The strongest level of participation includes the cases of Seoul and Ulsan. In the Gangnam gu of Seoul, citizens participated in the budgetary process of individual programs. Citizens of the east gu of Ulsan organized a citizen committee to review and finalize the budget bill.

17.4.5 Citizen Participation in the Trial System

As a part of the judicial system reform, there have been many discussions since 2000 to introduce a citizen jury system or lay judge system for ensuring the judicial participation of citizens. As a result, the Citizen Participation Criminal Trial Act, a mixture of citizen jury and lay judge systems, passed the National Assembly in 2007 and went into effect in 2008. For the first in time in Korea's national history, citizens were able to participate in criminal trials. However, even before the citizen-participation criminal trial was formally introduced at the institutional level, Susung gu of Daegu had already put the system into use (Sun and Kim 2003).

The Korean system is distinct in that it has both citizen jury and lay judge elements. The former ensures that citizen juries' discussions are independent of the professional judges and that they decide on a case unanimously. The latter ensures that, in case the juries fail to reach unanimity, they can use the majority rule upon hearing the professional judges. Judges do not participate in the discussion. Juries discuss weighing of an offense with judges, but it is judges that finally assess the charges.

This system was designed to resolve long-standing and important conflict cases in a more public and democratic way to ensure the fairness and reliability of the

results. The citizen juries consist of approximately 10 persons and include professionals such as lawyers, professors, experts, local assembly members, and vocational representatives. The chair is elected by vote.

17.5 Conflicts between Government and the Public

Although the government operates participatory systems to promote participation, it will take some time until the bureaucracy-centered and closed decision-making pattern disappears. Pluralistic decision-making culture is new to the Korean government. Even though the political and social environments are changing fast and the civil society has become more powerful than ever before, the existing decision-making pattern is still inertial and relies mostly on government bureaucracy. In short, Korean political power and authority are concentrated in the government. Based on the strong presidential system, no one else but the president and bureaucracy are in the core of the policy-making process. The National Assembly checks the president and government, but the power pendulum is not as balanced as it should be.

Likewise, the influence of interest groups and NGOs has significantly increased, but there is still a long way to go. The clash between the existing policy-making culture and the new social-consciousness structure has caused a lot of conflict between government and civil society. Even though many participatory systems are being implemented, public participation is still limited. Because the opportunities for adequate social discourse are missing in the policy process, often the policy programs lack legitimate viewpoints from the public and related stakeholders.

Recently, there have been many conflict cases in the decision about and implementation of national policy projects in Korea. As discussed here, the biggest reason for these conflicts is the lack of due consideration for and participation by stakeholders. Citizen participation was invisible in the policy-making process. The next two cases show the problems of this process.

17.5.1 The Nuclear Waste Disposal Site Decision Process

Nuclear power generated from 19 power plants is the major source of electricity in Korea, accounting for 40% of total electricity of the country. However, the capacity of the nuclear waste treatment facility was close to its limit, and finding waste disposal sites was a top priority for the country. The government has attempted to locate the nuclear waste disposal site (NWDS) nine times since 1986, including in Anmyundo, Gurupdo, Youngwang, and Uljin, but its efforts to finalize a place have failed every time due to fierce opposition from local residents. This case shows very well that a government policy-making process that does not integrate people's due concerns has little chance to succeed.

As the saturation clock ticked away, the government announced that it would financially support the hosting locality's economic development with a total of

2 trillion won (US\$2 billion) for 20 years. At first, the Ministry of Commerce, Industry and Energy (MOCIE) announced that it would accept proposals from the local government office. It did not require any local residents' opinions or endorsement, which later turned out to be a big mistake. Following this guideline, the county governor of Buan applied to the process, but without conferring with the residents, who were offended by the governor's unilateral move. The county council killed the proposal with a seven-to-five vote; however, insisting stubbornly that the financial reward attached to the facility siting would bring the county economic prosperity, the governor disregarded the voting results.

Although this may have been reasonable, the unilaterally decided government policy could not get the support of the public. When Buan was announced as the hosting spot for the NWDS, the residents got furious. Candlelight demonstrations and opposition picketing continued for 137 days. As the debate heated, the governor was even hit in the face and hospitalized. More than 100 people were indicted for illegal behavior and some of them were jailed.

Finally, MOCIE acknowledged that the opinions of Buan residents were not adequately reflected in the policy-making process. MOCIE rewound the time clock and received applications from other localities, too. Four different localities applied this time. Through citizen referendum at each locality, Gyeongju recorded the most votes (89.5%) and was confirmed to host the NWDS; Gunsan, Youngduk, and Pohang got 84.4, 79.3, and 67.5% of votes, respectively (Yang 2007, 361). The case took 20 years until it was finally settled in 2005.

In this case, the main causes of conflict include people's abhorrence of the unwanted facility, residents' and the government's different viewpoints, and inconsistency in the government attitude toward the site (Lah 2004, 107–111). But the most critical error was the absence of opportunity for the citizens to express their viewpoints in the decision-making process. The rational cost-benefit calculation of whether the facility siting and the financial compensation would bring economic prosperity to the community was not important at all to the angry residents. Rather, the unilateral decision of the government without public participation was the problem.

All in all, more open decision making would have made the citizens better informed and helped to achieve better results. Public notification and institutionalized access to policy making may boost participation in the rule-making process (Woods 2009). Better informed public participants can greatly contribute to better results in almost every area, including policy issues, regulatory requirements, and service levels, except for technical areas (Wang and Van Wart 2009, 265).

17.5.2 The National Education Information System Adoption Process

The National Education Information System (NEIS) is one of many conflict cases that happened in the early 2000s in Korea. The NEIS was designed to link individual school systems to the Ministry of Education and Human Resources Development

(MOEHRD) and local offices of education through the Internet to promote educational administrative efficiency and satisfy public information needs (MOEHRD 2001). Teachers, students, and parents could access their school account through the Web. MOEHRD envisioned that this online system would enable a lot of work that had not been possible before. The government did not foresee at all that the NEIS proposal would face a tremendous amount of opposition from stakeholders.

Conflict surfaced as the Korean Teachers & Education Workers' Union (KTEWU), most of whose members were radical leftist teachers, submitted a petition to the National Human Rights Commission (NHRC) in 2003, arguing that the NEIS could violate the rights of students and parents and was subject to Internet hacking. Another important reason that did not appear in the petition, but appealed most to the KTEWU, was that the NEIS brought about an increase in the work burden of teachers and staffs because they needed to create the huge database by typing in tons of handwritten documents of the old system as well as the new information. Despite these concerns, MOEHRD went ahead and began constructing the system.

Countering this move, KTEWU organized a series of demonstrations and distributed press releases. As the NEIS came to a standstill, the Blue House concluded that MOEHRD was not able to resolve the issue and let the prime minister handle the confrontation. Finally, all parties came to agreement that sensitive rights-related items such as educational and school affairs, health, and admissions were to be managed independently on separate accounts. The case was adrift 5 years until consensus was reached in 2005.

From the NEIS case, we can conclude that each entity had a different recognition frame for the policy programs (Lah 2006). MOEHRD argued that the NEIS boosted administrative efficiency and was technically impeccable, while KTEWU saw it as infringing upon human rights and technically imperfect. The government did not understand that even a "perfect system" needed to go through due process. Asking for public opinions and attempts to persuade engaged parties would have made the plan take off far more smoothly. The case implied that if the decision-making process was bureaucratic and closed to the public, even an efficient system was not efficient at all because it incurred unnecessary social costs. MOEHRD failed to defend the could-have-been-great policy idea by confining its discourse inside bureaucracy.

Public managers today have a call to decide how much power to share with stakeholder groups and to architect the citizen–government interaction structure, which may be called governance. This is an overarching power inherently embedded in bureaucracy (Feldman and Khademian 2002). In general, however, public officials are not very willing to share power with the public in decision making; rather, they involve citizens after issues have been framed and decisions have been made (Yang and Callahan 2007).

Korean bureaucracy is no exception. The two Korean cases suggest that a unilateral bureaucratic decision-making plan does not work any longer but only solicits unnecessary conflicts. In many cases, the policy program is known to citizens when

it is officially announced. Public participation is not invoked at the outset, but rather very reluctantly at the last moment in an unavoidable situation only after the government has been cornered by the engaged entities. Public conflicts happen because citizens who had no prior chance to express their opinions show their dissatisfaction outside the pertinent communication channel.

Lacking experience in full discussion of policy ideas with the public in the planning stage, Korea learned the hard way that unilateral policy making based on bureaucratic methods obstructs healthy communication with citizens and related interest groups and brings about failure in government policy. The decision-making model of decide–announce–defend (DAD) in the development era is not working anymore. A new model featuring open communication channels between the government and the public is needed.

17.6 Conclusion

The current economic state that the country enjoys is founded on government-led development processes that were implemented in the 1960s and continued through the late 1980s. Until the 1990s, the process was open to none but government bureaucrats, an elite group in Korea who monopolized the public policy process. The core of the country's economic success owes a great deal to the contributions of its government officials, but this one-sided effort neglected democracy, and legitimate political actors were generally neglected (Ha et al. 2006). Due to the lack of communication and participation systems, the policy process naturally faced many social conflicts as civic life grew in the late 1980s.

The advancement of participatory decision making in Korea came from many bitter experiences. Social conflicts were created because the government could not deal effectively with the public demand to reflect their opinions through participation in the policy-making process. Korea needs to engage in further action to make democracy work; the current process is ineffective and does not provide enough room for public participation. Many problems could have been avoided or mitigated by use of a more collaborative and deliberative approach. The Korean public these days wants a more open, transparent, and participatory public policy process. Korean public policy managers, now accountable for the diverse, multiple, and conflicting expectations of the public, are increasingly called upon to consider participatory approaches in the policy-making process, even as they take a bit longer to formulate policy.

Notes

1. Deliberative democracy succeeds and develops the ideology of participatory democracy and makes up for the limits of representative democracy. That is, it has participatory and representative characteristics at the same time (Gutmann and Thompson 2004).

2. The Korean Blue House is the president's office and residence, equivalent to the White House of the U.S. president in Washington, D.C. It is called the Blue House because of its distinctive blue roof.
3. The main characteristics of the executive order are conflict prevention, active citizen participation and consensus building, construction of a conflict management system through public governance, application of the system at all times and throughout the policy process, detailed provisions of the conflict management process, and active and spontaneous governmental efforts (Park 2005).

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Chapter 18

Intergovernmental Relations in Korea: From Dependency to Interdependency

Chung-Lae Cho, Jun Hyun Hong, and Deil S. Wright¹

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18.1 Introduction

Over the past half-century, Korean local autonomy has emerged in an interrupted and inconsistent pattern. Following the Korean War, local autonomy was fragile but partially established. Constitutional stipulation of local autonomy and local election was formally specified and briefly experienced (1960–1961). However, military regimes from 1961 to 1987 dismissed and/or suppressed local autonomy and delayed its implementation. In 1995, the Republic of Korea held local elections and, for the first time in a half-century, both executive heads and council members of local governments were popularly elected. It was a pivotal event in the history of Korean intergovernmental relations.

This chapter explores the contemporary status of Korean local autonomy from legal, political, administrative, and fiscal perspectives. This multiperspective research strategy leads to a more comprehensive basis for assessing local autonomy. It also reviews a half-century of history of local autonomy. A subsequent section focuses on Korean local government finance, and special attention is centered on raising local revenues, vertical and horizontal fiscal imbalances, local financial self-support, and intergovernmental fiscal transfers. These analyses lead to a final section, where we conclude that intergovernmental relations (IGR) in Korea are transitioning from local dependency to intergovernmental interdependency.

18.2 A Half-Century of Korean Intergovernmental Relations

During the last half-century, Korea experienced significant political development issues. Despite frequent crises of constitutional order and political instability, the country has achieved a recent and remarkable democratic transition and consolidation. Along with democratic changes, the Korean local self-government system has gradually institutionalized. This section describes the distinctive periods and shifts in relations between the central and local governments. The appendix at the end of this chapter defines and discusses the concept and study of IGR for interested readers, including studies on East Asia.

18.2.1 Nominal and Delayed Local Autonomy (1948–1961)

The modern history of Korean local self-government started shortly after World War II when the first constitution of the Republic of Korea was established in 1948. This constitution devoted two articles to local autonomy. Article 96 stated: “Local autonomous entities shall, within law and ordinance, deal with matters pertaining to local autonomy and matters delegated by the State and manage their own properties.” This article constitutionally guaranteed the existence of local self-governments and their autonomy to administer, legislate, organize, and finance their own affairs.

Article 97 referenced the formation, function, and powers of local government. It specified that “(1) organization and function of local autonomous entities shall be determined by law, (2) each local autonomous entity shall have its assembly, (3) organization and powers of assembly and election of members shall be determined by law.” These two brief articles of the 1948 constitution provided a basis on which future enactment of legislation on local self-government and autonomy would depend.

Article 96, however, limited the nature of local autonomy by stating that “local autonomous entities shall, within law and ordinance, deal with matters...” The law and ordinance phrase indicates that local autonomy could be limited by national executive orders and by legislation. On the basis of these constitutional provisions, the Rhee Syng-Man administration (1948–1960) enacted the Local Autonomy Act in 1949.

This act defined the formation of local government systems composed of two levels: (1) upper level local government (Seoul metropolitan city and several provinces), and (2) lower level of local governments (city, county, town, and township). The upper level of local governments was under the direct control of central government. The lower levels were directed by upper level local governments. This structure of two tiers of local governments describes the institutional framework of the present Korean local government system.

Any degree of autonomy following the Local Autonomy Act of 1949 was short lived. The implementation of local autonomy was delayed by the Korean War (1950–1953). From its enactment in 1949 to the 1961 military coup of Park Chung-Hee, the Local Autonomy Act was amended five times. These amendments were the product of political dynamics occurring in the midst of socioeconomic, political, and governmental system turmoil. In fact, President Rhee Syng-Man took advantage of several amendments to the Local Autonomy Act to advance his political interests. The first local elections held in 1952 for the lower level and upper level local council members were not to establish a local self-government system. Instead, they expanded and extended the political power of President Rhee Syng-Man. They were intended to mobilize the political power of local governments’ councils for his reelection (Im 2005).

The student revolution against the Rhee administration began in April 1960. The Democratic Party, which came to political power through the revolution, amended the Local Autonomy Act on November 1, 1960. It allowed local residents to participate in direct elections of local council members and executive heads.² Pursuant

to this amendment, local elections were held in December of 1960. Local councils and executive heads of upper level as well as lower level governments were elected by popular vote. These local elections were a brief peak in the development of local autonomy. The amendment to the Local Autonomy Act in 1960 was intended to establish popular democracy and realize some degree of local autonomy. Although it was slow, irregular, and small scale, there was a small window of opportunity in the development of Korean local autonomy from 1948 to 1961.

However, local autonomy barely saw the light of day before it was overshadowed and overcome by the military coup led by General Park Chung-Hee in 1961. The Military Revolutionary Committee immediately suspended local autonomy. The Military Commission dissolved all local councils. All important functions of local governments were assigned to the central and provincial governments.

18.2.2 Interrupted Local Autonomy (Military Regimes 1961–1987)

During the Park administration (1961–1979), local autonomy was completely suspended. Although the constitution of the Third Republic (1961–1972) was amended in 1962 by devoting two articles to local autonomy, the military government had no intention of permitting this. The constitution contained a provision that “the appropriate timing for restoring the local councils based on this Constitution will be specified separately by other law.” Not until 1988 was any implementing law enacted.

Local autonomy lay dormant for more than a quarter-century. During this period, local autonomy was inoperable. The constitution of the Fourth Republic (1972–1979), the so-called *yusin* constitution (1972), submerged local autonomy further into the dark of night. Implementation of any degree of local autonomy was delayed indefinitely by stating that local councils could not be created until the Korean peninsula was reunified, a prospect that consigned the issue to nearly total oblivion.

The Chun Doo-Hwan administration (1980–1987) instituted a new constitution stating that “local councils shall be resumed gradually according to the degree of financial self-sufficiency of local government.” This constitution, however, indicated that the timetable for the restoration of local councils would be decided by the enactment of statutory law. The Chun administration, like the Park administration, postponed the reestablishment of local councils. During the nearly three decades of military regimes (1960–1987), the local autonomy system was not merely episodic: It was virtually nonexistent.

18.2.3 Initiating Local Autonomy (1988–1995)

Despite the remoteness and practical irrelevance of local autonomy from 1950 onward, the ideal remained a preferred and sought-after objective. This was evident in various venues and forms that did not falter despite many major obstacles.

The constitution of the Roh Tae-Woo administration (1988–1993) finally removed the provision restricting the introduction of local councils. This removal was a pivotal event in the development of Korean local autonomy and led to a subsequent and significant change in the Local Autonomy Act. Starting in June 1991, local elections were held to select local council members across the nation for the first time since the 1961 military coup. Elections for local executive heads, however, were postponed until 1995. The rationale for the delay was to ensure a more stable and gradual implementation of local autonomy.

Local autonomy in Korea has long been regarded as an indicator of democracy because, historically, the democratization process has been closely related to the development of local autonomy. Undemocratic rulers like President Park Chung-Hee (1961–1979) and President Chun Doo-Hwan (1980–1987) abolished local autonomy and suppressed its development. As a result, local autonomy degenerated and was delayed during a quarter-century of strongly centralizing military regimes. There had been, however, an increasing and even desperate demand for democratization among the Korean people since the beginning of the Roh Tae-Woo administration (1988). As public demand for democracy grew stronger, the government introduced further amendments to the Local Autonomy Act in March 1994. One amendment authorized the election of local executive heads scheduled for June 1995.

The Kim Young-Sam administration (1993–1998) held elections for the executive heads as well as council members of local governments in June 1995. The full-scale elections selected a total of 245 executive heads of local governments. Those executives included 15 upper level local governments, including metropolitan cities and provinces, and 230 lower level governments, including municipal, county, and autonomous districts. Also, 972 upper level and 4,541 lower level council members were elected (Chung 2000). These popular elections reestablished a meaningful yet modest local autonomy system in Korea.

18.2.4 Pursuing Devolution after 1995

Since 1995, Korea has held four local election cycles in 1995, 1998, 2002, and 2006. During the past decade, local autonomy through popular elections has become firmly established as an essential but only one part of Korean political and administrative systems. In spite of the remarkable developments and changes, local autonomy is still in the fledgling stage. A large portion of power, policy responsibility, and resources remains with the central government. Among the total of all governmental functions, roughly one-fourth belong to local governments.³ This portion is relatively low when compared with other developed countries such as Japan (34%), France (40%), and the United States (50%).⁴ Devolution of functions and policy responsibilities has been in the process of implementation since the enactment of the Devolution Promotion Act in 1999.

The unbalanced distribution of functions and authority between central and local governments, vertical and horizontal fiscal imbalance, and weak self-governing

competency of local governments are important issues that need to be addressed for the greater realization of local autonomy. The devolution of functions from central to local governments has been determined by the Joint Commission on Devolution since 1991, when the election of local council members resumed. This commission, however, did not have sufficient power to enforce devolution decisions on each national ministry. Its location within the Ministry of Government Affairs constituted only one among many government ministries.

To deal with these obstacles to local autonomy, the Kim Dae-Jung (1998–2003) and Roh Moo-Hyun (2003–2008) administrations gave policy priority to devolution by establishing special committees. These were the Presidential Commission on Devolution Promotion in 1999⁵ and the Presidential Committee on Governmental Innovation and Decentralization in 2003.⁶ Although statistics show that more functions have been devolved since 1998 compared to the previous periods, core functions such as police and education are still under the complete control of the central government.⁷ Governors and mayors are likewise regulated in organizing their own executive bodies to some extent by the central government.⁸

One of the most remarkable devolution efforts has been the establishment of the Jeju special autonomous province. This is an experimental attempt to grant autonomous power to Jeju Island—a vacation- and resort-oriented isle off the southern coast of the Korean peninsula. The 2006 Special Act on Establishment of the Jeju Special Autonomous Province and Developing International Free City gave Jeju Island power to operate its own school system and police functions autonomously, as well as more autonomy in organizing its own executive body. Furthermore, national ministries' field offices were handed over to Jeju Province's own operation (Presidential Committee on Government Innovation and Decentralization 2007, 124–126).⁹

As part of a decentralized and balanced regional development policy, the Roh Moo-Hyun administration pursued a plan to relocate 12 of the 18 major governmental ministries outside the capital region. These included the Office of Prime Minister and the Ministry of Finance and Economy. This “deconcentration” effort would produce a new administrative town (Sejong, a special autonomous city) approximately 80 miles south of Seoul. The administration also proposed to relocate the headquarters of 177 state-owned corporations (public firms) and organizations outside the capital area by the end of 2012. The so-called age of “localization” may be emerging. If it does develop to some degree, it is a supplement or at least complement to political, administrative, and fiscal local autonomy.

During the last half-century, the autonomy of local governments increased irregularly but incrementally. Autonomy issues thus far have centered on institutional aspects, especially popular election. Important illustrative issues were how to form local administrative and legislative entities, how to elect local executives and council members, and what power should be allocated to local governments.

The institutionalization of local self-government is not a guarantee that local autonomy will be effectively realized. How can significant, robust, and effective

local autonomy be fulfilled? Legal, political, and administrative autonomy are necessary, but not sufficient, conditions to achieve autonomy. Fulfillment of significant local autonomy requires a substantial degree of local fiscal autonomy. The next section examines local autonomy in the context of intergovernmental fiscal relations.

18.3 Intergovernmental Fiscal Relationships

A grasp of intergovernmental fiscal trends and variations is one necessary condition for understanding intergovernmental relations (Wright 1988). We therefore devote special attention to the distinctive and special character of recent Korean intergovernmental fiscal relations. In addition to examining expenditure and revenue patterns, we consider vertical and horizontal balances and imbalances as well as intergovernmental fiscal transfers.

18.3.1 Vertical Fiscal Imbalance

Table 18.1 shows the overall budget size of the central and local governments over the past decade in relation to gross domestic product (GDP). Central government outlays have constituted around 20% of GDP, ranging from a low of 19.3% to a high of 23.7%. Local government outlays range from 6.1 to 8.5% of GDP with a mean of 7.5%. Central government expenditures during the last decade as a ratio to GDP have been relatively stable. Likewise, local expenditures varied modestly between 6 and 8% of GDP and nearly a constant one-fourth of total central and local outlays. In nominal rather than proportionate terms, however, central and local budgets between 1995 and 2006 have increased nearly 2.5 times. Central outlays were 73 trillion won (US\$73 billion) in 1996 and 175 trillion won (US\$175 billion) in 2006. Over the same period, local government expenditures rose from 27 trillion won (US\$27 billion) to 65 trillion won (US\$65 billion).

It is not easy to conclude from Table 18.1 whether this distribution is unbalanced between the central and local governments. Historical, cultural, social, political, and economic contexts of a nation determine the division of expenditures between the central and local governments (Oates 1972). Considering the continued devolution of government functions from central to local governments since 1995, the local share of total public outlays seems relatively small and quite stable.

The comparative distribution between the central and local governments is called “vertical fiscal imbalance.” It is argued that the fiscal resources of the local governments are insufficient to support or operate the new system of local self-government. To address this imbalance, additional fiscal resources need to be transferred from the central to local governments or more revenues raised locally. This type of shift would increase the prospect for an effective system of local autonomy.

Table 18.1 A Decade of Central–Local (IGR) Financial Relations in the Republic of Korea: Expenditures as Percentage of GDP and Local Outlays in Relation to Total Outlays

Year	Central Government ^a		Local Government ^b		Local as % of Total ^c
	Amount (Trillion Won)	% of GDP	Amount (Trillion Won)	% of GDP	
1995	73	19.3	27	7.3	27
1996	84	20.0	33	7.9	28
1997	92	20.4	38	8.4	29
1998	105	23.7	38	8.5	26
1999	115	23.7	37	7.8	25
2000	124	21.4	46	8.0	27
2001	137	22.1	45	7.2	25
2002	145	21.2	41	6.1	22
2003	159	22.0	50	6.9	24
2004	158	20.2	60	7.8	28
2005	168	20.6	61	7.5	27
2006	175	20.0	65	7.5	27

Source: Digital budget and accounting system (www.digitalbrain.go.kr).

^a Sum of general and special account budget.

^b Before intergovernmental fiscal transfer.

^c Local government ÷ (central government + local government).

18.3.2 Horizontal Fiscal Imbalance: Cities and Provinces

The distribution of financial resources among local governments in Korea is uneven. The financial self-support (or self-dependence) of upper level local governments is reported in Table 18.2. This displays own-source revenues for large cities and provinces as a percentage of total revenues. The table reveals a clear pattern of financial self-support for upper tier local governments. Metropolitan cities have substantially higher levels of own-source revenues. Seoul appears to operate without consequential financial assistance from the central government. Other metropolitan city governments acquire 60–75% of their revenues on a self-supporting basis.

Table 18.2 Financial Self-Support Index for Metropolitan City and Provincial Governments: Own-Source Revenues as Percentage of Total Revenue

	2001	2002	2003	2004	2005
Special metropolitan city					
Seoul	95.6	95.6	95.9	95.5	96.1
Metropolitan city					
Busan	74.4	69.7	74.9	75.6	73.4
Daegu	75.3	69.2	76.4	73.2	73.9
Incheon	77.7	74.4	74.6	75.9	70.0
Gwangju	63.6	61.6	63.0	59.8	60.6
Daejeon	74.9	73.6	73.6	74.4	75.0
Ulsan	76.4	67.1	71.6	69.6	69.9
Province					
Gyeonggi	78.0	76.5	78.0	78.8	76.2
Gangwon	29.8	28.0	26.7	28.9	27.5
Chungcheongbuk	36.5	32.9	31.4	31.3	31.7
Chungcheongnam	30.5	28.4	29.8	30.5	32.7
Jeollabuk	27.7	26.3	25.6	25.9	25.1
Jeollanam	22.0	20.8	21.0	21.1	19.9
Gyeongsangbuk	31.3	30.1	29.2	29.4	29.6
Gyeongsangnam	39.5	36.3	37.2	38.3	37.5
Jeju	33.6	36.6	37.4	34.7	39.3

Source: Ministry of Public Administration and Security (www.mopas.go.kr).

Note: Financial self-support index = [(local tax + nontax revenue) ÷ (total budget of general account)] × 100.

With one exception, provincial governments depart dramatically from metropolitan cities. These regions seldom secure as much as one-third of their revenues from their own sources. However, Gyeonggi Province (located around Seoul) funds three-fourths of its revenues from its own sources. All other provincial governments fund only 20–40% of their budgets from their own sources. Jeolla Province

(southwest region) in particular is relatively underdeveloped economically and reports the lowest levels of self-support—in the 20–25% range.

18.3.3 Horizontal Fiscal Imbalance: All Local Governments

Financial self-support can be viewed from an alternate local perspective. Table 18.3 shows financial self-support for lower as well as upper local governmental levels. Lower level governments are municipalities (77), counties (88), and autonomous districts (69). The percentages in the table show the relative degree of local fiscal autonomy as measured by dependence on own-source revenue for the four categories of local governments. Over half (53%) of all local governments secure less than 30% of their revenues from their own sources. In other words, more than two-thirds of their budgets are dependent on external financial aid.

The financial situation of lower level local governments (municipal, county, and autonomous district governments) is especially noteworthy. Table 18.3 reveals the fiscal weakness of many lower level local governments. Over half of the 16 metropolitan cities and provincial governments reported 50% or more financial self-support. Among the remaining 234 of lower level local governments, only 30 (13%) achieved this level of self-support. The most serious financial problems are found among county governments. Over 90% of these 88 governments secure less than 30% of their budgets from their own sources.

Municipal governments and autonomous district governments near metropolitan cities are somewhat more self-sufficient. Nevertheless, over one-third (38%) of municipal governments are in the most dependent fiscal category (less than 30% from their own sources), and a similar percentage secures 30–50% from their own sources. The figures in Tables 18.2 and 18.3 display substantial horizontal fiscal imbalances and highlight the disparity of fiscal resources among a majority of Korean local governments.

Three patterns of horizontal fiscal imbalance among Korean local governments have been identified. First, upper level local governments are relatively strong in financial self-support. Second, urban and metropolitan city governments secure much higher financial self-support than rural governments, and county governments report the lowest financial self-support. Third, local governments near Seoul, the capital of Korea, are consistently higher in financial self-support. Seoul and nearby cities are the center of political and economic activities. Their populations and tax bases are sufficient to secure a comparatively higher degree of local fiscal autonomy.

18.4 Intergovernmental Fiscal Transfers

Intergovernmental fiscal transfer systems usually exist to address both vertical and horizontal fiscal imbalances. Central governments normally provide some or significant financial support to local governments. Gaps between fiscal needs

Table 18.3 Financial Autonomy of Korean Local Governments by Type of Government: Own-Source Revenues as Percentage of Total Revenue (2005)

Revenue as % of Total	Upper Level Local Governments	Lower Level Local Governments				(N =)
	Metropolitan Cities and Provinces	Municipal Governments	County Governments	Autonomous Districts	All Local Governments	
Percentages						
Under 30%	44	38	93	20	53	(132)
30–50%	6	38	6	64	32	(79)
Over 50%	50	24	1	15	16	(39)
Total	100	100	100	100	100	
(N =)	(16)	(77)	(88)	(69)		(250)

Source: Ministry of Public Administration and Security (www.mopas.go.kr).

Note: Because of rounding, the percentages may not add to 100.

and local own-source revenues are customarily filled by intergovernmental fiscal transfers. Three types of intergovernmental fiscal transfers have operated between the central and local governments: (1) local shared taxes, (2) national subsidies (grants in aid), and (3) local transfer funds. Since 2004, however, local transfer funds have been terminated and replaced by the national balanced development special account.

18.4.1 Local Shared Taxes

Local shared taxes are funds in which a fixed percentage of the national domestic tax is earmarked to transfer automatically to local governments. These national tax collections are shared with all local governments. This shared tax system was introduced in 1951 and has been changed several times. In 1969, the system allocated 17.6% of the total domestic tax collections to local governments. From 1973 to 1982, however, the system was suspended by the Park Chung-Hee administration. During that period, the central government determined annually the amount allocated to local governments. This clearly placed an immense amount of discretion in the hands of central officials to reward (or punish) local governments and/or local officials.

The shared tax system was restored in 1983 and reserved 13.27% of domestic tax revenues for fiscal transfers. In 2000, the fixed percentage was increased to 15% by the Kim Dae-Jung administration. The Rho Moo-Hyun administration increased the share again to 18.3, 19.13, and 19.24% in 2004, 2005, and 2006, respectively. The 2004 increase was, in effect, an offset for the abolition of local transfer funds. Further increases in 2005 and 2006 resulted from transferring itemized grants to general funds without devolving some national subsidy programs to local governments.¹⁰ These recent rate increases cannot therefore be considered a net increment in intergovernmental fiscal transfers.

The local shared tax system addresses both vertical and horizontal fiscal imbalances. Supplementing local fiscal resources and equalizing local fiscal capabilities are intended to enable all local governments to provide acceptable levels of basic public services to local residents.

There are two subcategories of the local shared taxes: general and special. The general shared tax comprises 90.9% of the total local shared taxes and is allocated on the basis of a predetermined formula specified in a presidential executive order prepared by the Ministry of Government and Home Affairs.¹¹ The special shared tax is 9.1% of the total shared taxes. These funds are assigned on the basis of special local needs. Administration of the special shared tax is subject to the discretionary power of the central government. The special shared tax percentage was reduced from 9.1 to 4% in 2004 because of increased criticism about the arbitrary allocation of the funds by the central government. The remaining 96% was distributed by the formula for the general shared tax.

By way of contrast, the predetermined formula for general shared tax allows no room for discretion by the central government. The purpose of the formula for allocating the general local shared tax is to compensate for the differences between fiscal needs and tax revenues of local governments. The calculated fiscal deficit is an index used for allocation of the general local shared tax.

18.4.2 *National Subsidies*

Local shared taxes are provided to local governments for general discretionary purposes, whereas national subsidies are for special projects. National subsidies are allocated to (1) encourage local governments to undertake certain projects favored by the central government, and (2) provide financial assistance for special or unusual occasions (e.g., a national sports festival hosted by a local government or natural disaster recovery).

A central feature of this project grants system is its conditional character. There are specific limits on or restrictions to use of the grants in aid. The conditions normally apply to the substantive use of the grant monies and entail other conditions such as matching, advance planning, accounting, and reporting.

One problem with this national grant program is that local governments possessing adequate resources to meet matching requirements actively apply for the national funds. Local governments with the fiscal resources, administrative capacity and skills, and effective political networks linked to the central government are more likely to secure national grants. Another criticism involves the small size of itemized subsidies. Often the priorities for projects set by central government run counter to the needs of local governments.

The portion of national subsidies for total intergovernmental transfers has been fluctuating but has increased significantly in recent years. Its variability affected the stability and predictability of local finances. Table 18.4 reports the nominal amounts (in won) of national subsidies and total central–local transfers from 1991 through 2003. The bottom row in the table reveals the relative increase in importance of national subsidies (in percentages).

Table 18.4 National Subsidy in the 1990s^a

<i>Project</i>	<i>1991</i>	<i>1995</i>	<i>1997</i>	<i>1999</i>	<i>2001</i>	<i>2003</i>
National subsidy (A)	2.0	3.9	5.9	8.6	10.6	12.1
Total transfers from central government (B)	13.1	22.4	30.6	31.6	46.1	53.2
A/B (%)	15.3	17.4	19.3	27.2	23.0	22.7

Source: Presidential Committee on Government Innovation and Decentralization, 2005.

^a Trillion won.

Numerous criticisms of the national subsidy system have resulted in several changes. In 2003, the subsidy programs were reclassified into three different types. Out of 520 programs, 161 (equivalent to 1.1 trillion won) were devolved to local governments, 126 (equivalent to 3.6 trillion won) were transferred to the newly created national balanced development special account, and 233 (equivalent to 7.9 trillion won) remained as national subsidies (Presidential Committee on Government Innovation and Decentralization 2005, 38).

18.4.3 National Balanced Development Special Account

The national balanced development special account was introduced to promote the revitalization of depressed areas; development of local culture, art, and tourism; and strategic development of regional industry clusters. Several financial sources fund the special account. These include proceeds from liquor tax revenues and transfers from several special accounts. Examples of such special accounts are rural restructuring, environmental improvement, and land management (Presidential Committee on Government Innovation and Decentralization 2005, 43–44). Although grouping separately operated programs by various ministries into one account has the advantage of establishing a government-wide program, the process of applying for funding from the national balanced development special account has become very complicated (Presidential Committee on Government Innovation and Decentralization 2007, 163–164).

18.4.4 Local Transfer Funds

This grant program was introduced in 1991 and operated through 2004. It was intended mainly to secure more balanced regional development as well as to serve as a supplement to local fiscal resources. The distribution of this fund was stipulated by the Local Transfer Fund Act. The resources of this grant program came from several tax sources (e.g., liquor tax, transportation tax, and rural development tax). The designated projects for which these funds could be used were road maintenance, agricultural and fishery area development, water pollution prevention, youth support, and local development.

Table 18.5 reports the distributions of local transfer funds by types of projects from 2000 to 2004. Road maintenance is the most significant project of this grant program. Around 40–50% of local transfer funds were spent on road maintenance during this period.¹² This grant program also contributed to environmental improvement. Approximately 25–33% of the grant monies were allocated to water pollution prevention projects. In addition, the program promoted regional development. A considerable amount of the funds (about 20%) was spent on local development, and less than 10% was allocated to agricultural and fishery area development. The allocation of the grants was on the basis

Table 18.5 Local Transfer Fund by Project

<i>Project</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>
Percentages					
Road maintenance	48	48	39	40	44
Agricultural and fishery area development	8	8	9	9	8
Water pollution prevention	25	26	33	32	31
Youth support	1	1	1	1	1
Local development	17	18	18	19	17
Total (trillion won)	3.7	4.8	4.3	4.9	4.4

Source: Ministry of Public Administration and Security (www.mopas.go.kr).

Note: Because of rounding, the percentages may not add to 100.

of the formula specified in the Local Transfer Fund Act. Road maintenance grants, for example, were allocated in proportion to local road distances in each local government.

The local transfer fund was criticized for both its sources of revenues and its actual operation. Liquor, transportation, and rural development taxes, which are the sources of the local transfer fund, were enacted and administered as purposive (earmarked) taxes.¹³ However, there was a lack of direct connection between revenue sources and expenditures. In terms of fund operation, local governments had the burden of matching funds, although this was not the original intent of the fund (Presidential Committee on Government Innovation and Decentralization 2007, 163–164).

The local transfer funds were abolished in 2004, and revenues for this program were transferred to local shared taxes, national subsidies, and the national balanced development special account. The abolition of the local transfer fund reduced the complication of local finance systems. However, it also weakened the degree of local fiscal autonomy because national subsidies and the national balanced development special account are directly controlled by the central government. This reduced local discretionary authority.

18.4.5 Revenue Sources of Local Government: An Overview

Analysis of local government revenue sources is aimed at understanding the importance of intergovernmental fiscal transfers as well as the types and patterns of greater or lesser fiscal self-sufficiency. Table 18.6 provides the basis for pursuing an overview. Local governments in Korea rely on three major types of revenue sources:

Table 18.6 Revenues of All Korean Local Government by Type of Revenue Source (2000–2005)

	2000	2001	2002	2003	2004	2005
Percentages						
<i>Own-source revenue</i>	61	60	59	62	65	63
Local taxes	31	32	31	31	34	33
Nontax revenues	30	28	28	31	31	30
<i>Intergovernmental fiscal transfers</i>	34	36	37	35	33	34
Local shared taxes	13	16	14	15	15	18
National subsidies	15	14	18	15	14	16
Local transfer funds	6	6	5	5	4	NA
<i>Local borrowing</i>	5	5	4	3	3	3
Total (trillion won)	65	79	91	98	99	107

Source: Ministry of Public Administration and Security (www.mopas.go.kr).

Note: Because of rounding, the percentages may not add to 100. The percentages are calculated on the basis of net revenue budgets.

(1) own-source revenue, (2) intergovernmental fiscal transfers, and (3) local borrowing. Over the past 6 years, nearly two-thirds of their revenues were raised from their own sources—that is, local taxes and nontax revenue. Half of the own-source revenue was derived from local taxes and the other half from nontax revenue such as service charges and miscellaneous fees.

The second major revenue source is intergovernmental fiscal transfers. Local governments secure slightly more than one-third of their revenue through intergovernmental fiscal transfers. The reliance on intergovernmental revenue among local governments has stabilized. Local governments rely on local shared taxes and national subsidies (grants in aid) about equally. They each compose 13–18% of total local revenues. The proportion of local transfer funds is about 5%. Shared taxes and national subsidies are considerably more important than the local transfer funds. (This last category ceased after 2004.)

Korean local governments have a substantial (but highly variable) degree of dependency on central government transfers. This dependency on the donor–recipient relationship (Pressman 1975) leads to variable power relationships between the central and local governments. Asymmetric power patterns are far from an exclusive view, however (Ingram 1977). Our approach to understanding

intergovernmental fiscal relations is to argue that the fiscal transfers create the pre-conditions, but not the certainty of a subordinate relationship. Given both the history and the current level of local fiscal dependency, however, the strong tendency toward local subordination is a pattern that is difficult to overcome.

18.5 Conclusion: From Dependency toward Interdependency

On the basis of the foregoing discussion, the following summary comments are offered. First, over the past half-century, Korean local autonomy has developed in an interrupted and inconsistent way. During the Democratic Party administration (1960–1961), local autonomy was fragile but partially established. Constitutional stipulation of local autonomy and local election was formally specified and briefly experienced. However, military regimes (1961–1987) dismissed or suppressed local autonomy and delayed its implementation. Economic development, administrative efficiency, and reunification took priority over the embodiment of local autonomy and one result was its long-term delay. From the early 1990s, however, along with the development of Korean democracy, some degree of local autonomy has emerged.

The shifts of Korean local autonomy can be graphically simulated by Figure 18.1. The curved line from 1950 to the present displays in rough but approximate fashion the rise, fall, and resurgence of local autonomy. The dotted lines from the present forward indicate the future prospects for Korean local autonomy. There are four possible paths: rapid increase, incremental increase, status quo, and decremental decline. The outcomes of a series of current devolution policies addressing the obstacles to local autonomy will influence its future direction. Perhaps the most likely trend line will be the second: gradual increases in local autonomy.

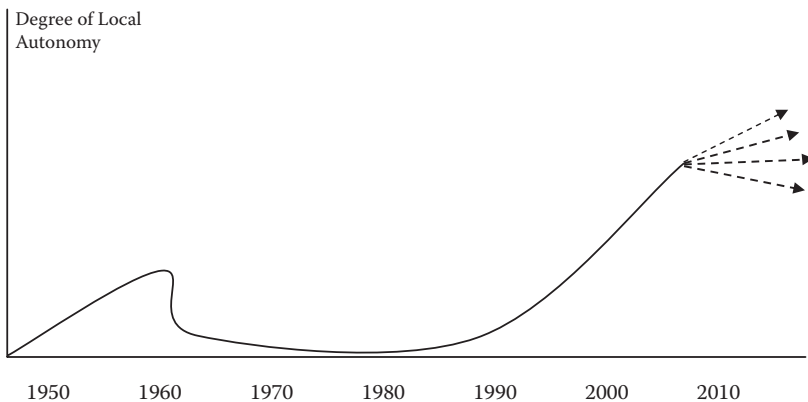


Figure 18.1 Past paths and future prospects for Korean local autonomy.

A second observation emphasizes the link between local autonomy and democratization. In Korea, local autonomy and democracy are viewed as opposite sides of the same coin. Historically, the democratization process has been closely related to the development of local autonomy. In the late 1980s and the early 1990s, when the democratization movement surged forward, a majority of Korean people regarded the revival of local autonomy as symbolic of a major step toward democratization (Yoo 1994).

Third, Korean local autonomy and its development have been heavily dependent on central government's politics and policy choices. Since the early 1990s, major steps toward local autonomy have been taken by the central government to reform Korean society, in general, and governmental systems in particular. Local autonomy has been a major component of political-administrative reform efforts. In this respect, the link between democracy and increased subnational (regional) autonomy is consistent with Marks and colleagues' empirical findings. Their analysis of 42 countries establishes a "democracy effect" (Marks, Hooghe, and Schakel 2008, 167), which leads democratic countries to have higher levels of self-rule vested in regional entities than is the case for authoritarian regimes.

Fourth, this overview of intergovernmental fiscal relations identifies both vertical and horizontal fiscal imbalances. Fiscal resources are unevenly distributed among local governments as well as between central and local governments. Fiscal power, by and large, rests chiefly with the central government and metropolitan city governments. The tabulations describing financial self-support confirmed seriously unbalanced distributions of fiscal resources among local governments. A new or revised intergovernmental fiscal transfer scheme is imperative if efforts to reduce fiscal imbalances are to succeed. This is significant because legal and administrative local autonomy are often a facade without some significant degree of local fiscal authority. As Kim argued:

The successful implementation of the [local autonomy] system would depend heavily upon the degree of fiscal autonomy that the newly instituted local governments are allowed to exercise. Without a substantial degree of fiscal autonomy, the local government, even with the mandate of the local electorate, would not be able to maintain genuine autonomy for long, and could eventually degenerate into dependent bureaucracies subservient to the dictates of the central government. (1997, 268)

Fifth, intergovernmental fiscal transfers are important revenue sources for a majority of Korean local governments. One-third of their budgets, on average, is secured from intergovernmental revenue. This figure, however, is grossly misleading. Seoul and other metropolitan cities weight the aggregate self-sufficiency average severely upward. Omitting these "heavyweights" clearly shifts local government dependency on the central government dramatically upward, in most instances to 50, 60, and even 70%. The fiscal dependency of local governments on the central

government creates power relations in which local governments occupy a subordinate and perhaps subservient role. Central power dominance is a major obstacle to implementing local autonomy.

Finally, the exercise of discretion on local affairs is an important principle of local autonomy. In Korea, however, strong administrative supervision and the monitoring of local governments by central government agencies persist across many areas of local government operations. As Kim (1997, 267) noted, “For centuries Korea has been a unitary state with a strong central government.” To achieve the full reality of local autonomy, central–local relations must shift from vertical-coercive to horizontal-bargaining relationships. This calls for significant cultural and behavioral as well as institutional changes, which cannot be achieved overnight. Considering the relative recency of institutional shifts in Korea and its long centralized history, however, it remains reasonable to contend that there has been noteworthy progress from dependency toward interdependency.

Norton offers a sweeping view of variables affecting IGR:

The current state of local governments in each country has been the result of pragmatic developments in response to the results of wars, invasions, revolutions, political pressures, evolving and conflicting concepts and values, economic and social demands including the development of physical and social infrastructures, the spread of affluence, increasing geographic mobility and the expansion of state efforts to promote economic growth and counteract unemployment and other contingencies. (1994, 15)

Local autonomy in the Republic of Korea is an IGR issue that exemplifies nearly all of the several variables specified in Norton’s panorama of explanations.

Notes

1. Deil S. Wright died June 30, 2009. This chapter is dedicated to his memory.
2. Under the Rhee Syng-Man administration, executive heads of local governments were elected by local councils or appointed by the president.
3. Among total local government functions, 11.5% of them are functions delegated from the central government (KRILA and KIPA 2002).
4. Choi and Wright (2004).
5. This commission was established by the 1999 Act on Devolution Promotion of Central Government Functions to Local Governments.
6. This committee was established by the 2003 Special Act on Decentralization.
7. During the 5-year period of 1999–2003, 1,090 functions were devolved; during the 7-year period of 1991–1997, 1,174 functions were devolved (unpublished documents, Presidential Commission on Devolution Promotion).
8. The “Executive Order of Local Authorities’ Executive Bodies and Personnel Quota” not only sets the rules of local executive bodies’ organization and operation but also describes the standard of setting personnel quotas for local governments.

- 9. These field offices include National Road Construction and Maintenance, Small Business Administration, National Port Management, Veteran Affairs, Labor Affairs, and Environment Protection.
- 10. This portion of a local shared tax is called a *devolution shared tax*.
- 11. The formula is the difference between fiscal needs and tax revenues of local governments. The fiscal needs are estimated based on the following items and their unit of measurement:

Items	Subitems	Unit of Measurement
General operation	Salary and wages	Number of public servants
	General management	Number of population
	Security management	Number of population
Culture and environment	Culture and tourism	Number of population
	Environmental protection	Number of households
	Public health	Number of population
Social welfare	Guarantee of minimum living standard	Number of beneficiaries
	Elderly welfare	Number of elderly
	Infants and youth welfare	Number of infants and youths
	Handicapped welfare	Number of registered handicapped people
	Other social welfare	Number of population
Economic development	Agriculture and fishery	Number of employees in agricultural and fishery industries
	Regional economy	Number of employees except agricultural and fishery industries
	Road improvement	Size of unimproved roads in 1,000 m ²
	Road maintenance	Size of roads in 1,000 m ²
	Traffic management	Number of vehicles
	Regional development	Area size of local governments in 1,000 m ²

Source: Presidential Executive Order of Local Shared Tax Act, article 5 and Appendix Table 1.

12. Through the road maintenance project, the road pavement rate increased from 32.2% in 1991 to 46.3% in 2002, and 62,272 km of roads were either widened or paved (Presidential Committee on Government Innovation and Decentralization 2005, 54–55).
13. A purposive tax is levied to spend for a certain specific purpose or program.

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Appendix: The Study of Intergovernmental Relations

Intergovernmental relations (IGR) has been defined as “the various combinations of connections, interactions, interdependencies, and influence existing among public officials, both elected and appointed, who hold positions in all types and levels of government, and where the prominent public agenda items are financial, policy, and political issues” (Krane and Wright 1998, 1168). The concept of IGR originated in the United States in the 1930s as a way to understand major shifts in the character and content of relationships among numerous and varied governmental jurisdictions. The concept serves a useful purpose in understanding the evolution and contemporary character of political systems in the United States and beyond (Koike and Wright 1998).

Intergovernmental relations as a concept encompasses at least two major dimensions: institutional and behavioral. The institutional dimension of IGR emphasizes the division of authority and functions and intergovernmental fiscal transfers among jurisdictions. Formal, legal, institutional, and fiscal interjurisdictional arrangements are major features of the institutional approach. The significance of institutional features should not be overlooked. Both accountability and responsibility are embedded in institutional forms. Who decides what taxes are imposed? Who decides the purposes and methods by which public expenditures are allocated? How are functions divided between central and local governments? How much autonomy and discretion over policy decisions rest in the hands of local officials?

Behavioral approaches to IGR have been employed by Anderson (1960), Weidner (1960), and Wright (1988). Officials' perceptions and interactions are prominent features of behavioral analyses. Strictly speaking, there are no relationships among governments. There are only relations among officials who govern different units. The individual actions and attitudes of public officials are at the core of IGR (Wright 1988, 17).

Two examples highlight behavioral analyses. Andrews and de Vries (2007) illustrate a behavioral approach in a comparative study of decentralization in Brazil, Japan, Russia, and Sweden. They concluded that "perceived autonomy had a different impact on openness to participation depending on the country considered; in one country (Japan), perceived autonomy diminished public officials' willingness to be open to public participation" (2007, 424). The behavioral dimensions associated with local autonomy in this comparative study are the interactions among public officials and also between those officials and citizens.

Another behavioral research example is a single-country study (Ireland) in which "decentralization" involved dispersing central government civil servants outside the capital city (Dublin). Humphreys and O'Donnell emphasized the challenges and opportunities confronting administrative leaders in a decentralized public service. They concluded that "effective leadership is at a premium within the context of a geographically complex and decentralized civil and public service" (2007, 65). The aim of moving central government officials away from the national capital was to alter officials' attitudes toward and interactions with local officials.

In contrast to behavioral research strategies, the predominant pattern of IGR analysis is an institutional approach. Recent examples include the following. In "Intergovernmental Relations and the Effectiveness of Local Governance: The Case of Dutch Youth Policy," Gilsing concluded that "results suggest that national policy strongly affects local youth policy, both by setting the agenda as well as by frustrating local governance. Diffuse defined responsibilities and strong mutual dependencies create a complex interwoven policy arena that impedes effective policies" (2007, 45).

McConnell illustrates the institutional approach in "Central–Local Government Relations in Scotland." He explored the balance of power between central and local governments after the Scottish Parliament Act in 1999. Focusing on "legal/constitutional, financial, and policy parameters set by the center," he concluded that "continuity has been more important than change" (2006, 73). He noted three reasons for continued central domination: (1) the pervasive influence of the UK Union, (2) the continuity of key political actors, and (3) the organizational and self-interests of central government officials.

More relevant to decentralization trends in East Asia are two institutionally oriented studies of decentralization and local autonomy in the People's Republic of China. Caulfield confirmed that the local government sector in China carries major functional responsibilities ranging from economic development to social welfare. Local governments have responsibility for 70% of total government expenditures in China. However, she observed that "although still a highly centralized

administration, there has been a significant move away from a uniform approach to local government where now policy differentiation between regions and localities is actively encouraged" (2006, 253).

Finally, in "Great-Power Decentralization," Orban, Xiaoyuan, and Koehn focused on economic development in China. Their policy-based institutional analysis led to the observation that "the effective participation of Chinese subnational entities in transterritorial economic undertakings is particularly striking. China's experience suggests that the requisite energy and capacity to tackle transnational economic challenges might be at the subnational level" (2003, 235). This post-Mao "de facto federalism" has launched provincial and subprovincial units on a "booming economic trajectory."

The behavioral dimension of IGR accentuates the dynamics of actual interactions among officials at different levels of governments. By way of contrast, this chapter focused on the institutional aspects of IGR in Korea. (More extensive and different methods are required to pursue behavioral research strategies.) With IGR as a guiding concept, we examined two issues: (1) the shifts in Korean institutional intergovernmental relations over the past half-century, and (2) fiscal relations between and among Korean central and local governments over the past 10–15 years.

Chapter 19

Public Service Ethics and Anticorruption Efforts in South Korea

Sam Youl Lee and Kwangho Jung

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19.1 Introduction

This chapter reviews bureaucratic corruption and administrative ethics in South Korea. Concerns about continuing corruption have increasingly alarmed officials who, in the past decade, have taken steps to curb it. Korea’s level of transparency is ranked much lower than that of economic performance: 43rd versus 13th in the world.¹ This chapter discusses changes and causes of corruption in South Korea over time, compares it with other Asian countries, and examines competing theories for the cause of corruption. It also provides a review on anticorruption initiatives under different Korean administrations from Park Chung-hee to Roh Moo-hyun. The chapter concludes with an overview of major anticorruption policies and legislation and shows that perception of corruption is slowly improving in South Korea.

19.2 Corruption in South Korea

Public service has long been revered as a prestigious occupation in Korea. Scholar-officials in the Joseon dynasty (AD 1392-1910) tried to realize the ideal society dreamed by Confucianism, which was the official ruling ideology. The dynasty wanted to recruit scholars of wisdom and virtue, and higher ethical standards were required for them (Choe 1974). Generally, moral justification for bureaucracy in Korea originated from Confucianism. According to Frederickson (2002), the central teachings of Confucianism in relation to bureaucracy can be summarized as follows: the rule of man, emphasis on a moral elite, importance of moral conventions, and placing a high value on education (refer to Frederickson for a more detailed discussion). Public officials of the dynasty tried to realize the essential teaching of Confucianism on bureaucracy in real politics.

The Joseon dynasty tried to recruit such people via a rigorous and highly competitive state exam, called *gwageo*, established during the Goryeo dynasty (AD 958). Although the nature and content of the exam for public service changed significantly over the years, the prestige and privilege of the exam have survived till the present, and the official exam is the dominant way for people to enter public service today. For example, out of 352 officials from 1392 to1600 who served in the State Council, which is the highest policy-making institution and consists of three members, 304 (86.4%) entered the government via *gwageo* (Choe 1974).²

Public officers had great power over the everyday lives of the people whom they ruled. Many bureaucrats in the Joseon dynasty were good bureaucrats who were

often praised. They were called *chungbaekri* (a clean bureaucrat) and lay people would often raise a stone that recorded their good deeds after their terms expired. Chungbaekri were often praised and seen as an ideal example for other bureaucrats to follow. Yet, as their name implies, not everyone was good or clean. Officials had many opportunities to rule in abusive ways and, especially in the latter period of the dynasty, there was serious corruption related to various types of taxes.³ In later years, this would weaken the financial foundation of the dynasty and propel its collapse.

There have been discussions on the effect of Confucianism on corruption in Korea. On the one hand, the precepts of Confucianism encourage people to act correctly and properly, but, on the other, Confucianism also teaches obedience to power and authority (Park, Regh, and Lee 2005, 388). For example, Park et al. (2005) argue that the *Analects* (the collection of Confucian teaching) are ambiguous on whistle-blowing. Some public officers in the Joseon dynasty stood against the king to point out his wrongdoings and were punished or even beheaded for such actions. They often accepted such death as an honor and their deeds were often remembered as examples to be followed. But the emphasis on harmonious interpersonal relationships tends to weaken whistle-blowing efforts.⁴

Times have changed, but opportunities for corruption abound. One of the most common themes is found in the entanglement of business and government in Korea. Park (2006) argues that the main reasons for corruption in South Korea are related to (i) government-led economic development policies which resulted in close relationships between political and business elites (which Kang (2002a) calls “crony capitalism”), (ii) explosive economic growth and (iii) excessive government regulation.

Business groups, called *chaebols*, are controlled by single families. Luo (2002, 410–411) argues that “the intimate entanglement of chaebols with successive governments and leading politicians” in South Korea can be viewed as interpersonal business relationships, *inhwa*,⁵ among key players. Government-led economic policies were accompanied by excessive business regulations by bureaucracies that sometimes had high financial costs for businesses. The political elite, then, used their regulatory power to solicit political funds from the chaebols in return for privileged business deals and political contributions. According to Evans (1995), in the immediate post–World War II period, overreliance on business for political donations strengthened in “clientelistic” ties between these groups.⁶ Today, illegal donations by business to politicians, politicians’ families, politicians’ business partners, and political campaigns are all major themes of contemporary corruption in Korea.⁷

It should be noted that close relationships between the business and political elite did not always lead to unethical conduct by bureaucrats. Evans (1995) suggests that “an insulated, meritocratic bureaucracy” collaborated with business but hardly developed the relationship to the level of collusion. Even though bureaucrats had extensive ties to business, they managed to formulate and implement

policies independently. This “embedded autonomy” is a characteristic of the developmental state that is said to have been key to the effectiveness of the Korean government and its policies. Evans argues that Confucian tradition strengthened the concept of a meritocratic bureaucracy and “elite corps” in which corruption is viewed as a career-ending offense that proscribes any future public sector job (1995, 51–54).

Beyond this, various forms of graft, nepotism, and gift-giving are also part of the Korean landscape. Park et al. (2005, 189) argued that social–cultural factors such as “authoritarianism, factionalism and favoritism” are related to the spread of corruption. Fukuyama (1995) notes Confucian familism⁸ as a potential factor of fostering nepotism and gift exchanges in crony capitalism societies. Certainly, the traditional practice of building close personal business ties in Korea provides opportunity for corruption, which includes excessive gift-giving and such social patterns as frequent after-hours socializing and drinking. Although these patterns have diminished somewhat in recent years and some employers have put limits on gift-giving among employees, the practice still persists.

Fukuyama (1995, 131) argues that familism in Korea makes the country more individualistic compared to Japan; however, the individualism is actually “the competition of families or lineages.” Often, chaebols expanded the scope of the family or lineage to the entire business group. Daewoo Group, one of the biggest chaebols, which disintegrated during the Asian financial crisis, called itself the Daewoo family. The same expansion of the concept of lineage applies to the bureaucracy. If one belonged to the same ministry, passed the civil service exam in the same year, or graduated from the same university or high school, one automatically became a member of the “clan” and was asked to be loyal to the interest of the group. Such a culture tends to treat the whistle-blower as a traitor.

However, familism has weakened over the years. This can be explained by various factors but one of the main ones is the growing participation of foreign capital in the operation of chaebols. For example, as of August 2009, more than 47% of Samsung Electronics shares were owned by foreigners (Samsung Electronics 2009). Growing foreign participation is putting pressure on chaebols to maximize the interest of the shareholders rather than the interests of the owner families. Increasing foreign ownership of chaebols has created cracks in the old relationships between government and chaebols.

Another factor is the civic movement. People’s Solidarity for Participatory Democracy played a crucial role in making chaebols more transparent. Several government innovation drives over the last 10 years are another factor. Such innovation movements tried to make the bureaucracy more professional and rational and to transform it into a more efficient organization. This will be explained further in the following chapters.

One factor that has undoubtedly contributed to widespread corruption in Korea is that the political elite have done little about it in much of the post-World

War II period. Quah (1999, 488–489) argued that a strong political leadership is necessary to generate effective anticorruption programs and that South Korea had suffered from the lack of political will to fight against corruption—especially under the presidencies of Rhee Syngman (1948–1960), Park Chung-hee (1961–1979), and Chun Doo-hwan (1980–1987). These presidents seldom raised political awareness of the harmful effect of corruption on society and failed to offer any strong political commitment to the establishment of comprehensive and systematic anticorruption strategies.

Beyond this, ordinary Koreans had few means to address political corruption; for example, freedom of speech and press were tightly restricted under the autocratic rules of Rhee Syngman and Park Chung-hee.⁹ Lie (1998) argued that government authority over civil society and business under the Park Chung Hee administration induced corruption at a far greater scale and in a more pervasive manner than the Rhee Syngman administration did.

Only since the presidency of Kim Young-sam (1993–1998) has strong political commitment been demonstrated to curb corruption; he named it as one of Korea’s “diseases” and launched intensive anticorruption campaigns, as have his successors, Presidents Kim Dae-jung (1998–2002) and Rho Moo-hyun (2003–2008), through comprehensive anticorruption strategies. The current president, Lee Myung-bak (2008–present), has put less priority on anticorruption policies compared to his predecessors.

Civil groups in Korea have grown rapidly since the mid-1980s and this has put tremendous pressure on the government to enhance the transparency level. Since 1987, democratization has advanced anticorruption programs. Nongovernmental organizations such as Citizens’ Coalition for Economic Justice (CCEJ), People’s Solidarity for Participatory Democracy (PSPD), and Transparency International–Korea (TI Korea) have played a crucial role in helping the government establish various anticorruption programs. None of this existed previously (Kim 2007, 154–156).

19.3 Level of Corruption

19.3.1 Trends in Corruption

Most systematic data of corruption in Korea exist for the period after 1995, with some going back to 1980; however, very limited data of corruption exist for the period before 1980. Table 19.1 shows that the number of reported instances of bureaucratic corruption increased after democratization in 1987. However, it should be noted that the numbers before and after Kim Young-sam are not compatible. Also, as explained earlier, the Kim Young-sam regime started an anticorruption campaign as one of its top priorities, which led to an increase in reports of bureaucratic corruption. The number of illegal transactions increased over the years and peaked in the Roh Moo-hyun regime. CCEJ argues that even though the Roh

Table 19.1 Level of Corruption across Korean Presidencies

<i>President</i>	<i>Period</i>	<i>CPI^a</i>	<i>No. of Reported Bureaucratic Corruption Incidents</i>	<i>Amount of Illegal Transactions (Billion Won)</i>
Rhee Syngman	1948–1960			
Park Chung-hee	1961–1972		49 ^b	
Park Chung-hee (after yushin)	1972–1979		55 ^b	
Chun Doo-whan	1980–1987	3.9	80 ^b	
Roh Tae-woo	1988–1992	3.5	53 ^b	
Kim Young-sam	1993–1997	4.3	246 ^c	36.4 ^c
Kim Dae-jung	1998–2002	4.2	135 ^c	27.2 ^c
Roh Moo-hyun	2003–2004	4.4	247 ^c	107.4 ^c

Source: Transparency International. 2008. Annual report 2007. http://www.transparency.org/publications/annual_report (accessed August 1, 2009).

^a CPI score relates to perceptions of the degree of corruption as seen by business people and country analysts and ranges between 10 (highly clean) and 0 (highly corrupt).

^b Yoon, T.-b. 1993. A study on the change of typology and structure of bureaucratic corruption in Korea. PhD dissertation, Seoul University, p. 123.

^c Modified for the public sector from Citizens' Coalition for Economic Justice (CCEJ). 2009. Analysis on bribery and corruption cases in Korea: 15 years [in Korean].

Moon-hyun administration tried various anticorruption measures, it suffered from the lack of institutionalization of anticorruption policies (CCEJ 2009).

The relationship between government and chaebols during the 1980s and 1990s was especially close and collusive, and it is reflected in donations. For instance, chaebols such as Samsung, Hyundai, Donga, and Daewoo made illegal political donations to President Chun that ranged from 15 to 22 billion won; Samsung, Hyundai, Daewoo, and LG made illegal political contributions to President Roh Tae-woo of between 21 and 25 billion won. Both President Chun and President Roh received a huge amount of unofficial political donations. In particular, Chun met with owners of 30 big chaebols and collected 5 billion won from each; he gave 100 billion won to Roh for his presidential campaign (Oh and Sim 1995; You 2005).

Although President Kim Young-sam did not directly receive political donations from the chaebols during his presidency, he received about 60 billion won from Chung Tae-soo, the head of the Hanbo Group, in the 1992 presidential election (Woo 1991, 60). Samsung illegally donated at least 10 billion won and 34 billion won (8 and 22 billion won in 1990 constant prices) to Lee Hoi-chang in the 1997 and 2002 presidential elections (PSPD 2005; recited from You 2005). Chung Ju-Young, the founder of the Hyundai Group, was found to have donated 2–3 billion won twice a year to President Roh Tae-woo as well as 10 billion won to him in 1992.

These illegal donations were used mainly for presidential elections. Chaebols' donations tended to concentrate on a candidate for the ruling party. But they hedged their bets by providing political donations to the opposition party candidate as well. Also, presidents needed money to control their party members, especially the members of the National Assembly. As a leader of his party, the president is expected to provide financial assistance for the ruling party candidate for the general election. Illegal donations are used for such purposes. However, President Chun Doo-hwan and President Roh Tae-woo were found to have accumulated wealth for their private purposes, in contrast to their successors.

Table 19.2 shows that Korean citizens are increasingly intolerant of corruption. Citizens' strongly negative attitude on bribery of a traffic policeman increased from 36.2% in 1996 to 61.9% in 2003. For a teacher, it increased from 55.9% in 1996 to 66.8% in 2003, and for a public official, it increased from 44.6% in 1996 to 71% in 2003.

Table 19.2 Public Acceptance of Bribery in South Korea

	<i>Traffic Policeman</i>		<i>Teacher</i>		<i>Public Official</i>	
	1996	2003	1996	2003	1996	2003
Strongly oppose	36.2	61.9	55.9	66.8	44.6	71.0
Somewhat oppose	23.8	17.3	19.7	14.8	27.3	15.4
Uncertain	26.1	17.6	15.4	14.8	20.5	9.9
Somewhat acceptable	11.9	3.0	7.9	3.1	6.1	3.3
Very acceptable	1.8	0.3	0.8	0.6	0.8	0.3

Sources: Institute for Social Development and Policy Research at Seoul University. 1996. *Code Book of Survey of Values and Ideas of the People in Korea's Changing Society in 1996* [in Korean], pp. 19–21; 2003. *Code Book of Survey of Values and Ideas of the Korean People in 2003* [in Korean], p. 11.

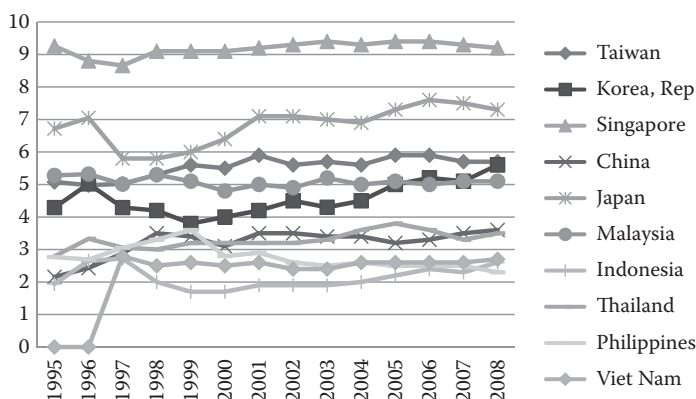


Figure 19.1 Corruption Perception Index for 10 Asian countries from 1995 to 2008. (Source: Transparency International, TI Corruption Perception Index 1995–2008, http://www.transparency.org/policy_research/surveys_indices/cpi [accessed July 1 2009]. For Viet Nam, 1995 and 1996 data are missing.)

Figure 19.1 illustrates the CPI (Corruption Perceptions Index)¹⁰ from 1995 to 2008 for 11 Asian countries. It shows that Singapore and Japan have the highest CPI scores among these countries; Indonesia, the Philippines, and Viet Nam perform poorly at the bottom. CPI scores for South Korea show a steady improvement over the years.

The figure also shows a bump in the Korean CPI score in 1996 (5.0) related to Kim Young-sam's extensive anticorruption strategies. The relatively low Korean CPI scores in 1997 (4.29), 1998 (4.2), and 1999 (3.8) are related to corruption scandals such as the 1997 Hanbo Group scandal and the negative image of crony capitalism after the financial crisis of 1997. The CPI scores show a slow but steady increase after 1999, going from 3.8 to 5.6 in 2008. This is taken to reflect the result and emphasis of new government anticorruption efforts (described later). Still, the improvement is not impressive enough compared to that of other countries: South Korea was globally ranked 40th out of 180 in 2008 CPI.

By comparison, between 1995 and 2005, the United States had CPI scores between 7.5 and 7.8, though these dropped to 7.3 in 2006, 7.2 in 2007, and 7.3 in 2008, presumably reflecting concerns with the years of the Bush administration. Finland's scores, like those of Singapore, are among those at the very top and range between 9.0 and 10.0 in the 1995–2008 period. Korea is currently ranked similarly to other industrialized countries known for their corruption, such as Italy, South Africa, Hungary, and Bhutan (Transparency International 2008).

19.3.2 Recent In-Depth Corruption Assessments

In recent years, an increasing number of detailed surveys have been conducted regarding ethics in Korea. Since 2002, the Korea Independent Commission against

Table 19.3 Korean Integrity Survey 2002–2007

<i>Item</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
Perceived corruption	6.65	8.42	8.70	9.24	9.33	9.41
Experienced corruption	6.39	7.11	8.89	8.86	8.93	9.08
Working environment	7.33	8.44	8.86	9.06	9.15	9.46
Administrative system	5.74	6.79	7.38	7.81	7.95	7.94
Personal attitude	6.54	8.38	8.74	8.96	9.03	9.05
Corruption control	5.62	6.71	7.33	7.22	7.35	7.51

Source: Anticorruption and Civil Rights Commission. 2008. Anticorruption Annual Report.

Note: Public organizations include central and local governments, metropolitan or provincial offices of education, and quasi-governmental organizations. The score ranges from 0 to 10.

Corruption (KICAC; now the Anticorruption and Civil Rights Commission [ACRC]) has conducted the Korean Integrity Survey, a scientific, systematic tool to assess levels of corruption and identify corruption factors in the public sector. It surveys ordinary citizens who experienced public services.

Table 19.3 shows the overall increasing trend of integrity of public organizations in South Korea. The integrity scores in all six dimensions (perceived corruption, experienced corruption, working environment, administrative system, personal attitude, and corruption control) have gradually increased over time. For instance, the level of integrity in “perceived corruption” increased from 6.65 in 2002 to 9.41 in 2007, in “experienced corruption” from 6.39 in 2002 to 9.08 in 2007, in “corruption environment” from 7.33 in 2002 to 9.46 in 2007, in “administrative system” from 5.74 in 2002 to 7.94 in 2007, in “personal attitude” from 6.54 in 2002 to 9.05 in 2007, and in “corruption control” from 5.62 in 2002 to 7.51 in 2007.

Public organizations with higher scores have more integrity. Each item is measured as follows:

- The perceived corruption score is calculated from response to the question, “Do you think government officials have received bribes or entertainment from your business in the last year?”
- The experienced corruption score is calculated from response to the question, “How much and how often have you provided bribes or entertainment for your business in the last year?”
- The corruption environment score is calculated from response to the question, “Do you think receiving bribes or entertainment has been usual practice

and informal meetings (or procedures) have been necessary for your business in the last year?”

- The administrative procedure score is calculated from response to the question, “Do you think that administrative procedures and guidelines are appropriate and transparent?”
- The government officials’ attitude score is calculated from response to the question, “Do you think that government officials deal fairly with your business problems and want to receive bribes or entertainment?”
- The corruption control score is calculated from response to the question, “How much effort do you think your government put into curbing corruption in the last year?”

The improvement of scores suggests that various anticorruption programs have been effective in improving the degree of integrity in the public sector of South Korea in recent years. The Korea Integrity Survey is implemented annually and public organizations tend to prepare for the survey in advance in order to achieve a higher score compared to previous years. Such preparations are also expected to make these organizations more transparent and clean.

Table 19.4 shows vulnerable areas for corruption. The survey is conducted to help public institutions identify areas susceptible to corruption and encourage them to step up their anticorruption efforts. Koreans perceived construction housing and land as the most corrupted area, followed by taxation and then by legal affairs. It is notable that procurement received a lower score. Even though overall perception improved from 64.6% in 2003 to 57.1% in 2008, since that time, concern has arisen about deterioration in public service areas such as construction, housing, and land; education; and procurement.

In conclusion, a broad range of measures shows that the perception of corruption has been steadily, albeit modestly, improving in South Korea during the past 6 years.

19.4 Anticorruption Programs and Strategies in South Korea

19.4.1 Brief Historical Review of Anticorruption Programs

19.4.1.1 Before Democratization (Prior to 1993)¹¹

Authoritarian administrations in Korea often attempted to use anticorruption programs as means to appease public outrage over corruption in public service. Moreover, these regimes intentionally utilized anticorruption programs to legitimize their regime and oppress political rivals. A war against corruption was often declared right after they took power in a forceful way. However, in most of the cases, such moves turned out to be mere rhetoric.

Table 19.4 Citizens' Perception of Corrupted Public Service Areas in South Korea^a

<i>Public Service Areas by Function</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Construction, housing, and land	72.6	71.3	73.9	71.7	70.8	76.9
Taxation	58.1	59.4	54.0	49.9	53.4	53.6
Legal affairs	57.0	46.0	52.3	53.6	52.8	52.7
Military affairs	54.6	51.9	52.6	42.4	47.5	44.9
Education	45.1	45.1	48.9	40.4	40.7	48.4
Police	51.3	54.9	48.0	44.9	48	53.4
Public health	32.3	47.3	33.4	29.2	36.3	32.8
Environment	32.0	37.9	32.7	28.1	30.3	29.7
Procurement	27.4	36.1	26.0	23.1	34.2	47.9
Overall perception	64.6	60.9	60.8	57.1	56.5	57.1

Source: Anticorruption and Civil Rights Commission. 2003, 2004, 2005, 2006, 2007, 2008. Anticorruption Annual Report.

Note: The table is created based on the question, "What do you think about the corruption level of public officials?" Answers are measured on a five-point scale (completely clean, clean, average, corrupt, very corrupt) in the survey. The percentage is the sum of "corrupt" and "very corrupt" responses.

^a Percentage of citizens who perceive the bureaucracy as "corrupt."

President Rhee Syngman ignored dealing with corruption, so the fight against corruption began with President Park Chung-hee. He established the first de facto anticorruption agency, the Board of Audit and Inspection (BAI), in 1963. The BAI was created for a "direct check on the economic bureaucracy" (Quah 1999, 489). Park also passed the Law for Dealing with Illicit Wealth Accumulation, which was welcomed by the people. However, Park's anticorruption campaign did not last long. He had to cooperate with corrupt businessmen because he needed financial support for running his political machine and he tried to legitimize his coup d'état by rapid economic growth (Kang 2002a, 2002b). In 1975, the Park administration introduced *seojungshaeshin* (general administration reform), which was a movement to fight corruption in the area of civil service.

Chun Doo-hwan, the successor to President Park Chung-hee after his assassination in 1979, also tried to purge the corruption of public officials and introduced the Public Servants' Ethics Law in 1985. Because President Chun also took power by coup and brutally suppressed civilian uprisings by force in 1980, he needed to legitimize his regime by using a series of anticorruption campaigns. The law was enacted to ensure people's trust of public service and to build a firm sense of ethics within public services. According to the law, all public officials had to register and make their properties known to the public. The law also restricted public officials from any form of private gain. They were required to distinguish public and private affairs, and the law strictly prohibited them from using their duties or positions for private gain for themselves or the organization to which they belonged. In addition, the law limited public officials' employment after their retirement. This law remains in effect and acts as a strong deterrent of corruption.

President Chun Doo-hwan used such anticorruption policies to legitimize his presidency; however, he and his followers could not escape the corruption that came with close ties between the business and political elite in Korea. Sometimes they actively used their power to accumulate personal wealth, which was quite different from President Park Chung-hee. President Chun and his family were involved in massive corruption scandal after his term expired. It was found that he had accumulated US\$890 million as political funding and received US\$273.35 million in bribes (Wedeman 1997). Such a scandal led to strong oppositions of various groups including opposition parties, students, labor unions, and intellectuals against the regime.

President Roh Tae-woo (1988–1992) also repeated what President Chun did. A successor to and a close friend of President Chun, President Roh introduced various anticorruption programs; however, he was imprisoned due to a corruption scandal after the expiration of his term. He was found guilty for bribery and sentenced by the supreme court to pay 262.9 billion won (*Munhwa Daily*, April 17, 1997).

19.4.1.2 *After Democratization: Kim Young-sam Administration (1993–1998)*

Many forces help explain increased anticorruption efforts during this period. Globalization of the Korean economy put international pressure on the government to become more transparent and meet international standards in terms of anti-corruption initiatives (Kim and Im 2001). Democratization gave birth to numerous civic organizations and active participation that also advanced anticorruption efforts. Successful economic development led to the growth of the middle class in Korean society, which put pressure on the authoritarian regime in the 1980s. Finally, after that regime's demise, a new civilian government was concerned with reducing political and bureaucratic corruption involving the collusion of politicians, bureaucrats, and businessmen because this would differentiate the current government from the corrupt military regimes.

Responding to the continued demands for democratization, President Kim Young-sam implemented one of the most comprehensive anticorruption campaigns, which included the revision of Public Service Ethics Law¹² and the introduction of the real-name financial transactions system in 1993. Before the system, a bank account could be opened under a fake name or a borrowed name; this had been the main source of the black economy, massive fraud, corruption, and tax evasion schemes. With the introduction of the system, such accounts became illegal and most illegal financial transactions related to corruption were blocked (Kim 2007). Also, it provided ample data to be used for the investigation once any corruption was discovered. The real-name financial transactions system had been planned in a secretive way quite similar to a military operation and was executed by presidential emergency order for national finance and economy (Sheridan 1997, 13–15).

President Kim also dismissed several ministers in his cabinet and military generals involved in the 1979 coup as well as associated with *Hanahoe*, a closed secret organization within Korea's elite military officers. This broke down corrupt power chains of old regimes, which had prospered based on special treatment and privileges. Surprisingly, he also had ex-presidents Chun Doo-hwan and Roh Tae-woo arrested on charges of corruption and treason. They were indicted for systematic bribery activities involving some of the country's major chaebols.

President Kim Young-sam also strengthened the role of the BAI and established the Corruption Prevention Committee (CPC) as an advisory body of the BAI's chairman (Quah 1999, 181). In addition, he seriously pursued regulatory reforms through the Administrative Reform Committee, the works of which contributed to the reduction of corrupt practices in government. Although Kim's anticorruption drive was hindered and tarnished by the arrest of his son for bribery in the Hanbo loan scandal¹³ and by the Asian financial crisis in 1997, Kim had demonstrated his commitment to eliminating corruption (Heo and Kim 2000). His anticorruption efforts extended not only to the administration and political party, but also to the military, business, banks, and even the traffic police—all of which had been known for their corruption.

19.4.1.3 *After the 1997 Asian Financial Crisis: Kim Dae-jung Administration (1998–2003)*

Widespread corruption in Korean society was blamed as one of the main causes of the economic crisis in 1997. Korean society as well as the international community (including the intervention of the International Monetary Fund) strongly demanded that government eliminate corruption so as to change the way it operated the economy from government centered to market centered. Such high pressure made President Kim Dae-jung introduce more comprehensive anticorruption programs.

First, the administration strengthened the institutional aspect of anticorruption policy. It promulgated the Anticorruption Act in 2001, established the Presidential

Anticorruption Commission in 1999, and created an independent anticorruption organization named KICAC in 2002 (Kim 2007). Second, the administration also introduced various reforms for the anticorruption programs. It introduced an advocatory system ensuring the rights for government employees to report (“blow the whistle” on) fraud, corruption, government waste, and various illegal activities within the government. This was supported by the Anticorruption Act, which specified the protection of whistle-blowers.

The government also required financial disclosure from public officials for a financial change of more than US\$10,000 a year, with the exception of the specified salary. The government started strictly controlling and limiting kinds of jobs for which retired public officials could apply because a retired public officer could utilize information and personal networks that he or she had while in the government to benefit his or her new company. In addition, the punishment for accepting a gift of money or any other valuables became stricter, and even the pardoning and restoration of rights of officials who committed corruption became tougher.¹⁴ In summary, President Kim paid more attention to the institutionalization of anticorruption policy than earlier administrations had, and those measures were evaluated as successful in general.

19.4.1.4 Electronic Government and Civic Participation: Roh Moo-hyun Administration (2003–2008)

Above all, the Roh Moo-hyun administration revised the Public Office Election Act. The revision was intended to reduce corrupt activities in public office elections. In addition, the administration introduced various soft approaches to reduce corruption systematically. These proposed approaches included (1) strengthening the direct democratic values (e.g., the residents’ lawsuit system, the local referendum system, and the citizen recall system), (2) using e-government such as the online public engagement system, and (3) expanding the disclosure of administrative information and enhancing access to it. The new direction or paradigm of anticorruption policies adopted by KICAC also reflected soft approaches, including

- a policy shift from punishment to prevention
- institutional improvement in corruption-prone areas
- a more transparent administration
- strengthened ethics in public service and corporate management
- a consolidated system for protecting whistle-blowers

President Roh Moo-hyun campaigned and was known for his strong anticorruption rhetoric. Although he and his family were not accused of any serious corruption during his presidency, after he left office they became the target of an influence peddling scandal; he, too, could not avoid the snare of corruption at high

levels of power. About a year after he left office, he was summoned by prosecutors on suspicion of having received US\$6 million in bribes from Park Yeon-Cha, a businessman close to the ex-president. He committed suicide in May 2009, jumping off a cliff behind his rural home.

As part of a comprehensive government reorganization plan, current President Lee Myung-bak created ACRC in 2008 by integrating the Ombudsman of Korea, the Korea Independent Commission against Corruption, and the Administrative Appeals Commission. Although ACRC (2008) insists that it continues to perform all the tasks performed by KICAC, some criticism has indicated that the current government's will to fight against corruption seemed to weaken after the institutional merger.

19.4.2 Major Characteristics of Current Anticorruption Strategies

Korea's current anticorruption programs rely on electronic governance and involve a more comprehensive approach, including nationwide anticorruption mechanisms, public information, institutional and legal reforms, entrenchment of ethical culture, and stringent detection and punishment of corrupt conduct (see Table 19.5). In addition, integrity initiatives in public service, accountability, and transparency programs are underway (Park et al. 2005). KICAC (renamed ACRC in 2008) provides protection and reward programs for whistle-blowers and evaluates anticorruption activities annually. In short, "hard" strategies (detection and punishment) as well as "soft" strategies (prevention) are included.

Currently, two different laws against anticorruption are in effect in South Korea: the Anticorruption Act and the Public Service Ethics Act. The former includes a code of conduct for public officials and postemployment restrictions applicable to corrupt public officials. The latter includes registration and disclosure of personal assets of senior public officials, a blind-trust system, and restriction on the employment of senior public officials.

The Anticorruption Act provides the code of conduct for public officials, all whom should comply with the code. The Code of Conduct for Public Officials (CCPO; May 2004) gives basic behavior criteria for public officials that can protect them from the possibility of committing serious corruption crimes that result in punishment. Public officials often encounter a number of obstacles, such as intervention in personnel affairs, unjust orders from senior officers, and solicitation for favors. By providing standards to clear such obstacles, the code will help these officials to make a prompt and right decision about their situations. The code of conduct for public officials describes the procedure for dealing with superiors who hamper them from justly carrying out their tasks.

Also, the code prohibits any officials from involving themselves in personnel changes by using their position or intervening for private gain. It is also forbidden to gain improper profits from using official information for personal investment or

Table 19.5 Recent Comprehensive Anticorruption Programs in South Korea

<i>Dimension of Anticorruption Strategies</i>	<i>Anticorruption Programs</i>
Nationwide anticorruption institutions	Public Service Ethics Act (December 1981)
	Anticorruption Act (July 2001)
	The establishment of KICAC (January 2002)
Electronic governance	Online Procedures Enhancement for Civil Applications (OPEN system) established by Seoul metropolitan government to enhance transparency (1999)
	Korea online e-procurement system (KONEPS 2002)
Political campaign and finance	A national anticorruption program (1999) tightening up regulations on donations and contributions
	Reforming the Political Fund Act, making more transparent provisions on fundraising, expenditures, and party reporting (2000)
	Reforming the Political Fund Act, providing an annual government subsidy for political parties
	Reforming the Act on the Election of Public Officials and the Prevention of Election Malpractices (2000)
Institutionalization ethical culture in public organizations	Implementing the Korea Pact on Anticorruption and Transparency in 2005 (a multiple stakeholder alliance for anticorruption)
	Corruption Impact Assessment (April 2006)
	The Citizen Recall Act (May 2006)
	Blind-trust system (November 2005)

Sources: Korea Independent Commission against Corruption. 2006. Annual report; Korea Independent Commission against Corruption. 2006. *Transparent Korea: Towards a Brighter Future*.

property trade. In addition, the code restricts public officials from receiving any money or gifts. In order to create a sound atmosphere within the area of public service, the officials are required to report any external lectures that are more than four times a month over a 3-month period. The code of conduct also prohibits giving and receiving unfair benefits:

- A public official shall not use a public position to benefit himself or herself.
- A public official shall not use any solicitation to hinder other public officials from performing duties in an improper manner for the purpose of benefiting himself or herself.
- A public official shall not become involved in financial transactions or investment by using information obtained in performing public duties.
- A public official shall not receive money or other valuables from a duty-related person.

The Public Service Ethics Act enacted in 1981 prescribes registration and disclosure of personal assets of public officials. It stipulates asset registration by public officials ranked at grade 3 or above; however, disclosure of assets has not yet been introduced. According to the revised Public Service Ethics Act (1993), asset registration requirements have been expanded to grade 4 or above. The mandatory asset disclosure system was introduced to employees grade 1 or higher, heads of local government, members of local councils, etc. Currently, Korea's senior officials ranked at grade 4 or higher must register assets annually. The president and officials of grade 1 or above are required to disclose their incomes and assets in a government bulletin. All asset registrations are reviewed by the public service ethics committee.

The Public Service Ethics Act has included a blind-trust system since June 2006 in order to enhance the fairness and transparency in public duties. If high-ranking officials at grade 4 or higher who work at the Ministry of Finance and Economy or other financial authorities own stocks worth 30 million won (US\$30,000) or more under this system, they are required either to sell their stocks or to put them into bank trust accounts that are managed by others; hence, they are "blind" to them.

The Public Service Ethics Act restricts employment of retired public officials. According to the Public Service Ethics Act, after a grade 4 or higher public official retires, he or she will face a 2-year restriction on employment at for-profit private enterprises or for legal persons related to the areas of service where he or she worked for 3 years before retirement. Additionally, the Anticorruption Act stipulates that if a public official is dismissed for corrupt conduct, he or she will face a 5-year restriction on employment in public-sector organizations as well as in private-sector enterprises or by legal persons related to his or her areas of work for 3 years before the dismissal.

Education of public ethics is increasingly recommended and implemented as a way to reduce corruption. KIPAC was merged into the ACRC with two other organizations in 2008. Currently, ACRC runs an education program for public officers, who can choose either a 21- or a 35-hour program. The hours of completed

education on public ethics are credited toward required retraining hours. Also, those hours completed by public officers are considered when ACRA evaluates each institution for its anticorruption effort. The ACRA recommends that each public officer take more than 4 hours of education on anticorruption.¹⁵

Finally, it should be noted that the previously mentioned slow increase in CPI scores since 1999 is usually attributed to growing awareness and implementation of these anticorruption programs.

19.4.3 Growing Civic Movement against Corruption

Civic groups have become key policy players in anticorruption efforts. They provide many policy alternatives and have been instrumental in enacting anticorruption legislation such as the Anticorruption Act and the Money Laundering Prevention Act (Kim 2007). Three major civic groups for anticorruption programs in South Korea are (1) CCEJ, (2) PSPD, and (3) TI Korea.

The CCEJ, founded in 1989, played a key role in realizing the real-name financial transactions system in 1993 under the Kim Young-sam administration. The PSPD, established in 1994, developed a movement for reforming chaebols and politics and eradicating corruption; it is the leading watchdog against the abuse of power. Ironically, dozens of important activists from the PSPD participated in the Roh Moo-hyun administration as staff members and became government officials to be watched over for their integrity by the PSPD. TI Korea was founded in 1999 through a coalition of civil organizations. Major activities include the anticorruption movement, research and development of anticorruption policy and legislation, introduction and implementation of a citizen ombudsman, and international networking.

In 2005, the Korean Pact on Anticorruption and Transparency (K-PACT) was signed by representatives from the four sectors of the society—public, private, political, and civil society—in a pledge to create a corruption-free and transparent society. The K-PACT is a proposal from the civil society to form an anticorruption system through alliances among the public, political, and private sectors. The K-PACT seeks to become a sustainable movement for transparency through participation by and agreement among these four sectors (Kim 2007). It builds on recent experiences of civic organizations and includes a “Citizen’s Charter”¹⁶ with 10 provisions, such as compliance with laws and principles, overcoming a corruption-friendly culture and information corruption, fulfillment of sound economic duties, active reporting of public information, and anticorruption education to reach a transparent society (see Table 19.6).

19.4.4 International Cooperation in Fighting Corruption

Korea is actively involved in international movements for combating corruption. The Organization for Economic Cooperation and Development (OECD) antibribery convention (Convention on Combating Bribery of Foreign Public Officials in International

Table 19.6 Anticorruption Strategies in the K-PACT

<i>Dimension</i>	<i>Article</i>	<i>Example of Anticorruption Measure</i>
Chapter II: public sector	Article 5: improvement of anticorruption mechanisms	Institutionalizing its internal system and organization for anticorruption and composite plans to ensure the effectiveness of an internal audit system
	Article 6: institutional improvement	Institutionalizing whistleblower protection, the Information Disclosure Act, and public records management system
	Article 7: strengthening public service ethics	Institutionalizing the code of conduct for public officials
	Article 8: educating transparency	Institutionalizing education for transparency in K-12, college students, and business world.
Chapter III: political sector	Article 11: efforts for transparent politics	Making sincere efforts to eliminate opaque management of political funds
	Article 12: ethics for members of the national assembly	Amending the code and standard of ethics for assemblymen to raise effectiveness of lawmakers' ethics and preventing conflicts of interest to improve ethics of members during their term in office
	Article 13: political funds	Institutionalizing a system to block illegal political funds and raise transparency of the funds
	Article 15: solicitation and lobbying	Institutionalizing clean lobbying and banning illegal solicitation
Chapter IV: private sector	Article 17: efforts for transparent management	Eliminating a cozy relationship between politics and business, an opaque management, and fraudulent accounting practices
	Article 18: strengthening ethicawl management	Institutionalizing an "anticorruption map" and respecting international business principles for countering bribery

(Continued)

Table 19.6 Anticorruption Strategies in the K-PACT (Continued)

	Article 19: enhancement of transparency in accounting	Enhancing transparency and liability in accounting practices
	Article 20: improvement of corporate governance	Eliminating illegal internal transactions and ensuring neutrality of an outside director
	Article 21: social accountability	Respecting the principles of human rights, labor standards, and the environment
Chapter V: civil society	Article 25: strengthening of education on anticorruption and transparency	Enhancing inspired clean civil awareness and awakened reporting perception and strengthening education on anticorruption
	Article 26: promotion of citizen participation	Enhancing a legislative movement to vitalize “citizen’s request for audit” and “inspection citizen’s suggestion system”

Source: Korean Pact on Anticorruption and Transparency. 2005. <http://www.ti.or.kr/kpact.pdf> (accessed July 21, 2009).

Business Transactions) was adopted in December 1997 and Korea ratified implementation in December 1998.¹⁷ OECD member countries and five nonmember countries, including Argentina, Brazil, Bulgaria, Chile, and the Slovak Republic, participated in the convention. The convention shared the view that bribery in international transactions makes competition for international trade and investment unfair. The purpose of the convention was to punish active rather than passive bribery.¹⁸

Korea put effort into working with relevant government agencies for an expeditious ratification of the United Nations Convention against Corruption, which was adopted by the General Assembly of the United Nations on October 31, 2003.¹⁹ This international convention is the first legal instrument against corruption encompassing both developed and developing countries and both public and private sectors. It was put in force in 2005 and ratified by Korea in 2008.

19.5 Conclusion

Korea has followed a long path from ignoring the reality of massive corruption in the immediate post-World War II period to taking token and limited steps in the

1960s and 1970s to assertively and increasingly implementing modern anticorruption strategies in the past two decades. This chapter described the origin of corruption stemming from close relations between the political and business elite, as well as social practices of Korean culture and interpersonal relations that provide opportunities for corruption.

Many forces help explain increased anticorruption efforts in Korea after 1987. First, democratization gave birth to numerous civic organizations and active participation that also advanced anticorruption efforts. Successful economic development led to a growing middle class in Korean society, which put pressure on the authoritarian regime in the 1980s. Globalization of the Korean economy put international pressure on the Korean government to become more transparent and meet international standards in terms of anticorruption initiatives.

These pressures (and those exerted by the IMF) became especially strong after the Asian financial crisis of 1997. Civilian governments in the immediate period after 1993 were concerned with reducing political and bureaucratic corruption involving the collusion of politicians, bureaucrats, and businessmen so as to differentiate them from the corrupt military regimes. Previously, military regimes had given only lip service to such efforts.

Annual surveys of perceptions of corruption show a slow increase in CPI scores since 1999; this is usually attributed to growing awareness and implementation of these anticorruption programs. Korea still rates among those countries that are known for significant corruption—well behind countries like Japan or the United States. However, it is likely that the current reforms will continue to keep Korean society on the path of becoming increasingly transparent.

Notes

1. According to Transparency International, Korea was ranked no. 43 on the Corruption Perception Index (CPI) in 2007. The Korean economy ranked no. 13 in the world in terms of gross domestic product (GDP) in 2008.
2. That tradition continues today. The official recruitment exam for new bureaucrats is now called the *haengjunggosi* and is extremely competitive. As a result, Korean bureaucrats are mainly recruited from prestigious universities such as Seoul National University, Yonsei University, and Korea University. Such competitiveness leads to the elitism that has characterized Korean bureaucracy so far.
3. Corruption in the latter part of the Joseon dynasty is related to three major systems. The first is a tax on farm land. Corrupt officers often levied a tax on useless land or often applied a higher tax rate than required. The second is a tax related to military service. Farmers were able to be exempted from military service if they paid a fixed amount of tax. However, corrupt officers often levied military tax even on infants or the dead, which resulted in the exile of farmers and led to the rapid collapse of the tax base. The third is related to the rice loan to poor farmers. This system was designed to help farmers survive till the next harvest. However, corrupt officers abused the system and accumulated wealth by applying a much higher interest rate than regulated or faking the document of the rice stock.

4. Perry et al. (2008) show that there is close relationship between public service motivation and religious activity; however, the relationship to ethics is not clear in Korea. Although Buddhism had been quite popular among lay people, it failed to affect the Korean bureaucracy significantly. Because the Joseon dynasty adopted Confucianism as the sole governing ideology and suppressed and drove Buddhists into the mountains, Buddhism had little chance to affect public officers in the Joseon dynasty. After the adoption of modern bureaucracy, Christianity tended to have more impact on Korean bureaucracy because Christians, especially protestants, were quite active and prospered in the bureaucracy as well as in politics. However, the relationship between Christianity and corruption is not clear because it is mixed with Confucianism; thus, it is hard to isolate the impact of Christianity on the bureaucracy (Fukuyama 1995, 141–142).
5. Luo (2002) argues that *guanxi* in China, *wa* in Japan, and *inhwa* in Korea all mean interpersonal business relationships.
6. Indeed, up to a point, as Evans (1995, 50–52) points out, the Rhee administration (1948–1960) largely ignored the civil service exam, and most of the high-ranking positions were filled by “special appointment.”
7. Theoretically, Kang (2002a) notes that in crony capitalism, economic growth and corruption go side by side: “If there is a balance of power among a small and stable set of government and business elites, money politics can actually reduce transaction costs” and such balance of power provides predictability and stability, which are quite crucial for business success (Kang 2002a, 3–4). Kim and Im (2001) analyzed the different fates of Asian countries such as Korea, Taiwan, and Thailand during the Asian financial crisis. They argued that the collapse of the Korean economy stemmed from the weakened coherence of the political elite caused by democratization, globalization, and the changing nature of cronyism
8. Familism is the practice of structuring organizations and business relations akin to family structures and the norms between family members.
9. Political opponents were frequently detained and sometimes tortured; today, under democratic rule since 1987, this is all but impossible.
10. The CPI is estimated as a weighted average of approximately 10 surveys of varying coverage (Kaufmann, Kraay, and Mastruzzi 2005).
11. There was a great prodemocracy movement in 1987; however, the opposition party lost the presidential election in the same year due to the internal split. The civilian president after the military ruling was President Kim Young-sam and his term started in 1993. Therefore, we can say that democratization in Korea started in 1987 but began to become institutionalized from 1993. For the anticorruption policy, it would be better to divide the period based on the presidency of Kim Young-sam.
12. The act requires government and military officials to publish their financial records, precipitating the resignation of several high-ranking officers and cabinet members. Details about the existing code are discussed later in this chapter.
13. Several important New Korea Party officials were implicated on charges of taking or giving millions of dollars in bribes to arrange loans to Hanbo Steel Industry Co., which eventually went bankrupt.
14. In case anyone gets dismissed from office for corruption, it is forbidden to restore him or her within 5 years, if the office to which he or she is returning is related to the previous one; in 15 years if the office is the public arena; and in 10 years if he or she underwent a criminal punishment. A person or a corporate body that offers a bribe is punished as

severely as the one who receives bribery. For a gift of money or any other valuables, the related interest, as well as the gift itself, is to be confiscated regardless of the giver or the receiver.

15. ACRC, "Information on Clean Education" [in Korean]. <http://www.acrc.go.kr/edu/index.jsp> (accessed on February 1, 2009).
16. Citizen charters are service agreements between governments and citizens that state what citizens can expect about how the government will deal with complaints and shortfalls. They began in the United Kingdom a few decades ago and have been increasingly used by many countries and cities.
17. OECD (1997). "OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions" http://www.oecd.org/document/21/0,3343,en_2649_34859_2017813_1_1_1_1,00.html (accessed February 1, 2009).
18. OECD (1997, 1) defines active bribery as the offense committed by a person who promises or gives the bribe and passive bribery as the offense committed by an official who receives a bribe.
19. United Nations Office on Drugs and Crime (2004). *United Nations Convention against Corruption*. http://www.unodc.org/documents/treaties/UNCAC/Publications/Convention/08-50026_E.pdf (accessed February 1, 2009).

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Chapter 20

Performance Management Reforms in South Korea¹

Chang Kil Lee and M. Jae Moon

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20.1 Introduction

Government performance always draws attention from both practitioners and scholars of public administration. In particular, the literature of new public management and recent reform initiatives emphasize the significance of performance management and performance measurement as a way to ensure public accountability at local and national levels of government (Abramson, Breul, and Kamensky 2006; Moynihan 2008; Radin 2006; Sanger 2008). Much of the literature on performance management comes from Western countries; however, practice of performance management has been spread across the globe, and various performance management practices are now found in many Asian countries (Moon and Walker 2007). Of course, Korea is no exception to this trend.

The Korean government has continuously undertaken reform efforts since it became independent in 1945. Often reflecting an ideology of “administered development” (Caiden and Jung 1981), these goals changed over time—from focusing on nation building in the 1950s (e.g., better ways to promote social order and infrastructure) to economic growth and industrialization in the 1960s and 1970s to competitiveness since the early 1980s (Jung 2006). The latter focuses on efficiency and effectiveness, often a special consideration for accountability, public involvement, and avoiding corruption. Every administration in Korea has established special committees for administrative reforms (PCGID 2007); these have been responsible for initiating various reform programs to improve performance of the public administration system.

This chapter describes the performance management reform initiatives introduced by the Korean government at four different managerial dimensions, including organizational management, human resource management, financial management, and evaluation management. The chapter also discusses resistance faced by traditional values in the course of pursuing performance management reform as well as various challenges to successful implementation of the reforms.

20.2 Performance Management Tools

Performance improvement in the Korean government is adopted in four different areas: organization, human resources, finance, and evaluation. Each area is discussed in this chapter and several examples of each are provided. Of course, these areas are closely interconnected. Organizational management initiatives cannot be successful without human resources management, and evaluation tools often play a role in promoting the other three initiatives. The issue of financial reform is much associated with these evaluation tools.

20.2.1 *Organizational Management for Performance*

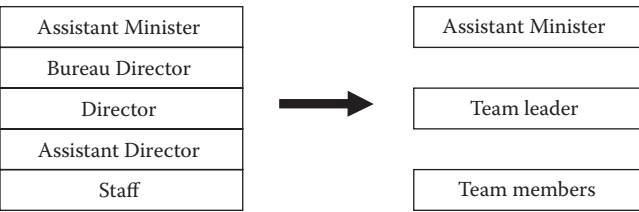
Changes in organizational structure have been popular in the Korean government. These changes have aimed to cut costs and waste. Although structural change has been a tool of cutting costs since the 1980s, it has become a means of maximizing results in public service as well. An Organization for Economic Cooperation and Development (OECD) report in 2005 suggested four kinds of tools for structural changes: changing the functional mix of ministries, changing the number or size of ministries, distributing power within the hierarchy, and creating arm's-length bodies.

The first two types of tools focus on the cost-reduction approach and the latter two refer to the performance-improvement approach. The first two tools, like mergers and downsizing, were often selected in the 1980s and 1990s. In the late 1990s, the Korean government started to transform internal structures within the government to achieve better performance rather than to reduce costs. Based on the later tools of structural changes, this chapter describes two initiatives that the government has introduced: team-based structure and “agencification.”

20.2.1.1 *The Team-Based Structure*

To decrease the hierarchical structure of bureaucracy, the Korean government initiated team-based management in early 2005. The initiative was promoted by the Ministry of Government Administration and Home Affairs (MOGAHA, currently MOPAS). In a traditional hierarchy system, a division (the traditional name of sub-units) seemed squeezed between the vertical layers of the hierarchy, which may have had the effect of curbing creativity and spontaneity of individuals. The hierarchical layers in the middle level consist of a director, assistant directors, and staff, to which the career and payroll system are also attached.²

As Figure 20.1 shows, however, the new team-based structure simplified the middle-level layers into team leader and team members. Each team leader and his or her staff are responsible for the team's performance. High performers are given more incentives and promotions; individual performance is mainly dependent upon team performance. Team leaders are given authority as well as responsibility. As Jones and



Source: Ministry of Government Administration and Home Affairs, 2005

Figure 20.1 Traditional structure versus team-based structure. (Source: MOGAHA. 2005. *Initiatives for government innovation in Korea*, ed. C. K. Lee and T. J. Lee. Seoul.)

Lindley (1998) pointed out, the positive aspects of a team-based system include work sharing, decision-making involvement, team performance monitoring and feedback, high interdependence, recognition of special expertise, high discretion in decision making, and reduced hierarchies. Also, teams improve the capacity to innovate, accomplish tasks, and respond rapidly to change (Osborne and Gaebler 1992).

However, only half of the ministries had introduced high-performance systems 2 years after the team system had been introduced. Some disadvantages of the team-based structure suspended its further diffusion to all ministries. As Lencioni (2002) described, several difficulties were found in this system: absence of trust, fear of conflict, lack of commitment, avoidance of accountability, and inattention to results. The system in Korea tends to encourage distrust and competition rather than trust and collaboration. Staff complained about unnecessary documentation and competition, which lowered morale. As Bouckaert and Halligan (2008) pointed out, they also tended to invest time and resources only in measurable tasks achievable for their performance.

In fact, many government agencies gave up the team-based structure and returned to the traditional one. Some scholars argue that the introduction of team-based structure in Korea is a failed experiment because it does not match the Korean bureaucratic culture. Even the Ministry of Public Administration and Security (MOPAS, formerly MOGAHA)—once a strong supporter of the team-based structure—went back to a traditional bureaucratic structure.

Some successful cases in government agencies like the Defense Acquisition Program Administration were found to improve performance by changing the structure to a team-based system. It is also argued that it is too early to judge whether the team-based system is a failure or a success. As most reform initiatives do so, the system also should be viewed not only from the short-term perspective but also from the perspective of long-term effects. To be successful in Korea, as well as in other countries, the system needs to work together with the change of organizational culture embedded in government.

20.2.1.2 Agencification

Rule-based bureaucratic controls and regulations discourage better performance. Both in theory and practice, agencification is a good exit strategy to relieve bureaucratic burdens and make agencies more competitive. Executive agencies in the United Kingdom are defined as “arm’s-length agencies contracted out of the department, which are given managerial autonomy and flexibility in budgeting and human resources management” (OECD 2005). The purpose of agencification is to improve performance, allowing for efficient operation, stronger accountability, better customer service, and results-oriented business planning. This OECD report states several reasons for introducing the executive agency system: It reduces many bureaucratic controls, rules, and regulations and provides a simple and clear goal to be achieved; a market-oriented structure with high managerial autonomy improves performance.³

The Korean government introduced the executive agency system through the Executive Agency Act, which was ratified in 1999. The executive agency in Korea, as in other countries, was given flexibility and autonomy in managing human resources, operating budgets, and changing organizational structures. Ten organizations directly controlled by ministries were designated as executive agencies. Central management agencies or controlling ministries have no control over these agencies. Also, the agency is permitted to spend extra money for its own purposes. As shown in Table 20.1, the director is appointed by the civil service rather than the minister. Staffing and recruitment are done by the agency’s own decision. Transfer of budget between items is broadly permitted at a maximum of 20% of the total budget. Extra profits obtained from the agency’s activities are retained by the agency (Han 2006).

Korea has five types of executive agencies. The number of agencies has increased to 44. As Table 20.2 shows, this number includes hospitals, theaters, education and research institutes, statistics offices, operating centers, and headquarters.

In Korea, agencification has not always been successful. Ministers are mostly reluctant to delegate their authority to agencies. Even though legal regulations are mostly removed, guidelines sometimes tend to increase control of agencies’ operations. Though executive agencies are given budgetary freedom within the total amount already allocated, if, for example, they need to increase the amount the next year, the Ministry of Finance will review the budget plans in detail. Also, given freedom on the use of its profits, the agency can hardly spend it for itself because of a lot of criticism from the public. The field of organizational and human resource management tries to maintain authority as much as possible because final responsibility to the public is theirs in any case. Most importantly, performances of the agencies are very difficult to measure and evaluate in practice (Pollitt 2006). Performance measurements tend to be inclined to their own interests and this only increases unnecessary documentation.

Table 20.1 Traditional Agency versus Executive Agency in the Korean Government

<i>Characters</i>	<i>Traditional Agency</i>	<i>Executive Agency</i>
Type of director appointment	Appointed civil service	Contracted civil service
Quota of personnel by rank	Number of employees by rank	Total number of employees
Legal base of subunits	Written in executive order	Written in internal regulation
Contracted civil service	Maximum 20% bureau directors	Maximum 30% all positions
Staff appointment	Minister	Director
Incentives for staff	Government guide applied	Free from government guide
Accounting method	Single-entry accounting	Double-entry accounting
Usage of self-profit	Not expendable, paid to national account	Expendable for the agency
Transferring budget to different items	Very limited	Permitted
Carry-over budget between years	Maximum at 5% of budget	Maximum 20% of budget

Sources: Han, C. S. 2006. Institutional analysis of performance management systems of executive agencies: The case of Korea. Doctoral dissertation, University of Birmingham, England; MOGAHA (Ministry of Government Administration and Home Affairs). 2007. Report of executive agencies in Korea. Seoul.

20.2.2 Human Resource Management for Performance

The Korean government has attempted not only to diversify staffing for more talented candidates but also to diffuse performance-related pay as well as a performance agreement system. The performance-oriented strategies in human resource management view employees as assets or resources to produce meaningful products rather than as costs or waste.⁴

20.2.2.1 More Open and Competitive Civil Service⁵

The Korean government has pushed hard to make the civil service system more open and competitive; such mechanisms for recruitment are preferable to the highly

Table 20.2 Executive Agencies in Korea

<i>Classification</i>	<i>Name of Organization</i>
Entrepreneurial hospital (10)	National Medical Center, National Rehabilitation Center, National Seoul Hospital, Police Hospital, etc.
Entrepreneurial business (9)	International Education Development Institute, National Science Center, Defense PR Center, National Theater, Drivers License Test Center, etc.
Administrative statistics (12)	Seoul Statistics Office, Busan Statistics Office, Kyoeng-Ki Regional Statistics Office, etc.
Administrative research (6)	National Fisheries Research Institute, Livestock Research Center, Agriculture and Life Science Research Institute, National Forest Institute, etc.
Administrative business (7)	National Scientific Investigation Institute, National Art Center, National Geographical Information Center, National Metrological Headquarters, etc.

Source: MOGAHA (Ministry of Government Administration and Home Affairs). 2007. Report of executive agencies in Korea. Seoul.

Note: Numbers in parentheses refer to the number of agencies.

personal, politicized, and largely noncompetitive forms of appointment (OECD 2005). This reform is designed to change a long-standing system that is notorious for noncompetitive and closed recruitment and seniority-based promotion. First, the government mandated that the Civil Service Commission (CSC)⁶ establish a so-called “open-position system,” and in 2003 the government opened up about 140 positions to competition, including 20% of bureau director positions. The share of open-competition positions doubled from 15.9% under the Kim administration to 30.6% under the Roh administration (PCGID 2007). Directors recruited through the open-position system were given much higher levels of compensation than comparable position holders because they work only for a contracted period and more expertise is presumed.

The CSC had tried to enhance the internal openness and competitiveness of the civil service system by promoting personnel exchange between ministries, between central and local governments, and between government and business (PCGID 2007). The personnel exchange program was a preliminary attempt to duplicate practices used in the U.S. Senior Executive Service. For example, in January 2004, the Roh administration appointed 10 new directors general from outside the traditional civil service system through open competition, and it reshuffled 22 directors general among departments.⁷

Although the reforms provided a positive stimulus to the traditionally closed Korean civil service system, positive outcomes perhaps should not be considered for a

few years. The open-position system was expected to attract many competent persons from the public and private sectors. Many open-employment positions have been filled by former public employees, and candidates working in private companies have little interest in the positions because of the lower levels of salaries compared with the those offered by private companies and the closed bureaucratic culture. To attract talented candidates, the government still tries to cultivate a competition-friendly culture and continues to provide more convenient procedures for applicants.

20.2.2.2 Performance-Based Pay and Individual Performance

Performance-based pay, which is closely linked to pay structure and performance, is a popular reform initiative in many countries. Two-thirds of OECD member countries introduced performance-based pay or were in the process of doing so in 2005. The degree and application of performance-based pay vary by country. Some apply it to the whole government and others use it in specific areas. Thus, the best model of performance does not exist throughout the world. The OECD report (2005, 175) summarizes the global trends of performance-based pay:

- Performance pay policies have spread from management to cover many different categories of staff over the past 10 years.
- Among performance pay policies, there has been some increase in the use of collective or group performance schemes at the team/unit or organizational level.
- Long-running standardized performance pay schemes have evolved into more decentralized systems that facilitate the delegation of authority at the managerial level.

The Korean government has also increasingly applied the applications of performance-based pay to a broader range, such as a means to encourage competition rather than compliance. In 1995, the quasi-form of performance-based pay, called a “special incentive allowance,” was introduced. In 1999, two kinds of performance-based pay were established: annual performance salary and performance incentives.

Annual performance salary, which is applied to high-ranking officials, affects the amount of total annual salary every other year. Performance incentives in Korea seem to be effective for middle- and lower tier employees with higher performance (Hwang and Kim 2004). The level of payment is determined in terms of performance grades. As shown in Table 20.3, “C,” which is the lowest grade, is given no performance incentives. The “S” grade is given to the highest 20% of employees, who are paid 1.8 times their monthly pay as a performance incentive. The amounts of performance incentives vary across ministries.

The percentage of performance-based pay to total annual salary has increased every year. The Civil Service Commission (CSC) announced that individual annual

Table 20.3 Performance Pay in the Korean Civil Service

<i>Performance Grade</i>	<i>S</i>	<i>A</i>	<i>B</i>	<i>C</i>
Employees (%)	Top 20%	Higher than 20% and lower than 50%	Higher than 50% and lower than 90%	Lowest 10%
Incentives (%)	Lower than 180%	Lower than 120%	Lower than 70%	0

Source: Civil Service Commission (CSC). 2007. *Guideline on performance agreement system*. Seoul.

salaries differed greatly in 2008. The matter has been picked up by the *Korean Times* (2007):

The wage difference will be between six [and] 14 million won per year for government employees who are in the same rank according to how they do their work. This will become possible as incentives will account for 10% of the annual salary next year, double from this year. Bonuses for middle- and junior-level civil servants ranked below level four will also go up to 131% from 100%. But the increase can also mean that incompetent public servants will have a much lighter wallet than their colleagues. Under the new system, high ranking officials with a performance graded S can be paid 14 million won more than their colleagues with a grade C, who get no incentive.

The task of evaluation to compensate for performance has become a bigger issue. The most frequently used method to measure performance is management by objectives (MBO), which most ministries in Korea have used since 2005. In this system, managers talk with their subordinates when setting goals, evaluating performance, and determining the amounts of incentives. Since mid-2005, however, the balanced scorecard (BSC) system developed by Kaplan and Norton has replaced the MBO.

The BSC system consists of vision, mission, strategic goals, and four key performance indicators: customer, finance, internal process, and learning and growth. Each ministry or agency has established its own mission and strategic goals. For example, the Ministry of Government Administration and Home Affairs stated its goal to “become the world’s best administrative organization based on competition and performance.” The Korean Coast Guard also created its mission statement—“making the sea safe and clean”—and made its vision “best guard, best service, best frontier” to safeguard the sea (MOGAHA 2005). Though BSC is usually used to evaluate organizations or programs, rather than individuals, most ministries in Korea tend to use the BSC for evaluating organizational performance as well as

individual performance because it measures individual performance by the degree of contribution to organizational performance.

Osborne and Gaebler have long pointed out the flaws of the MBO system, stating that “such a system can easily degenerate into subjectivity and favoritism. To avoid the problem, many managers award equal merit or bonuses to everyone. The objectives are often set artificially low. And, this can create internal conflict within the organization” (1992, 156–157). Hood (2008) also suggests various problems in performance management, including ratchet and threshold effects in the target performance system and indeterminacy and volatility in the ranking performance system, as well as output distortion in both systems. Based on recent survey data of central government officials, Kong, Cho, and Yoon (2009) indicate that “those whose ranking is higher, length of employment is longer, and performance score is higher are more likely to acknowledge that the gaming is serious in performance management.”

20.2.2.3 Performance Agreement

Performance-based pay is the result of performance; a performance agreement is a process related to improving performance. The performance agreement system is defined as “an evaluation system of individual performance by contracting annual performance targets between managers and supervisors” (Civil Service Commission 2007). As Table 20.4 shows, the performance agreement system in Korea is composed of four stages: making a strategic plan, goal setting, intermediate monitoring, and final evaluation.

Both managers and supervisors negotiate performance targets every year. In the process, individual goals are linked to organizational goals; this reduces unnecessary intervention from the top. The supervisor does not need to monitor managers’ work in detail in the middle of the year and can become a coach rather than a supervisor to produce better performance. Achievement of targets is usually linked to performance-based pay as well as promotion in the career-based system.

Table 20.4 Flow of Performance Agreements in Korea

Stage 1	Strategy plan (December or January)	Clarifying organizational mission and planning strategic goals
Stage 2	Goal setting (January)	Setting up the desired state of policies and developing performance indicators
Stage 3	Intermediate monitoring (July or August)	Interviewing managers for discussion on the progress of goals
Stage 4	Final evaluation (December)	Scoring the achievement of goals and disclosing the results

Source: Civil Service Commission (CSC). 2007. *Guideline on performance agreement system*. Seoul.

In the Korean government structure, a minister signs the performance contract with a vice minister, who contracts with a bureau director, who contracts with a director, who contracts with an assistant director. In practice, however, the most difficult challenge is paternalism between contractors who have worked together for a long time. Therefore, the monitoring or evaluation process is too lenient for their subordinates. Easily quantifiable and achievable individual goals are contracted. Also, such other evaluation systems as balanced scorecard or management by objectives, which evaluate organizational performance, tend to underscore the importance of the agreement. The government tries to weaken these challenges by providing evaluation guidelines or by specifying goals.

20.2.3 Financial Management and Performance

Korea has adopted several budget and financial reforms. Here, we discuss top-down budgeting and the total wage system. Other fiscal reforms that Korea has adopted include performance-oriented budgeting, a comprehensive budget information system, and a program budget structure.

20.2.3.1 Top-Down Budgeting System

The top-down budgeting system has become a very important tool for improving performance in the field of financial management. Korea adopted top-down budgeting in 2004 for the 2005 budget, following a pilot run involving four ministries. The new system sought to reduce unnecessary tasks and excessive requests. The central budget authority concentrates on macrolevel strategies, budget allocation across ministries, and national priorities. The budget authority cuts additional budgets submitted by the ministries. This process produces inefficiency as well as unnecessary conflict between the ministries and the Ministry of Budget. Also, the contents of the budget become too complicated for budget offices to review in detail. The top-down budgeting system delegates authority to ministries within predetermined ceilings.

In Korea, the new system makes it possible to set up a medium-term expenditure framework called the 5-year national fiscal management plan. National priorities on the process of resource allocation are well aligned. Top-down budgeting has significantly reduced the bureaucratic practice of “excessive requests or excessive cuts.” Before top-down budgeting was initiated, the size of requested budgets by ministries showed about a 25% annual increase for 102 annual budgets. After top-down budgeting was introduced, however, this dropped to 5–7%.

The practice of overrequesting wasted significant amounts of budget authority time and effort in paring down the budgets submitted by line ministries. It also eliminated work for the budgeting staff. Line ministries do not need to explain

details on these programs to the budget authority. Also, the budget office does not scrutinize detailed budget items as it did in the previous system. The new system gives an opportunity for line ministries to collaborate more closely with private companies and interest groups during the budgeting process.

In spite of its advantages, the system did not eliminate every flaw of the bottom-up review system. The budget office often requests detailed information on specific programs submitted by ministries. At the same time, line ministers still try to increase annual amounts of the budget ceilings attached to the ministry. It seems that a more transparent procedure for setting up budget ceilings seems is needed.

20.2.3.2 Total Wage System⁸

The total wage (TW) system is another tool that gives flexibility and autonomy to line ministries in order to improve performance. The TW system was designed to increase managerial freedom of ministries or subordinate organizations, especially in the field of human resource management (e.g., the composition of employees, pay, and incentives, and reforming their own structure). Given freedom of management, ministries or other agencies should take stronger responsibility for performance. In July 2005, the Roh administration introduced the TW system in such ministries as MOGAHA (MOPAS), the Board of Planning and Budget, the Civil Service Commission, the Department of Labor, the National Statistics Bureau, the National Procurement Administration, and the National Patent Administration (MOGAHA 2006). Also, 10 local governments⁹ introduced the TW system in 2005 (MOGAHA 2006).

According to the guideline of the TW system, MOGAHA (MOPAS) designated only the ceiling for number of public employees in each ministry, which determines by itself how many directors or divisions are needed. There are no restrictions on the ceiling for managers by rank. Ministries are able to design internal organizational charts and create positions. MOGAHA (MOPAS) has the least regulation on the number of high-level positions, such as bureau directors. The TW system also gives authority on determining salaries or incentives for staff, such as guidelines for performance-related pay. Compared to the situation before the TW system was introduced, the system is a more decentralized one to line ministries, and ministries have more authority and flexibility.

Although the TW system has become an effective tool for improving performance by permitting heads of agencies more flexibility in personnel and organizational management, several potential problems have occurred in practice. Ministries or other agencies have become more concerned about their own interests than about performance improvement. For example, they attempt to misuse the new system to increase higher ranking positions. Sometimes the agencies request an increase of total wage, which hardly determines the proper amount for the agencies. Salaries or

incentives have differed too much among staff, which increases complaints. Local governments tend to seek any economic rent by creating unnecessary units and high-ranking positions. In response to these problems, MOGAHA (MOPAS) has acted to control potential abuses of the system by strengthening monitoring tools, such as regular reporting on changes, or by offering financial incentives to agencies that save some of the total wage.

20.2.4 Evaluative Management for Performance

20.2.4.1 Annual Policy Evaluation System

In Korea, major policies are evaluated annually. A policy evaluation committee, established by the prime minister's office, evaluates policies that ministries executed in the previous year. As Table 20.5 shows, evaluation indicators cover policy planning, policy implementation, policy effects, policy public relations, and policy evaluation. After ministries determine performance goals and measurements for policies, they develop such key indicators as degree of goal achievement, difficulties for implementation, degree of social effect, and amount or number of resources invested. The evaluations categorize ministries in terms of policy performance: high, medium, or low. Incentives or disincentives are given according to the results. The president often provides incentives or more prestigious cabinet assignments for ministers with high scores and dismisses ministers with lower scores (KIPF 2005).

As described before, the annual evaluation system encourages competition among ministries. It stimulates ministerial efforts for maximizing the effect of policy. Also, it diminishes the possibility of policy failure by reviewing the whole process for policy making. The system helps avoid possible mistakes and improves strategic management. The quality of policies is also enhanced with standardized checklists from policy planning to policy implementation. Since 2005, ministries have made annual performance plans on policy goals as well as performance indicators.

The policy evaluation system in Korea is online. Particularly at the ministerial level, each measurement of the BSC system is evaluated in real time. Daily work in the system is simultaneously registered in personal computers. Team members as well as team leaders are able to monitor their real-time performance. The team ranking is also filed. Teams can identify which indicators are bad or good. At the same time, they are also pressured by the performance of other teams because teams can monitor each other. The system increases transparency and objectivity of the evaluation. Quantified and nonquantified indicators tend to be properly evaluated. The system is also closely linked to the incentive system, which provides information on promotion and performance-based pay. Career development and training programs are connected to the performance results.

Table 20.5 Policy Evaluation Indicators

Stage	Category	Evaluation Indicator
Policy planning	1. Appropriateness of planning	■ Thoroughness of the preliminary investigations and surveys prior to planning ■ Appropriateness of policy analysis ■ Relevance of policy objectives and performance indicators
Policy implementation	2. Appropriateness of implementation	■ Observance of scheduled implementation plan ■ Responsiveness to changes in administrative conditions or circumstances
Policy effects	3. Degree of goal achievement	■ Degree of achievement of the policy objectives and performance targets ■ Degree of utilization of the evaluation results for future planning
Policy utilization	4. Utilization of evaluation results	
Additional indicators	5. Legislative management	■ Timeliness of enacting and amending laws and ordinances under the ministerial jurisdiction ■ Improvement efforts in laws and ordinances

Source: Prime Minister’s Office. 2007. 2007 White book for government work evaluation. Seoul.

20.2.4.2 Evaluation of Public Entities’ Performance¹⁰

Public entities in Korea, including public enterprises, are evaluated annually by the performance evaluation team organized by the Ministry of Planning and Budget (MPB).¹¹ Public entities are a second solution to “market failure” as well as a good alternative to “government failure.” Public entities are established to maximize both market and government advantages. However, this is not the case in practice. Similarly to other countries, many public enterprises in Korea are criticized as inefficient management and overused monopolies that generate public anger.

To avoid this, in 1984 the government introduced a performance evaluation system to evaluate public entities' annual performance. To improve performance, it restructured the whole system after 1993 by changing key indicators, evaluators, and the entities to be evaluated. Even government-affiliated institutions, which are sometimes not financed by government, were enlisted in the range of public entities in 2004. The total budget for public entities was more than double that for the general government. The number of public entities to be evaluated increased from only 30 in 1984 to 102 in 2007 (MPB 2007).

Three pillars of organizational performance are evaluated: strategy, management, and business projects. Strategy measures call for innovation associated with leadership and management. Management measures review the appropriateness of the management system, such as human resource management, organizational management, and financial management. The evaluation of major projects reviews its policy effects. As Table 20.6 shows, each pillar has five or six indicators, which have two or three more detailed indicators. Strategy and management measures are common indicators among public entities; business project measures vary by individual entities.

An external evaluation committee, which consists of approximately 100 sectional experts, such as professors, consultants, researchers, and government managers, has been newly established. Evaluators review each entity's performance with written documents. Then, they score the results with key indicators. Finally, they visit each entity and interview managers responsible for the pillars' tasks. The final score can range among nine different grades: A⁺, A⁰, B⁺, B⁰, C⁰, D⁺, D⁰, E⁺, and E⁰.

Table 20.6 Performance Indicators for Public Entities

<i>Strategy (34%)</i>	<i>Projects (46%)</i>	<i>Management (26%)</i>
CEO's leadership and vision	Projects' goals and contents	Human resource and organizational management
Business ethics	Performance system for projects	Finance and budget management information system
Innovation of management	One to four projects selected and one to four indicators for each project (input/output ratio evaluation)	Organizational performance evaluation system
Customer satisfaction		
Productivity of labor and capital		

Source: MPB (Ministry of Planning and Budget). 2007. The year 2007 report for performance evaluation on public entities. Seoul.

The results and rankings of each entity are annually disclosed to the public. High-performing entities are awarded with financial and nonfinancial incentives. Poor performers are given disincentives, one of which may be to recommend to the entity's board of directors that the CEO resign. The president or budget authority may often request termination. Though this positively affects the achievement of better performance, there is skepticism on fairness and objectivity during the process of evaluation. Sometimes, certain entities do not trust the evaluation of nonquantified measures. Also, the validity of quantified indicators can be damaged. Disclosure of the lower ranking entities may discourage efforts for the next year.

20.3 Challenging Issues: Competing Values and Performance Initiatives

Success or failure of performance initiatives depends not only on contents but also on contexts. Weighted values and beliefs embedded in the administrative system also affect performance, often more so than performance management reforms. During planning and, especially, implementation, conflict with those embedded values and beliefs may produce resistance or obstacles from internal as well as external stakeholders. This section describes some of these conflicting values and strategies.

20.3.1 Competition versus Collaboration

Most reform initiatives that government has introduced since the 1990s have emphasized competition rather than collaboration. This comes from a strong belief that competition among actors or organizations achieves better performance. Although the original definition of teams emphasizes collaboration, the team-based system encourages competition between teams. By employing performance-based pay, it also promotes competition between individuals. Thus, team-based management moves back and forth between competition and collaboration. Initiatives emphasizing delegation, such as agencification, top-down budgeting, and total wage ceilings, show a similar conflict between the two values. More extremely, performance-related pay, performance agreement, and performance evaluation in ministries and public entities are much more competition oriented.

"Public" services reflect collectivity, which values collaboration rather than competition. In this sense, collective performance is likely more important than individual performance. Kettl also has emphasized that "governments increasingly are seeking to improve the coordination of their services" (2005, 86). Increasing joint programs also has become a popular tool of modern public service because performance targets and measurements are hardly quantifiable and divisible. Thus,

not only competition but also collaboration should be done, especially for integrated services. East Asian countries traditionally embedded in collectivity-oriented culture should exercise more caution on the overemphasis on competition. The balance of values between competition and collaboration would be a successful element for better performance.

20.3.2 Top-Down versus Bottom-Up Strategies

Most of the performance initiatives described seek to delegate the top's authority to the bottom lines. More flexibility and autonomy are given to lower level staff. Performance initiatives are presumably based on low-level staff's self-responsibility. Delegation and decentralization are important tools for stimulating individual motivation and creativity at lower levels. Team-based management, agencification, top-down budgeting, and total wage ceilings promote delegating authority to the bottom. The top-down budgeting system gives a large portion of authority to line ministers. Agencification removes most administrative controls by ministers and delegates them to the directors of the agencies.

However, lower level employees' capacity and willingness may not be prepared. The top leaders attempt to keep their power by maintaining the current system. For an organization to achieve better performance, as Ingram, Sowa, and Moynihan (2004) argue, leaders play an important role in the process of planning as well as implementation of performance management. A newly appointed director may need to have new goals and strategies for the organization. Performance-based pay, performance agreement, and the evaluation system for public entities sometimes tend to require top-down strategies and willingness for its initiation. Positive support from the bottom line takes a long time. Even with performance tools requiring the bottom-up strategy, the top leaders' active roles are very important. Thus, top-down and bottom-up strategies should be taken carefully toward performance improvement because there may be resistance at the bottom to top-down policy as well as to initiating bottom-up effort initiatives.

20.3.3 Individual versus Organizational Performance

Performance incentives in Korea mostly go to organizational units rather than individual employees. Ministries and subunits are compensated for their performance. The level of incentive in subunits is directly connected to the results of performance evaluations. At the same time, team performance is a more decisive factor, determining the size of incentives for the respective team members. Ministries as well as public enterprises make strong efforts to get higher scores in performance evaluations. Thus, most performance initiatives in the government focus on improving organizational performance rather than individual performance, which is more likely to achieve better performance in the whole government.

Top-down budgeting, total wage ceilings, ministerial performance evaluation, and agencification are strongly inclined toward collective performance and incentives. Team-based management, performance-related pay, and public entities' performance evaluation are relatively in the middle, between organizational and individual performance. Only the performance agreement system in the middle and upper levels tends to focus on individual performance.

Collectivity is flawed because of possible "free riders." This is the reason why the Korean government started to increase incentives related to individuals. By doing so, the government sought to connect collective performance to individual incentives and to stimulate individual creativity in the collective system. Individual incentives may stimulate employee motivation. In Korea, the relative weight of incentives for organizational units to those for individuals is approximately 70–30 in most ministries. Even though the OECD strongly recommends collective pay for performance rather than individual pay (OECD 2005), the individual-based compensation system in Korea plays a partial role in punishing bad performers and encouraging good performers.

20.3.4 Current versus Preferred Culture

Economic growth in Asian countries has led to radical changes in organizational culture. Family-oriented collective culture has been embedded as a prevalent cultural value in Asia, especially in Northeast Asia (Lee 2008). Of course, Korea is not an exception to this. Traditionally, the country has also had a strong group-oriented culture in the public sector. However, the performance initiatives described previously are basically in conflict with traditional Korean culture. Administrative culture tends to stay with traditional values; however, the new performance initiatives require market-oriented competition by individualism. This has been gradually transforming the traditional culture to a preferred competition-based culture in the near future.

Performance agreements between leaders and subordinates, ministerial performance evaluation, and public entities' performance evaluation are partially preferred by traditional collective culture. Comparably, team-based management, agencification, performance-related pay, top-down budgeting, and total wage ceilings are more affiliated with the market-oriented culture. In the process of implementation of performance initiatives in Korea, traditional collectivism often becomes a rooted hurdle to innovation. Though initiatives have had successful experience in Western countries, they easily fail in Korea as well as in other Asian countries because of these countries' distinguished cultural backgrounds and because individual pay for performance is likely more successful in an individualistic culture than in a collectivistic culture. In order to improve performance in Asian countries, governments should make changes in organizational culture or adjust initiatives to current cultural values.

Table 20.7 compares the Korean performance initiatives in this chapter by using the four pairs of competing values discussed. The table suggests that various tools for performance management at the organizational level are mainly characterized by bottom-up and competition-based approaches. In human resource management, performance management tools are a top-down and competition-based approach. The tools in both organizational and personnel management aim to change traditional culture in the public sector. Performance management tools in the finance area are also bottom-up and completion-based approaches; the tools adopted in the evaluation area are a top-down and competition-based approach.

Most performance management tools are competition based and aim to transform current traditional public-sector culture. In the course of pursuing these reform initiatives, the Korean government continues to face strong bureaucratic resistance in favor of hierarchical structures. It is also noteworthy that many strategies are top down rather than bottom up, except in the areas of organizational management and finance. In fact, bottom-up strategies are often actively resisted by bureaucrats and agencies.

20.4 Conclusion

The Korean government has a long and continuing experience with performance management reform, which has often been pursued as part of government innovation initiatives and as a way to enhance accountability and competence of the public sector. Though earlier efforts focused on nation building and industrialization, in the last 20 years, performance reform has focused on increasing competitiveness through increased effectiveness and efficiency at both individual and organizational levels.

Performance improvement reforms in the Korean government have focused on four different areas: organization, human resources, finance, and evaluation. Although many reforms have successfully improved the effectiveness and efficiency of public administration, some are clearly a challenge to existing values and practices in agencies. These are then resisted, sometimes successfully. Specifically, efforts to establish team-based cultures and bottom-up initiatives, which encourage innovation and creativity, have often been problematic in the bureaucratic culture when doing so is not coupled with performance bonuses and incentives for competition between or within groups and a sense of pressure or demand from the top. This context of the traditional culture is important to the success of performance management. Yet, it is clear that Korea has a long tradition of undertaking many simultaneous performance management reforms—often with moderate to successful results.

Table 20.7 Comparison of Performance-Oriented Management Tools

<i>Field</i>	<i>Tools</i>	<i>Bottom-Up vs. Top-Down</i>	<i>Competition vs. Collaboration</i>	<i>Individual vs. Organization</i>	<i>Current vs. Preferred Culture</i>
Organization	Team-based management	Bottom-up	Competition/ collaboration	Organization/ individual	Current/ preferred
	Agencification	Bottom-up	Competition	Organization	Preferred
Personnel	Performance-related pay	Top-down	Competition	Individual/ organization	Preferred
	Performance agreement	Top-down	Competition	Individual	Current/ preferred
Finance	Top-down budgeting	Bottom-up ^a	Competition	Organization	Preferred
	Total-wage system	Bottom-up	Competition	Organization	Preferred
Evaluation	Ministerial performance evaluation	Top-down	Competition/ collaboration	Organization	Current/ preferred
	Evaluation of public entities' performance	Top-down	Competition	Organization/ individual	Current/ preferred
	IT-enabled performance management system	Top-down	Competition	Organization/ individual	Preferred

Note: Authors compared performance initiatives by competing values (both competing values are present in some cells).

^a Top-down budgeting is likely to be bottom-up rather than top-down strategy because it is a new initiative to give more flexibility and authority to the bottom line.

Notes

1. This chapter is a modified version of the first author's article, "Exploring Contents and Contexts of Performance Management: Initiatives and Challenges," in the book *Transforming Korean Public Governance: Cases and Lessons* published by the OECD/KOREA Policy Center (2008).
2. As Heinrich, Hill, and Lynn note, traditional bureaucracies are "composed of classic command-and-control relationships within organizational units or programs" that are controlled and commanded by rules and laws (2004, 10). In theory, a team is defined as "a small number of employees with complementary competencies who are committed to common performance goals and working relationships for which they hold themselves mutually accountable" (Hellriegel, Slocum, and Woodman 2001, 226). Most administrative structures are vertical rather than horizontal, which causes inefficiency regarding documentation, change, and decision making.
3. Of course, some concerns are also noted. Agencification tends to weaken overall control by the parliament because of increased autonomy and freedom from legal regulations. It also can damage public confidence with regard to its products. Coordination with other agencies and ministries is difficult. More importantly, it produces inherent risks related to accountability and corruption (OECD 2005).
4. See Osborne and Gaebler (1992). Traditionally, employees are seen as administrative costs rather than potential assets (Rainey and Steibauer 1999), and management systems coerce hard work and strict compliance rather than allowing employees to master their tasks (Adler and Borys 1996).
5. Some parts of this section have been modified and excerpted from a previous work (Moon and Kim 2006).
6. CSC was merged into the Ministry of Public Administration and Security (MOPAS) in February 2008.
7. For example, a bureau director at the Ministry of Unification was appointed to the Ministry of Culture and Tourism because of his expertise in South Korea–North Korea relations, and the director of the Information and Communication Bureau in the Ministry of Information and Communication swapped his position with the director of the Industrial Policy Bureau (*Donga Ilbo*, January 20, 2004).
8. Some parts of this section have been modified and excerpted from a previous work (Moon 2007).
9. Kyungsang Buk Province, Jeju Province, Kimpo City, Bucheon City, Jungup City, Changwon City, Hongsung Gun, Jangsung Gun, Kangnam Ku, and Kwangsan Ku.
10. "Public entity" covers the broad range of government-related organizations from public enterprises established by law to government-owned or government-affiliated organizations, which are all under the performance evaluation system.
11. The Ministry of Planning and Budget (MPB) was merged with the Ministry of Strategy and Finance (MSF) in February 2008.

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Chapter 21

The Civil Service System in the Republic of Korea

Pan Suk Kim

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21.1 Introduction

This chapter provides a basic overview of the civil service system and public personnel practices in the Korean bureaucracy. The civil service in the Republic of Korea is divided into national and local civil service. Civil servants are managed by their respective governmental bodies and are regulated by the national or local statutes accordingly. This chapter reviews the history of the civil service system in Korea, followed by discussion on civil service structure, recruitment and selection, compensation and benefits, performance evaluation, status of civil servants in society, political appointment, sociopolitical and administrative culture, major civil service reforms in recent years (establishment of the senior civil service, open position system, pay for performance, and legalization of the public union), obstacles for civil service reform, and its sustainability.

21.2 History of the Civil Service System in Korea

Historically, a strong monarchy was the normal political system in East Asia, particularly in China, Japan, and Korea. For centuries, one of the most influential East Asian philosophies and political ideologies was Confucianism, under which loyalty to the king and respect for his authority were strongly emphasized. A paternalistic culture was also historically dominant in East Asia. This stemmed from the hierarchic pattern of a family-based authority, which was salient there. Consequently, benevolent leadership was relatively well received as an ideal type of authority.

The administrative system of the Korean government is based on the literati-bureaucratic tradition of the old Korea, which has roots in Confucianism as an ancient ruling ideology. Bureaucrats during the Joseon dynasty (1392–1910) came from the *yangban* ruling class, which enjoyed a wide range of sociopolitical privileges (Lee, Wagner, and Schultz 1985). The yangban consisted of Confucian intellectuals who were part of the ruling elite. They were an educated class and were literate members of society who were eligible to enter officialdom. The name “yangban” refers to two kinds of classes: *moon-ban* (the literary class) and *moo-ban* (the martial class). In general, the term includes both extended family members of literary and martial officials and scholars.

Historically, the traditional four classes of society during the old dynasty were, in order of esteem: scholars, farmers, craftsmen, and tradesmen (*sa-nong-gong-sang*); thus, scholars, including yangban, were the highest class, although this tradition now has been fully dismantled (Kim and Kim 1997). When the Joseon dynasty ended, the yangban tradition was terminated. However, the societal influence of the yangban tradition is deeply rooted in Korean society. For example, the prestige of the government officials exists even today.

The civil service entrance examination has a long history in East Asia. It is known that it originated in ancient China in 587. After that, it was imported to ancient

Korea in 958 (Lee et al. 1985). The examination during the old dynasty was influenced by preference for the liberal arts (*soong-moon* thought). Since then, the written entrance examination has been a common practice throughout Korean history. East Asia (China, Japan, Korea, and Taiwan) has a similar tradition in its civil service system. The competition rate for the civil service entrance examination is very high; East Asian civil service is strongly based on merit as well as oriented toward the elite. To a certain degree, the tradition of the Chinese mandarin system still exists in East Asia.

During the Japanese colonial regime (1910–1945) as well as the ruling period of the American occupation army (1945–1948), bureaucrats exercised an enormous amount of power in Korean society. This tradition was continued by the administrative state and the authoritarian regimes during the era of nation building and economic development. After the Republic of Korea was founded on August 15, 1948, the National Civil Service Act was passed in 1949. Legislators intended to create a professional bureaucracy by changing the civil service to a career system and by recruiting workers on the basis of competitive examinations. Since 1949, this law has been amended several times to meet new demands and challenges.

The Local Civil Service Act was promulgated in 1963 and its content is very similar to that of the national act. Local governments currently enjoy their local autonomy: The chief executive and local council members are elected by residents, so the central government cannot intervene in the personnel management of a local authority. Nonetheless, the local government follows the general framework of the national civil service system. Because Korea has a unitary state system instead of a federal system, the local government system is not very heterogeneous, unlike in federal states.

The Ministry of Government Administration (MOGA) was the central personnel authority for a long time. After that, the Ministry of Government Administration and Home Affairs (MOGAHA) was born when the MOGA and the Ministry of Home Affairs merged in 1998; it continued to be the central personnel agency. However, the central government separated the personnel function from the MOGAHA and established the Civil Service Commission (CSC) in 1999.

Since 1999, the CSC had been the central personnel agency, but it merged with other agencies, including MOGAHA and the National Emergency Planning Commission (NEPC), when President Lee Myung-bak reorganized the central government agencies in early 2008. Since then, the Ministry of Public Administration and Security (MOPAS) has become one of the big central agencies in charge of organizational management, personnel management, local autonomy, and security.¹ MOPAS is currently responsible for formulating personnel policy, but its function has been gradually devolving to each agency's personnel authority over time.

21.3 Civil Service Structure

The Korean civil service is broadly classified into career and noncareer services depending on the terms of employment, job classification, and legal status. Over

time, the total workforce size in government has fluctuated; in 2008, the total size of government employees including national and local government employees was close to one million. The number of national government employees is approximately 600,000, including public-school teachers and police, and there are approximately 350,000 local government employees.² Civil servants in Korea do not include employees of any public corporations (state-owned or state-invested enterprises) or soldiers. After the Asian financial crisis in the late 1990s, the government's workforce was somewhat downsized, but its size has grown slightly in recent years.

Career civil servants are employed based on set performance and qualification requirements, and they are expected to make a long-term commitment to the service. Their legal status as civil servants and job security are guaranteed by law. Career service includes three categories: (1) general service (general administration, research, and technology fields), (2) special service (judges, public prosecutors, foreign service, police, fire service, public education, and others who fall under the special service category due to the explicit nature of their work), and (3) technical service (civil servants who perform simple tasks, technicians, and blue-collar occupations).

Noncareer civil servants are not subject to strict performance and qualification requirements. Their legal status as civil servants and their job security are not assured by law. Noncareer service has four categories: (1) political service (vice ministerial or higher level positions that are politically appointed by the president, elected officials such as members of the national assembly, and any positions categorized as political service by laws and regulations), (2) excepted service (employment through noncompetitive recruitment methods due to the uniqueness of the work), (3) contracted service (recruited for specified terms based on special knowledge and skills that are unavailable among career civil servants), and (4) labor service (simple physical labor).

There are many occupational groups and different occupational series. There are nine grades in the general service or equivalent pay system: Grade 9 (basic entry level) is the lowest and grade 1 (assistant minister level) is the highest. Political appointees such as ministers and deputy ministers are above grade 1. In general, members of the senior civil service are those filling positions of grades 1–3.

21.4 Recruitment and Selection

Young and talented persons who have just graduated from school but are without any other work experience have great opportunities to be employed as career civil servants. Recruitment into the civil service currently takes two forms: annual competitive examinations, which can be taken by any citizen, and special recruitment processes, which can be requested by individual departments on an irregular basis.

The most common method of recruitment into civil service is open competitive recruitment examinations, which have no prerequisite academic requirement. There is no prerequisite academic requirement in taking the civil service entrance examinations, but college graduates are currently the majority of those who pass the tests at all levels. Noncompetitive recruitment examinations are administered as a supplementary method when competitive recruitment examinations cannot fulfill recruitment needs for necessary talents.

Applicants for positions in the civil service encounter intense competition throughout the recruitment process. For example, competition in major civil service entrance examinations is very stiff: 233 selected out of 11,150 applicants for grade 5; 1,105 selected out of 72,193 applicants for grade 7; and 2,900 selected out of 187,562 applicants for grade 9 in 2006.³ This stiff competition may stem from a tight labor market that is a result of overpopulation in Korea, and it can also be traced to the relatively well accepted social status and job security that are side benefits of the government jobs.

The entrance examination process for the grade 5 has three steps:

The first round examination (multiple-choice test) is based on the Public Service Aptitude Test (PSAT) and English.

The second round is an essay test based on four or five subject areas.⁴

The final round is an interview.

The entrance examination process for grades 7 and 9 has two steps: (1) a multiple choice test (seven subjects for grade 7 and five subjects for grade 9),⁵ and (2) an interview. Knowledge of law was the prime requirement for entry into the general service in the past, but this has substantially diminished in recently years. In general, the civil service examinations emphasize intellectual skill and potential ability rather than specific, job-related abilities. However, this tradition has gradually changed over time in seeking job-related competency, particularly in the selection process for experienced workers.

Promotion to a higher grade is determined by the Promotion Review Committee by selecting candidates based on performance, skills, specialization, career history, and evaluations. The number of candidates in the applicant pool is determined by two to three times the number of vacant positions. A civil servant who has demonstrated exemplary service in terms of integrity, performance, and policy development or one due for voluntary early retirement who has rendered distinguished service is eligible for special promotion.

Those who pass the entrance examination for grade 5 are on the fast track and can usually attain positions at managerial levels without taking a promotional test; their progress depends upon successful job performance and credentials. In contrast, those who pass the entrance examination for grades 7 and 9 rarely reach senior levels and are required to pass a tough promotional test in order to cross over to grade 5.⁶

21.5 Compensation and Benefits

The Korean civil servant's pay is composed of base salary, allowances, and benefits. Base salary is the regular salary that is paid according to grade and pay step according to the degree of responsibility, difficulty of the position, and length of service. It accounts for approximately half of an employee's total monthly pay, depending on rank in the organization. There are a number of base salary schedules by job category, including administrative service, security service, research service, technical service, police and fire fighting services, constitutional research service, public-school teachers and professors, labor service, and special labor service.

The allowance is an additional remuneration paid separately according to the positions and living conditions of individuals. This allowance has been overdeveloped in the government:

- bonus-type of allowance (diligence allowance, performance bonus, allowance for an acting post)
- family support allowance (family allowance, dependents' education allowance, housing allowance, and parental leave allowance)
- allowance for special workplace (islands, remote areas, overseas)
- allowance for special work (hardship-post allowance, high-risk allowance, special-task allowance, and temporary substitute for another employee)
- extra work allowance (overtime work allowance, midnight work allowance, holiday work allowance, and extra managerial allowance)

The expenses paid for civil servants' benefits include meal payment, household support payment, commutation payment, traditional holiday bonus, job support payment, and nonvacation payment (Kim 2003).

Korean civil servants are more concerned about living standards than those who work in the private sector. As of 2007, the average pay level of civil service employees was equal to approximately 90% of average pay in the private sector.⁷ The pay level of lower level employees is not bad in a comparative sense,⁸ but the pay level of higher level executives is low. The Kim Dae-jung administration attempted to equalize the wage levels of the civil service with those in the private sector, but the salary gap between government and business is still significant. Thus, the government needs to narrow the pay gap between the public and private sectors.

Civil servants can choose benefits packages from a wide variety of benefits options depending on personal preferences and lifestyle. The basic items covered by benefits are housing subsidies, life and accident insurances, medical insurance, and comprehensive medical exams; optional items are dental care, use of health care facilities, and parental support.

Civil servants or their surviving dependents in case of a civil servant's death are entitled to pensions upon retirement. They and their families are also provided compensation to maintain welfare and stability in case of injury, disease, physical

or mental disability, or death in the line of duty. Civil servants and the government each contribute 8.5% of individual monthly salaries to the pension fund, which is managed by the Government Employee Pension Service (GEPS).⁹ The GEPS has provided annuity and other various benefits in case of retirement, death, job-related sickness, injury, or disability of government employees since the Government Employees' Pension Act was passed in 1960.¹⁰

21.6 Performance Evaluation

The government performance management system has two levels: organizational and individual. For the organizational level, each agency's overall performance is evaluated in terms of major policy execution, financial performance, and other key areas (personnel, organization, and e-government). In order to assess organizational-level performance, the balanced scorecard (BSC) and various other approaches are utilized in the government. Organizational-level performance assessment is handled by the Office of the Prime Minister in cooperation with several agencies in the areas of finance, personnel, organization, auditing, and e-government. However, discussion on organizational-level performance assessment is beyond the scope of this chapter, so no further elaboration is made here.

For individual levels, three different approaches are used: (1) a performance agreement system for those who are in grade 4 (director level) or higher, (2) a performance appraisal system for those who are in grade 5 or lower, and (3) 360° feedback as a supplementary evaluation for all levels of employees. Individual-level performance assessment is executed by the personnel authority of each agency. Under current personnel regulations, performance of civil servants is evaluated regularly.

Brief descriptions of three approaches mentioned earlier follow:

- Performance agreements for officials in grade 4 or higher became one of the most important elements of the new management for results as a performance management mechanism applied to the higher level in government and as a means to promote the implementation of major public policies. The individual appraisal system contracts an agreement between the minister and managers with the performance objectives and measures based on the strategic plan of the agency. It promotes the new management principle of management for results by clarifying differences between "what officials do" and "what officials achieve." It also enhances objectivity and fairness of performance appraisal through the necessary processes (midyear review and monitoring, performance record keeping and interviewing, and final review). Nonetheless, its effectiveness depends on higher level officials' willingness to ensure that performance targets are specified in concrete terms and to appraise achievements fairly in terms of the targets.

- Performance appraisal is a common evaluation mechanism of employee performance in both the public and private sectors. Its main objective is to measure each employee's annual performance and give feedback to the employee to improve subsequent performance. In the government, those who are in grade 5 or lower are target employees for performance appraisal based on two major areas: (1) job performance in terms of timeliness, completeness, and job difficulties; and (2) job-fulfilling abilities in terms of planning, communication, negotiation, and customer orientation. Recently, the job performance share in performance appraisal was increased to reflect the significance of employee performance in government. Appraisals permit each ministry to decide the elements and scores in consideration of the individual case details.

As an effective method of assessing performance for developmental and appraisal purposes, the 360° feedback program supports the use of multiple raters. This program requires managers, subordinates, and peers to participate in evaluating one another on work-related items such as performance, attitude, and leadership. The central government revised the Civil Service Employment Decree on January 16, 2000, stating that 360° feedback could be used not only to promote workers, but also to determine pay step increases, performance-related pay, training, position assignments, and other personnel practices (Kim 2001b).

21.7 Status of Civil Servants in Society

The public service still receives a certain degree of social prestige and many of the younger generation are still eager to obtain a job there through the stiff written entrance examinations. As mentioned earlier, a large number of the best and the brightest college graduates spend at least a few years attempting to pass civil service entrance examinations to become public officials. The entrance examination for grade 5 is particularly difficult to pass, so many applicants prepare to take the exam for several years and often take additional classes at private academies subsequent to their formal education.

In the past, the typical competition ratio in civil service entrance examinations was approximately 1:100; this ratio has been gradually declining over time, although it is still relatively high (Kim and Kim 1997). Such change implies that the young generation's tendency to choose a different career path instead of going into public service has been increasing over time because the private sector offers better compensation and more challenging work. As Korean society becomes more capitalistic and democratic, the prestige or privilege of being public servants is diminishing. During the authoritarian regimes in the past, where the state–citizen relationship was oriented toward obedience, public servants had a certain privilege; however, such traditions and practices are disappearing in contemporary society. However, as the private sector develops, society becomes more diverse, and as attractive job

opportunities in the private sector increase, the status of civil servants is not as strong as in the past.

Nevertheless, public service is still attractive for college graduates because it provides better job security and stability than jobs in the private sector. Moreover, women and socially disadvantaged group members are highly eager to enter public service because it is less discriminatory than the private job market (Kim 2006). As of 2007, the overall proportion of women civil servants in the government approached 44% of the total government workforce. The proportion of women who were national government employees was higher than 40%, and the proportion who were local government employees was lower than 40%. The government currently attempts to enhance women's representation in the civil service substantially, particularly at the higher levels.

21.8 Political Appointment

Korea has the presidential system, so a number of appointees are chosen through presidential political appointment. Although they are part of the government executive branch, presidential appointees are an inescapable part of the patronage subculture of national politics. Generally speaking, human resources management for career civil servants is fairly well administered, but personnel practices for political appointees are not appropriately handled and poorly institutionalized. Accordingly, for the first time, President Roh Moo-hyun established the Office of Senior Secretary to the President for Personnel Affairs, which is equivalent to the Office of Presidential Personnel in the White House, to handle political appointments in the Office of the President systematically (Kim 2004).

Political appointees include ministers or equivalent levels, vice ministers or equivalent levels, and key officials in many government services. In a country with a parliamentary system, many members of the parliament (MP) often concurrently hold ministerial and deputy ministerial posts in the national government. Korea has the presidential system, so only a few members (usually one to three) of the National Assembly concurrently hold ministerial positions. The prime minister is also appointed by the president and a nominee must go through a confirmation hearing in the National Assembly.

In recent years, the political appointment process for ministers has changed. The president's nominees for all cabinet posts must go through hearings in the National Assembly. Such changes have affected the tenure of cabinet members. Once a nominee for a ministerial post successfully completes the hearing and becomes a minister, it will not be easy for the president to replace him or her because a new nominee must go through the whole process all over again.

In general, the president can appoint the people needed to carry out his policies in a noncompetitive way based on the spoils system. In some countries, the president or the prime minister appoints many positions politically. The spoils

system is inevitable to some degree because the president needs a team of people who share a common political philosophy, agree on how to reach those goals, and support the president or the prime minister in the conduct of national affairs management.

However, when the president appoints a candidate who lacks the basic job qualifications and position-specific expertise, this can pose significant damage to national affairs management. Therefore, even if the spoils system cannot be totally ruled out in the presidential personnel system for political appointees and higher level executives, political common sense requires that at least the right person is put in the right place at the right time.

21.9 Sociopolitical and Administrative Culture

From a sociopsychological standpoint, Korean sociopolitical culture has been characterized by two salient factors: (1) a submissive authoritarian culture deeply affected by Confucianism and Buddhism, and (2) a high degree of cultural homogeneity—ethnic, linguistic, religious, and regional. Authoritarian submissiveness implies Koreans' high sensitivity to support of authority in both governmental and social life. Cultural homogeneity, implying absence of natural major splits, has tended to inhibit not only the fragmentation of power but also diversification of political interests¹¹ (Kim and Kim 1997).

Confucianism as an established state ideology existed until the early twentieth century. Family relationships, political attitudes, ways of problem solving, and many other aspects of Korean life reveal the imprint of the Confucian tradition. Confucian precepts represented by the Confucian classics were major objects of study by traditional Korean scholars and were valued for their practical governmental wisdom and their philosophy of life in general. The formalities of early bureaucracy¹² were influenced by ancient Chinese Confucian models.

In addition, Buddhism has been salient in enriching many aspects of the Korean culture for a long time,¹³ although it did not exert a strong influence in the area of political-administrative theory or practice in comparison with what was exerted by the Confucian tradition. Buddhist doctrines have had many important effects on the social values of the Korean people. The role of Korean Buddhism is not merely that of the code of ethics, but rather also as a dynamic religio-spiritual force that so penetrates the life of Koreans that the two roles¹⁴ cannot be separated. Although the number of Christians is rapidly increasing in the society, the deep impact of Buddhism on both society and government is still undeniable (Kim and Kim 1997).

In terms of the administrative point of view, common cultural elements are hierarchical culture, seniority, and paternalistic culture. Sociopolitical culture stemming from the paternalistic pattern of a family-based authority was common in East Asia. The Confucian "middle way"¹⁵ was also socially valued. Furthermore,

although its influence has been declining over time, seniority is still an important factor in various employment practices and social life. Seniority has been one of the major factors in determining pay based on grade and pay step. Also, group-oriented social cohesion and collectivism have been highly promoted in East Asian society. Overall, social or organizational harmony has been regarded as one of the highest sociopolitical values in society.

21.10 Major Civil Service Reforms in Recent Years

After Korea was fully democratized in the early 1990s, every president established an organization in charge of government reform and utilized it as a major vehicle for promoting organizational change and development in the public sector:

- The Kim Young-sam administration (1993–1998) established the Administrative Innovation Committee. It promoted organizational restructuring, management reform, improvement of service delivery, deregulation, and anticorruption.
- The Kim Dae-jung administration (1998–2003) organized the Administrative Reform Committee and later renamed it the Presidential Committee for Promoting Government Reform. It initiated organizational restructuring, management reform, deregulation, anticorruption, public enterprise reform, and building e-government.
- The Roh Moo-hyun administration (2003–2008) established the Presidential Committee on Government Innovation and Decentralization. Korea has a single 5-year term presidency and thus has a new president every 5 years.
- The Lee Myung-bak administration (2008–2013) formed the Presidential Council on National Competitiveness (PCNC) to promote global competitiveness and innovation.

Since the early 1990s, government reform has become one of major presidential agendas in Korean politics. This trend seems to be continuing into the future, although key points of each regime's reform package have been slightly different (Kim 2001a).

Recently, the Korean government has introduced several reform initiatives to restructure the traditionally closed civil service system to make it more open, competitive, and performance based (Kim 2000a, 2006; CSC 2007). The central personnel authority, in collaboration with the Office of the President, played a critical role in advancing these reform initiatives. The administration announced that departments must open some of their top-level positions to greater competition and must exchange core positions among departments to promote collaboration and a more transparent administration. Among administrative reforms, those related to the competitive, open recruitment of senior officials have been pushed hardest by the government.

In order to improve Korea's world competitiveness, the government has carried out various reform measures, including civil service reform, in the last couple of decades. Among many others, some of them include (Kim 2000a, 2000b):

- establishment of the Civil Service Commission in 1999 (however, the CSC was merged with other agencies and became the Ministry of Public Administration and Security in 2008)
- job posting (government-wide competition) within the civil service
- the open position system (competing internally and externally) for a number of designated positions (20% of grade 3 and above)
- establishment of the senior civil service
- performance-related pay and bonus schemes
- diversification of the civil service entrance examination
- personnel exchanges from all directions
- utilization of 360° feedback
- legalization of public unions

Among several reform measures, four major civil service reform initiatives—establishment of the senior civil service, the open position system, pay for performance, and legalization of public unions—are introduced in the following sections.

21.10.1 Establishment of the Senior Civil Service

The missions of senior management have been stripped back from line management to strategic management of public policies. Reforming senior management is becoming a common theme in many countries around the world. Many countries have created or restructured the senior civil service group in an effort to manage their senior managers in a different manner from the rest of the civil service (OECD 2004). Along with such global trends, the Roh Moo-hyun administration introduced the senior civil service on July 1, 2006 (CSC 2006).

President Kim Dae-jung established the CSC in 1999 and implemented various reform agendas on public personnel affairs, as mentioned previously (MPB 2000). However, one of the unresolved issues was the establishment of senior civil service during the Kim administration. At that time, the Presidential Committee of Government Innovation (PCGI) reviewed this issue raised by the PCGI working group on personnel and organization affairs, but the issue failed to materialize due to a lack of understanding and political support. In other words, PCGI put the senior civil service issue on the review table, but it did not become a part of the government agenda (Kim and Lee 1999; Kim 2007).¹⁶

When President Roh Moo-hyun (2003–2008) took power in February 2003, he organized the Presidential Committee of Government Innovation and Decentralization (PCGID) as a principal arm for public-sector reform. PCGID

prepared various reform road maps. The first was a road map for personnel reform; one of its major issues was the establishment of a new senior civil service. This reform was chosen as a central task of the Roh administration in accordance with its core concept of public personnel management.

Research on the senior civil service was contracted out to an independent institute in 2003. Job analysis of positions involving office chiefs and bureau directors was conducted in 2003 and 2004. The analysis targeted more than half of senior positions of relatively more importance out of approximately 1,500 positions. Job analysis was then carried out to find a way to improve performance and accountability, analysis of competency, and compensation. Also, government-wide competitive job postings and cross-agency appointments were carried out in January 2004 for 32 bureau-director-level positions in 32 central ministries and agencies (Kim 2007).¹⁷

The new senior civil service covers all positions at the bureau director level or higher in central government ministries and agencies that require management and leadership abilities. It covers a total of nearly 1,500 positions, including career, special, excepted, contract, and foreign service positions.¹⁸ It also includes policy advisors and assistant ministers, but excludes prosecutors, police chiefs, and military generals, as well as vice ministers and ministers who are political appointees.

Officials at the level of bureau director and higher, now assigned to each ministry and agency, have been reassigned to the senior civil service, which is managed by the central personnel authority on a government-wide basis. Officials in the senior civil service have been organized by position and the importance of tasks rather than by rank, which was abolished. In other words, there is no seniority ranking in the new senior civil service, and the pay scale is differentiated based on the results of job analysis.

The members of the senior civil service are required to go through an assessment process and to compete for vacant senior posts. Accordingly, the mobility of senior civil servants across the ministries is expected to increase over time. Moreover, more emphasis on performance and responsibility becomes a reality with the performance agreements. In the past, pay was determined by the rank and length in service; now, senior civil servants are paid according to the difficulty and importance of the job as well as their performance.

21.10.2 Open Position System

In 1999, the government introduced the open position system (OPS) in accordance with an increasing belief and popular recognition that introducing the element of competitiveness within the public sector could contribute to enhancing efficiency and productivity of public administration. This system was designed as a way to recruit outstanding talent and expertise from both private and public sectors through diversifying the recruiting methods for civil service (Kim 2000a, 2000b; Kim and Hong 2006).

As the term itself shows, designated open positions are filled through open competition. Once a designated open position becomes vacant, the job requirements and descriptions are announced publicly for a couple of weeks by advertising in daily papers and other media sources. Anyone who meets the qualifications may apply for the position. The ministry selects the most qualified person among the applicants through a selection board. When the selection board is formed, it is important that a majority of members come from the private sector. Selection is made on the basis of an applicant's written records, performance at interview, and his or her previous job performance.

Accordingly, the government opened up many higher level positions to open competition with external candidates, including 20% of bureau-director positions. Thus far, OPS is seen to have achieved its goals of creating a more competitive civil service. A variety of expert opinions from the private and public sectors were reflected in developing a scientific evaluation method.

The reforms have provided a positive stimulus to the traditionally closed civil service system, and the open employment system is expected to attract many competent persons from the public and private sectors. However, it might take some time to have fully positive outcomes. In the meantime, some designated open positions have been filled by former public employees, and few private candidates have expressed interest in the positions because of the uncompetitive salaries and negative perceptions of the closed bureaucratic culture. In order to encourage more applications and better performance of talent from the private sector, therefore, several measures should be considered for further development. Possible measures are an extended contract term, a scout system, and periodic vacancy announcements. Furthermore, new appointees need orientation programs in order to reduce unnecessary errors upon entering a new working environment.

21.10.3 Pay for Performance

Initially, the performance bonus system was introduced by the Kim Young-sam administration for the first time in 1994 in order ideally to strengthen the relationship between performance and pay and to improve government employees' overall productivity. According to its original plan, the top 10% of employees could receive a performance bonus. However, it failed because most government employees did not pay much attention to it and the performance bonus system was inappropriately implemented as well: Some received the bonus, but used it for the cost of agency operation instead of granting it to the selected top performers (Kim 2003).

In 1998, the Kim Dae-jung administration reintroduced the performance-related pay system and implemented it government-wide in 1999 in order to promote performance and encourage competition among civil servants (Kim 2001a). The performance-related pay system is operated in connection with performance management systems. The Civil Service Regulation for Pay (article 39) and the

Civil Service Regulation for Allowances (article 7) allow for providing performance-related pay to those with proven excellence in job performance.

The new system is designed to reward high performers by allowing employees within the same pay grade to be paid differently based on their performance. Two forms of performance-related pay (PRP) schemes are used in the government: merit increments and bonuses. Merit increments are added to the annual salary of a government employee and linked to performance ratings of higher level employees. Bonuses are paid to government employees annually and designed for middle and lower level employees.

The most common form of PRP is merit increments; many countries have some type of merit increment program, either alone or in combination with a bonus scheme (Kim 2003). PRP (merit increments) applies to officials in the senior civil service (SCS) and contracted service including grade 4 (Kim 2007). The Korean annual merit incremental program under the name of “performance-based annual salary” consists of two portions: the fixed-pay portion and the variable (performance-related)-pay portion. Fixed pay includes the base annual salary (base salary and job pay) and allowances and benefits. Variable pay (merit increment) is paid separately according to the appraisal grade.

The appraisal grade, determined on the basis of the appraisal resulting from the performance agreement system, has four categories (S, A, B, C). The amount of performance-related merit increments can be calculated from the formula of the base annual salary multiplied by the performance pay rate. It is noteworthy that the performance-based annual salary is not paid to the 10% of civil servants who belong in the bottom category with grade C.

The main appraisal method of the performance bonus for middle and lower level employees is performance appraisal. The head of an agency or ministry can utilize other performance appraisal methods in addition to traditional performance appraisals if necessary. Therefore, additional methods such as 360° feedback are used, but it is not mandatory in that such feedback can be exempt if an agency or ministry has special circumstances. This policy applies to middle and lower level employees in whole categories. It is granted as a lump-sum bonus and varies in size from 90 to 230% of the monthly base salary per year (as of 2008). A performance bonus can be provided in various ways: (1) individual basis, (2) departmental basis (i.e., collective way), or (3) combinations of individual and departmental bases.

21.10.4 Legalization of Public Unions

Historically, public unions have been underdeveloped in the Korean government except for medical technicians and postal and railroad workers, who formed labor unions a long time ago.¹⁹ Demands from civil servants to organize their representative bodies were increasing; consequently, the Act for the Establishment and Operation of the Civil Servants’ Workplace Council was passed in the National

Assembly on February 24, 1998, and became effective on January 1, 1999. Since then, the workplace councils representing lower level government employees (those who are grade 6 or below) have been able legitimately to submit requests for improvement of working conditions to the head of the agency. The status of the workplace council was not a public union at that time, but it acted as a quasi-trade union or pre-trade union for a while.

In Korea's trade union history, public school teachers have been one of the active groups who attempted to organize unions. The Korean Teachers and Education Workers' Union (KTU), formerly an illegal organization, was legally authorized after the Act for the Establishment and Operation of the Teachers and Education Workers' Union was passed in the National Assembly on January 6, 1999. Since then, the KTU has become one of the most influential labor unions in the Korean public sector.²⁰

After a long delay of the legalization of public unions, the Act for the Establishment and Operation of the Civil Servant's Labor Union was promulgated in the National Assembly on December 31, 2004, and became effective on January 27, 2006. Since then, the establishment and operation of the labor union in government has been permitted for those who are in grade 6 or lower levels (employees who deal with personnel, budget, security, accounting, and secret service are not permitted to join the labor union). As of January 2006, 68% (187,647) of eligible government employees have joined the public labor unions.²¹ There are several public unions for civil servants in the government. The Korean Government Employees' Union (KGEU) currently has the largest membership,²² followed by the Federation of Government Employees and workplace councils.²³

21.11 Obstacles for Civil Service Reform and Sustainability

In the past decade, the government's NPM-oriented civil service reforms have received extensive public support because they aim to change a long-standing, closed bureaucratic system and to introduce open competition and performance-based management (Pollitt 1993; Barzelay 2001; Kim 2001a, 2002, 2006; Kim and Moon 2002). To promote civil service reform effectively, the government formed the CSC and gave it substantial administrative and policy power. With the continuing support of the president's office, the commission has willingly initiated innovative reform programs.

However, the government also has faced many challenges in implementing reform initiatives. The trend toward personnel downsizing was reversed in the Roh Moo-hyun administration and the government has encountered a great deal of bureaucratic resistance to new systems (e.g., open position, pay for performance, and the SCS). When the CSC recommended agencies not allocate an equal amount of performance bonus to government employees without differentiation

by performance, public school teachers (currently central government employees) demanded to have performance bonuses as allowances that do not differentiate among government employees. In particular, the KTU refused to receive performance bonuses and demanded that government either distribute them to all teachers as part of an allowance or abolish them.²⁴

Generally speaking, many reforms enter and exit the public sphere; some stay for a long time and others leave quickly. Some reform initiatives do not survive the agenda-setting stage and simply disappear into a policy “black hole.” Patashnik (2003) has described the attributes of politically sustainable policy reform efforts. He defines the political sustainability of reform as the capacity of any public policy to maintain its stability, coherence, and integrity as time passes, achieving its basic promised goals amid the inevitable vicissitudes of politics. To enhance sustainability, he has encouraged substantial changes in institutional arrangements and positive feedback effects (Kim and Moon 2006).

Peters (1998) examined attributes of successful administrative reform that apply to civil service reform. He believes that no consistent and universal factors determine effective administrative reform. In his view, at least eight dimensions comprise conflicting and dualistic arguments about successful organizational change, administrative reform, and civil service reform (Kim and Moon 2006). The dimensions include advocacy and ownership of reform, role of the central agency, time, scope of the reform, personnel, budget, uniformity, and practical reality of the reform.

Rather than conflicting, two sets of attributes seem to complement each another. One set appears to be more important for effectively initiating reform, whereas the other is critical for sustainability. For example, some may argue that a strong political commitment from elected officials and a top-down approach are effective initially; others may see the shared commitment and acceptance (ownership) of lower level public servants as critical to the durability and success of administrative reform.

Furthermore, the implementation of reform could face expected as well as unexpected obstacles that threaten its sustainability and effectiveness, such as decentralized leadership, unmet goals, inconsistent and unfair application of reform principles, and bureaucratic resistance. To some extent, the constitutional one-term limit of the Korean presidency also makes it difficult to sustain reform. Therefore, reform measures must be permanently internalized in order to be sustainable for the long term.

21.12 Concluding Remarks

The Korean civil service is defined as all positions in the executive, judicial, and legislative bodies of the government, except for positions in the military. The majority of civil service appointments are made under the competitive schemes; the competition is still high in the civil service entrance examination, although

its applicant-success ratio has been declining slightly over time. The civil service made a substantial contribution to the development of Korea, but it was criticized by the public due to its closeness, lack of flexibility, and lack of global competitiveness. In particular, when Korea experienced significant economic challenges during the Asian financial crisis in the late 1990s, it had no choice but to reform its civil service. When President Kim Dae-jung came into power in February 1998, he declared that he would launch broad-scale government reform, including civil service reform. Such reform fever continues today.

Korea has ridden the global wave in terms of adopting a business managerial style and undertaking ambitious administrative reform initiatives since the late 1990s. The government attempted to initiate urgent reforms that would reshape its role and improve the efficiency of the public sector. To achieve these objectives in the public sector, the government introduced various market mechanisms in promoting openness, flexibility, competition, and performance. Lately, however, criticism against “managerialism” has begun to increase in society.

However, when advocating civil service reform initiatives that often seem designed to bash, tame, or reorient the bureaucracy, it must be noted that the government should have addressed the declining spirits of civil servants. Reform should be more than a stick for beating changes into the current system; it should also provide a “carrot” that entices administrative culture to rebuild itself and to energize workers. Otherwise, reform efforts may not be sustainable. Government should promote *esprit de corps* of civil servants. Applause could make whales dance!

Notes

1. For more details, see the organizational management portal of the Ministry of Public Administration and Security (MOPAS) at <http://org.mopas.go.kr>
2. Ibid.
3. These statistics are based on data from the Civil Service Commission's portal on the civil service entrance examination.
4. For example, examination for grade 5 in the general administration requires four subjects (administrative law, public administration, economics, and political science) and one elective area. Subject areas are different depending upon the characteristics of the job series.
5. Common subjects for both grades 7 and 9 are Korean, history of Korea, and English. The constitution is a required subject for the grade 7 examination, but it is not required for the grade 9 one. Others are area-specific subjects related to the service.
6. The promotional test for grade 5 has been practiced in the form of a written examination for both national and local civil servants. In recent years, however, many local governments changed it from a written test to a nonexamination format, relying on the promotion review committee's review and judgment.
7. For more details, see the compensation portal of the Ministry of Public Administration and Security (MOPAS) at <http://pay.mopas.go.kr>
8. A new employee without any previous experience at the grade 9 level can receive much more than US\$1,000 per month.

9. For more details on the public pension, visit the GEPS home page at <http://www.geps.or.kr>
10. There are four public pension programs in Korea: National Pension, Government Employees Pension, Military Personnel Pension, and Teachers Pension (for private-school teachers).
11. After the late 1980s, however, numerous street demonstrations took place demanding further political development. Consequently, almost full-scale democracy was installed during the 1990s and the ideological spectrum has been broadened. Furthermore, more migrants from neighboring Asian countries are coming to Korea as Korea's economy grows. Overall, the degree of diversity has increased over the years in Korea.
12. Historically, Korean public officials enjoyed high status from old dynasties to today because they generally came into government through highly competitive written entrance examinations. Typical characteristics of Korean bureaucracy are a hierarchy of offices and the channeling of communication through hierarchical levels. Confucianism emphasized the "three moral rules to practice and five ethical human relations" (*sam-kang-o-ryoon*) in the past. The moral rules are (1) the subject should keep moral rules for the sovereign, (2) the son should keep moral rules for the parent, and (3) the wife should keep moral rules for the husband. Five desirable human relationships are (1) father and son should keep a close relation to each other, (2) integrity should be kept between the subject and the sovereign; (3) husband and wife are kept properly distinctive, (4) younger brothers should yield to older brothers, and (5) confidence should be maintained between friends.
13. It was known that Buddhism was originally introduced to Korea from the Qin dynasty in 372. Buddhism became the state religion in the Goryeo dynasty period (918–1392), but it was suppressed by Confucianism during the Joseon dynasty (1392–1910). Recently, Christianity has become increasingly influential in Korea, but the Buddhist community in South Korea still accounts for approximately one-fourth of the country's population. The *Seon* school (the Korean name for the Zen school of Buddhism), which is led by the dominant Jogye order (the representative order of traditional Korean Buddhism with roots that go back 1,200 years), engages in disciplined traditional Seon practices at a number of major mountain monasteries in Korea.
14. Historically, Buddhism and Confucianism have been deeply rooted in Korean society. They have been intertwined with each other in many ways of daily life. In the late nineteenth century, Christianity was introduced in Korea, but it has developed and grown based on traditional values and culture with the influence of Buddhism and Confucianism. For example, the Presbyterian Church has been well developed in Korea because its church structure fits well with the traditional Korean culture, which values hierarchy and order.
15. In general, the "middle way" or "middle path" is a common practice of nonextremism influenced by Buddhism as well as Confucianism. It is a path between the extremes of austerity and sensual indulgence.
16. Kim and Lee (1999) ignited active discussion of the possible establishment of higher level civil service in the Korean central government for the first time in a major Korean journal.
17. In early 2004, a planning team for the senior civil service was organized. Representatives from government ministries and agencies, members of government innovation committees, and civilian specialists formulated three draft plans for the senior civil service. The planning team then held many sessions to review the drafts. In addition, a

consultative body of representatives from various ministries was organized, and an advisory committee of representatives from civic organizations and personnel management specialists from academia, the media, and private businesses was formed.

18. Officials in the Board of Audit and Inspection (BAI) were excluded.
19. The Korean Railway Workers' Union (KRWU) was organized in 1946 and the Korean Postal Workers' Union (KPWU) in 1958. The labor union of the National Medical Center was founded in 1962.
20. The Korean Teachers and Education Workers' Union or *JeonGyoJo* was founded in 1989. The government immediately made the KTU illegal. As of May 2005, the KTU had 16 provincial offices and 100,000 members (for more details, visit its home page at <http://english.eduhope.net/about.htm>).
21. For more details, visit the MOGAHA labor relations portal at <http://www.relation.go.kr>
22. For more details, visit the KGEU home page at <http://inter.kgeu.org/>
23. For more details, visit its home page at <http://www.gnch.or.kr/>
24. For more details, visit the KTU home page at <http://english.eduhope.net/about.htm>

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Chapter 22

E-government in South Korea

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22.1 Introduction

The United Nations e-government survey of 2008 reported that Korea ranked sixth in its e-government readiness index and second in its e-participation index (UNDESA 2008).¹ Korea's e-government undertaking got into its stride in 1995 when the Ministry of Information and Communication was newly established along with the Basic Law for Informatization Promotion and Informatization Promotion Fund. However, the government's interest in informatization has a longer history: It launched a national project to establish computer network infrastructures in five

key sectors—banking, police, defense, education and research, and public administration—in 1984. This chapter describes the development of e-government policy in Korea from the era of building the national five basic information infrastructures and identifies important characteristics of the informatization policy processes. It also investigates underlying forces at the subsystem, macro-, and micropolitical levels to produce those characteristics.

22.2 History of E-government Initiatives in South Korea

The earliest major government initiatives for informatization in Korea go back to the Fifth Republic, which was established by military coup in 1980. The Chun administration of the Fifth Republic set up the Presidential Committee for Nurturing the Information Industry in 1983. The committee, chaired by the chief secretary of the president, consisted of up to 10 vice ministers of relevant ministries and had the authority to plan, finance, and coordinate government activities concerning not only development of the information industry (i.e., the supply side), but also public uses of information technology (i.e., the demand side). This presidential committee promulgated the idea of the national five basic computer networks. Established in 1984, the Plan for the National Five Basic Computer Networks (NFBCN) can be regarded as the first major initiative for informatizing the government. With this plan, the government tried to build nationwide computer networks in the areas of public administration, the banking industry, education and research, and national defense and police (Ahn 1999, 620).

Although the establishment of the plan for the NFBCN comprises the first major government initiative for informatization,² the history of government informatization after the initiative can be divided into three periods: centralized informatization (1984–1987), fragmentation (1987–1995), and efforts for coordination and integration (1995–present). The period of centralized informatization is best represented by the plan for the NFBCN and the Coordination Commission for National Basic Computer Networks chaired by the chief secretary of the president.

During the period of centralized informatization in the Fifth Republic, the Coordination Commission was empowered to suspend ministries' jurisdiction over those five areas of computer network infrastructures, and it carried out the plan for the NFBCN in a centralized manner. The Coordination Commission was even able to proceed first with informatization investments without having to obtain clearance from the budget authority to get the budget adjusted later. In some instances, the Coordination Commission operated above the rule of law, so to speak (Ahn 1999, 621).

With the passage of the Act on Promotion and Usage of Computer Networks in May 1986, the Coordination Commission for National Basic Computer Networks became a statutory institution, and its conduct, including its privileged budgetary

practice, accrued legal support. However, the act required transfer of the chairmanship of the Coordination Commission from the presidential chief secretary to the president of the National Computerization Agency (newly created by the same act) and mandated the Ministry of Post and Telecommunication in charge of developing the basic plans for the NFBCN. Thus, the informatization endeavor of the government was quickly fragmented among individual ministries and agencies.

The fragmentation was further expedited because the subcommittees were organized in each area of five nationwide computer networks. The period of fragmentation from 1987 to 1995 was also a period of sluggishness in the sense that new initiatives for informatization were scarcely put forth and completion and refinement of the previous initiatives were of most concern.

In the meantime, revolutionary technological changes in the World Wide Web and the Internet, as well as new and bold policy initiatives for informatization, began to emerge in many industrialized countries during 1993–1995. The National Information Infrastructure in the United States, IT2000 in Singapore, Trans Europe Network in the European Union, and the New Social Overhead Capital in Japan are good examples of such policy initiatives.

The Korean government's initial reactions to this intensified global attention to informatization were to introduce the Basic Plan for High-Speed Information and Communication Infrastructure in 1993³ and to restructure the Ministry of Post and Telecommunication into the Ministry of Information and Communication in December 1994. The government subsequently enacted the Framework Act on Informatization Promotion in 1995, which spelled out highest level policy initiatives for informatization, and it set up the Informatization Promotion Committee in 1996, which was chaired by the prime minister.

The government tried to recentralize and enhance the coordination in government informatization after 1995 as government informatization became a policy area of high priority. Once fragmented, however, the undertaking of government informatization could not easily be recentralized. Various informatization projects were carried out by each ministry without government-wide priority adjustment. Information sharing among ministries and interoperability of their systems were hardly achievable. Excessive and duplicated IT investments were easily seen, even after the launch of the Informatization Promotion Committee. Additionally, jurisdictional conflicts over large informatization projects were not easily resolved. For instance, the undertaking of building the National Geographic Information System was claimed by the Ministry of Construction and Transportation and the Ministry of Home Affairs. The Intelligent Transportation System was claimed by the Ministry of Construction and Transportation and the National Police Agency (Lee, Pyoung, and Choi 1998, 377–378).

Part of the reason why ministries' jurisdictions over informatization could not be easily reclaimed lay in the facts that informatization increasingly became "every ministry's business" and that most ministries found opportunities for expanding their turf in that business (Ahn and Choi 2000, 5–7). Jurisdictional conflicts

were most easily seen between the Ministry of Information and Communication (MIC) and other functional ministries. Especially, the MIC and the Ministry of Government Administration and Home Affairs (MOGAHA) were in keen competition concerning jurisdiction over e-government. The Act on Promoting Digitization of Administrative Affairs for Building E-government (henceforth, the E-government Act), which was finally passed in 2001, put the MOGAHA in the front seat and had the MIC play a supplementary role for the undertakings of e-government. However, the original version of the E-government Act as pursued by the MOGAHA was greatly compromised over the course of enactment (Choi 1998b, 9–11).⁴ Table 22.1 summarizes major events in the history of Korea’s government informatization up until 2008.

Plans were established and institutional arrangements were devised in an effort to enhance government-wide coordination and integration for the informatization undertakings. The first “Basic Plan for Informatization Promotion” in 1995 and

Table 22.1 Major Events in the History of Informatization of the Korean Government

<i>Date</i>	<i>Event</i>
Feb. 1984	Coordination Commission of National Basic Information Infrastructure established
Dec. 1994	Ministry of Information and Communication established
May 1996	Informatization Promotion Committee established
May 1996	Position of information and telecommunication secretary established in the Blue House
Oct. 1998	CIO position established in every ministry and agency
Feb. 2001	Special Commission on E-government Korea established as an advisory committee to the president
July 2001	Act on Promoting Digitization of Administrative Affairs for Building E-government becomes effective
Nov. 2002	Eleven e-government services commence
Aug. 2003	Road map for 31 e-government tasks established by the Roh administration
Mar. 2005	Headquarters for e-government established in MOGAHA
Feb. 2008	MIC loses control; Ministry of Public Administration and Security fully in charge of e-government tasks under the Lee administration

“Cyber Korea 21” in 1998 constitute good examples of those plans. The adoption of a yearly evaluation system for informatization projects in 1997, CIO conference in 1998, and presidential order on public administrative information sharing in 1998 comprise examples of those institutional arrangements. However, the plans and institutional arrangements did not work out as well as intended due to the heritage of interministry jurisdictional competition.

Meanwhile, the establishment of the Special Commission on E-government Korea provided new momentum for interministry e-government projects. Indeed, the commission was generally successful in building the 11 major e-government systems. Table 22.2 summarizes these systems.

As the 11 major e-government systems set up the foundation of the e-government infrastructure, the Rho administration (2002–2007) worked to improve and elaborate the systems. A noticeable change under this administration in terms of the organizational structure for the e-government undertaking was the creation the Presidential Commission on Government Innovation and Decentralization. As this commission took charge of overall tasks of government reform, the e-government undertaking was handled by a subcommittee of the commission.

22.3 Patterns of South Korean E-government Policy

More than 15 years have passed since the first major governmental computerization effort was initiated (i.e., “Plan for the National Five Basic Computer Networks”). As several informatization programs—such as the “Basic Plan for High-Speed Information and Communication Infrastructure” (1995–present), the first “Basic Plan for Informatization Promotion” (1996–1998), the second “Basic Plan for Informatization Promotion” (“Cyber Korea 21”: 1999–2001), and the third “Basic Plan for Informatization Promotion” (“e-Korea Vision 2006”: 2002–present)—have been established and implemented, some patterns and facts have emerged concerning Korean e-government policy.

First, e-government programs are normally established to be comprehensive in the sense that virtually all government organizations are supposed to undertake or be involved in informatization projects. For instance, as of the end of 1998, every central government organization—from the Commission on Youth Protection with 46 full-time employees to the MOGAHA with 2,393—designated a chief information officer, including 248 local governments. Taking another example, every ministry and agency in the central government takes part in the “Annual Informatization Promotion Action Plan,” which is reported to the Informatization Promotion Committee. In addition, policy priority for informatization of the government is not low in comparison with other Organization for Economic Cooperation and Development (OECD) countries, and the size of informatization budget has continued to increase. Table 22.3 summarizes recent increases in the e-government projects.

Table 22.2 Eleven Major Systems for E-government under Kim Dae-jung Administration

	<i>Project Title (Ministry in Charge)</i>	<i>Project Period</i>	<i>Budget Amount^a (2001–2003)</i>	<i>Contents</i>
Services for citizens (G2C and G2B)	Reforming civil application using a single window portal (G4C) (MOGAHA)	Oct. 2001 – Nov. 2002	296 (fund ^b)	System for utilizing five basic databases (citizen, real estate, automobile, firms, tax) Processing of 400 civil applications and guidance for 4,000 civil applications
	Integration of four major social insurance systems (social security, health insurance, labor, human resources)	Mar. 2002–Jan. 2003	130 (budget: 38; fund: 92)	Interoperation of the four major social insurance databases Real-time, integrated search service for citizens
	Home Tax System using Internet (National Tax Agency)	Jan. 2001–Mar. 2003	193 (fund: 193)	Online processing of tax-related transactions for taxpayers
	Integrated procurement system for every government organization (Procurement Agency)	Apr.–Dec. 2002	370 (fund: 370)	Online processing of the whole procurement process (from goods information to paying) G2B portal

Improving government productivity (G2G)	National financial information system (Ministry of Finance and Economy)	Mar. 2001–2003	288 (budget: 32; fund: 256)	Real-time management of national finance Standardized financial information system, EBPP, integrated finance analysis system
	Comprehensive informatization for chi, gun, and gu (MOGAHA)	Nov. 2001–Nov. 2002	808 (budget: 512; local budget: 266; fund: 30)	Informatization of 11 major public services (10 major services are already informatized) for improved citizen services Interoperating system for chi, gun, and gu concerning 11 public services
	National education administration system (Ministry of Education and Human Resources)	Oct. 2001–Oct. 2002	741 (budget: 33; local budget: 408; fund: 300)	Education administration system for schools, local and provincial school district offices Comprehensive education administration system
	PPSS (Civil Service Commission)	Apr.–Nov. 2002	145 (budget: 6; fund: 139)	Standardized system for personnel management for the central and local governments
	Electronic approval, EDI (MOGAHA)	Jan. 2001–Apr. 2002	34 (budget: 34)	Management of public document

(Continued)

Table 22.2 Eleven Major Systems for E-government under Kim Dae-jung Administration (Continued)

	<i>Project Title (Ministry in Charge)</i>	<i>Project Period</i>	<i>Budget Amount^a (2001–2003)</i>	<i>Contents</i>
Building infrastructure for electronic government	Electronic signature, electronic official seal (MOGAHA, MIC)	Jan.–Dec. 2002	87 (budget: 87)	Government-wide certification system for secured interchange of information
	Government-wide integrated information network	Jan.–Dec. 2002	60 (fund: 60)	Integrated information network and BPR for government organizations

Source: E-government white paper 2003, 94.

^a Hundred million won.
^b Informatization promotion fund.
^c Budget for 2002.

Table 22.3 E-government Projects under the Rho Muh-yun Administration

<i>Area</i>	<i>Projects</i>
Internal managerial innovation (G2G)	(1) Digitalization of document processing: improvement of electronic documentation system (2003–2007), system for government record management (2003–2007), digitalization of document record management (2003–2006)
	(2) Informatization of central and local finance: standardized system for local finance (2003–2006), legal and institutional infrastructure for integrated financial management (2004–2006)
	(3) E-local government: common administrative system for provincial governments (2003–2005), administrative portal system for national and local governments (2004–2007), improvement of local administration system (2003–2007)
	(4) E-auditing: integrated audit system (2004–2005), real-time analysis system (2003–2005), networking of audit systems (2004–2005)
	(5) E-National Assembly: Knowledge management system (2003–2007), electronic submission (2004–2006), portal for e-participation (2004–2007)
	(6) Integrated investigative and judiciary system: integrated system for investigation information (2003–2007), system for civil application (2003–2007)
	(7) Informatization of personnel administration: improvement of PPSS and its diffusion to local government (2003–2007)
	(8) Informatization of diplomacy and trade: improvement of diplomatic information system (2004–2006), diplomatic knowledge management system
	(9) Real-time management of high-priority tasks: system for real-time management for high-priority governance tasks (2003–2005)
	(10) Sharing of administrative information: enlargement of administrative information sharing system (2003–2006), expansion of information sharing institutions to banking and financial organizations (2004–2007)

(Continued)

Table 22.3 E-government Projects under the Rho Muh-yun Administration (Continued)

Area	Projects
	(11) Development of business reference model (BRM): development of BRM (2003–2007), redesign of business reference process (2004–2007), informatization of redesigned processes (2004–2007)
Innovation for civil service (G2C, G2B)	(12) Advancement of Internet civil service: improvement of online service (2003–2007), development of alternative channels of access including voice and mobile (2003–2007)
	(13) National emergency management: integrated system for national emergency management (2003–2004), networking of emergency-related systems (2003–2007)
	(14) Integrative management of construction and land registration: Internet portal for construction administration (2003–2007), decision support system for construction policy (2004–2006), networking of related systems (2004–2007)
	(15) Advancement of comprehensive tax service: improvement of home tax service system (2003–2005)
	(16) Comprehensive information service for national welfare administration: integrated and one-stop welfare service (2003–2007), networking of related systems (2003–2007), enlargement of citizen participation (2003–2005)
	(17) Comprehensive information service for food and drug administration: comprehensive for food administration (2003–2006), citizen portal for food administration (2003–2006)
	(18) Comprehensive information service for labor administration: integrated system for job information (2003–2007), individualized service (2003–2007), system for labor market analysis (2003–2007)
	(19) Internet service for administrative adjudication: Web-based administrative adjudication system (2003–2007)
	(20) Single-window service for industrial organizations: one-stop service for business firms, integrated systems for providing industrial information
	(21) National logistics information service: citizen-centered one-stop logistics information system (2003–2007), improvement of logistics information systems (2004–2007)

Table 22.3 E-government Projects under the Rho Muh-yun Administration (Continued)

<i>Area</i>	<i>Projects</i>
	(22) E-trade service: platform for a single-window electronic trade (2003–2005), online support for trade (2003–2007)
	(23) Comprehensive service for foreigners: Cybereducation for foreign investors (2004–2006), national foreign investors information network (2004–2006), one-stop service for immigrants (2004–2006)
	(24) Support for exporting e-government: e-government exchange center (2003–2007), support for the export of e-government (2004–2007)
	(25) Enhancing online civil participation: enhancement of the freedom of information (2003–2007), enhancement of e-participation (2003–2007)
Innovation in information resource management	(26) Integrated government-wide computing: legal and institutional infrastructure for e-government, laws for information security (2003–2005)
	(27) Advancement of telecommunication networks: exclusive telecommunication system for e-government, infrastructure for mobile government (2003–2005)
	(28) Government-wide application of information technology architecture (ITA): government-wide ITA development and application, common standard development (2003–2005)
	(29) Information security: improvement of information security for electronic signature, inscription, etc. (2003–2006)
	(30) IT personnel and organization resources management: calibration of planning and training of informatization personnel, restructuring of IT organizations (2003–2007)
Legal support	(31) Legal support for e-government: legal and institutional infrastructure for e-government, laws for information security (2003–2005)

Source: PCGID (Presidential Commission on Government Innovation and Decentralization). 2003. *Road map for e-government in the participatory government*. Seoul.

The MIC and increasingly the MOGAHA in recent years have served as designers of government-wide policy initiatives. These ministries have the authority to propose public laws and manage to have their initiatives enacted; their policy initiatives are implemented nationwide in an “all at once” and top-down manner. Thus, they have usually served as a major driving force for building e-government. However, a problem has been that these policy initiatives have not really added up to a well-coordinated or an integrated apparatus of e-government.

Second, e-government programs were usually set up and implemented in a fragmented manner in the sense that establishment of government-wide standards were lagging behind and it was difficult to introduce many interministry systems. Interministry coordination was done from time to time by the Blue House, but such coordination is by no means permanently institutionalized. Indeed, many of the e-government projects chosen by the Special Commission on E-government Korea are ones whose necessity has been widely recognized; however, their actual adoption has been hampered by the lack of policy coordination between competing ministries.

For instance, the G4C project was a ground of jurisdictional conflict between the MOGAHA, the MIC, and the Ministry of Planning and Budget. This was a comprehensive transactional information system to deal with various civil applications, so it was certainly imaginable that G4C required coordination between relevant ministries. According to the institutional design depicted by the Framework Act on Informatization Promotion, the Informatization Promotional Committee chaired by the prime minister was supposed to handle the coordination. However, it turned out that the committee was not really capable of resolving jurisdictional conflict between ministries because of its lack of enforceable policy instruments, expertise, and attention (Lee et al. 1998, 382–383).

Third, e-government programs generally have had a tendency to emphasize better citizen services and operational efficiency as their prime goals. In the same vein, the information systems put in place have mostly been transaction-processing systems. For instance, the MOGAHA put the following forth as main components of the e-government concept: one-stop or nonstop services to citizens; paperless, fast, and accurate public administration; provision of information to citizens; and IT literacy. Similarly, the Special Commission on E-government Korea has defined electronic government as a government set up in cyberspace to provide better services for citizens. However, e-government can be defined in another way to point to a more serious reform to adapt to the new social and economic environments in the age of the fifth Kondratiev wave⁵ (Ahn et al. 2000, 40–44; Bellamy and Taylor 1998, 46–52).

Finally, partly related to the third point, there is a strong tendency to think of informatization as building new systems, rather than changing the processes and structures of organizations themselves. Information technology per se does not create value. Values are created when the use of information technology is

accompanied by appropriate changes in organizational processes and structures (Bellamy and Taylor 1998, 51–53; Taylor 1986, 17–20).

Changing organizational processes and structures can be painful endeavors. Meanwhile, when conceived as building new information systems, e-government may well imply more budget and expansion of jurisdiction. Thus, for example, for the Public Procurement Service, informatization could mean adopting a new automated transaction-processing system for handling electronic commerce rather than fundamentally revamping the procurement processes from centralized to decentralized ones.

Taking another example, the MOGAHA was greatly weakened with the start of local autonomy in 1995; as the ministry in charge of local administration, it saw an opportunity of jurisdictional expansion in the idea of regional informatization. By 1998, the MOGAHA had virtually taken over the business of regional informatization from the MIC after a period of jurisdictional competition (Choi 1998a, 269). A new division and budget dealing with regional informatization and a newly created supporting institution (i.e., Korea Association of Local Informatization) were on the list of what the MOGAHA ended up with.

22.4 Why These Patterns?

Comprehensiveness, fragmentation, orientation toward citizen services and operational efficiency, and building new systems rather than changing existing ones comprise patterns of Korea's undertaking to implement e-government. These characteristics may be found to some extent in other countries as well. More than that, such characteristics may be typical when it comes to the organizational adoption of information technology. However, these do not prohibit political analysis of the stylized⁶ facts about Korean e-government policy. This policy could have proceeded in a more piecemeal manner, could have been formulated and implemented in a very coordinated way, and could have been oriented more toward internal reform of government organizations if not for the political structures and processes discussed next.

Factors giving rise to or supporting these patterns can be examined at the levels of macropolitics, subsystem politics, and micropolitics. According to Redford (1969, 108), *macropolitics* is produced when the nation at large and the leaders of the government as a whole are brought into discussion about and determination of policy. *Subsystem politics* is the politics of the function, involving the interrelationship of bureaus and other administrative operating agencies, the counterpart congressional committee structure, and the interest groups concerned with a particular area of program specialization. *Micropolitics* is that in which individuals, organizations, and communities seek benefits for themselves from the larger polity.

22.4.1 Macropolitical Dimension of Korean E-government Policy

Government informatization in Korea started as one of the president’s projects in the Fifth Republic. Presidential leadership is frequently sought when interministry coordination is required. As such, macropolitics provides a key to understanding the reasons why stylized facts have emerged in the realm of e-government policy.

Figure 22.1 graphically summarizes the components of the macropolitical system. Those in the outer circle comprise inputs into the macropolitical system; those in the inner circle serve as the instruments of conversion of demands into policy and action. The macropolitical system decides which subsystems to create to deal with certain policy issues. It also decides the number of resources to be allotted to subsystems. The functions of reviewing and auditing normally belong to the macropolitical system (Redford 1969, 109–114).

The role of the macropolitical system is especially important in explaining the stylized facts about Korean e-government policy. Because of the heavy involvement of the macropolitical system, comprehensive informatization plans were quickly put together to commit massive amounts of resources in a relatively short period of time. The Public Administration Computer Network, which was a part of the National Five Basic Computer Networks and the first serious initiative toward e-government, started as a project directly administered by the chief secretary of the president in the Fifth Republic. Throughout the history of government informatization, presidential leadership was present almost whenever interministry informatization projects were implemented.

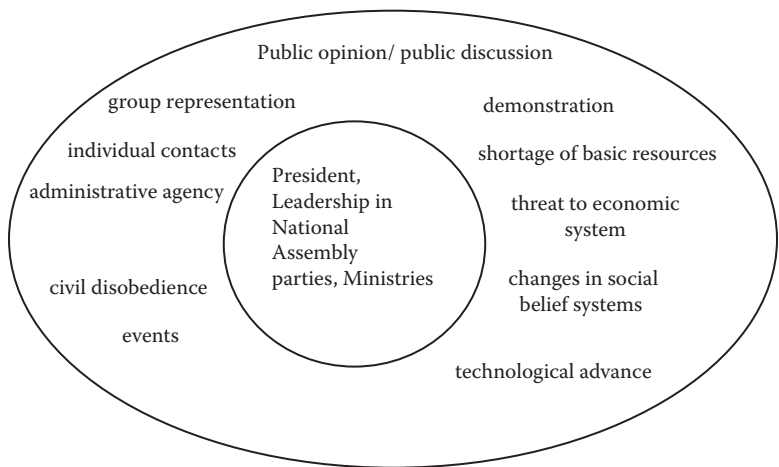


Figure 22.1 The macropolitical system. (Adapted from Redford, E. S. 1969. *Democracy in the administrative state*, 108. New York: Oxford University Press; modified by author.)

This is even so with the recent Special Commission on E-government, which has managed to implement the 11 major e-government projects. The commission started as a derivation from the Presidential Advisory Committee on Government Reform. But, as e-government caught the president's attention, the mission and power of the commission were quickly enlarged. The head of the Policy Planning Secretariat in the Blue House was required to present biweekly progress reports to the president, and a high-ranking secretary in the Policy Planning Secretariat joined the committee to play a pivotal role in coordinating ministries' efforts (Special Commission on E-government Korea 2003, 58–61).

The heavy involvement of the macropolitical system ironically contributes to the fragmentation among the central government ministries in the realm of informatization. As the macropolitical system leads the informatization effort, the vertical relationship between the Blue House and each ministry tends to be strengthened. At the same time, horizontal relationships among ministries tend to be weakened and formation of the informatization policy subsystem is rather retarded at the expense of the vertical relationships. In the meantime, the attention of the macropolitical system tends not to stay long on informatization policy because it has to deal with other important issues. When the macropolitical system does not pay much attention to informatization policy and the subsystem for the policy area is not properly formed, the effectiveness in the pursuit of informatization can fluctuate quite a bit, as has been seen in Korean history.

Specifically speaking, progress in informatization has been far from steady in Korea. When presidential attention faded, which was the case after 1987, informatization undertakings quickly fell into arrears. The point is that progress in government informatization was gridlocked not only because of the lack of presidential attention, but also because of the arrested development of the subsystem in the realm of government informatization. Such "hypoplasia" of the informatization subsystem at least partly resulted from the habitual dependence upon the macropolitical system for interministry coordination matters.

In the case of e-government, the decision makers in the macropolitical system have been quite susceptible to input from the experts, so the amount of attention given to informatization of government has scarcely gone below a certain level. Additionally, this susceptibility made the e-government policy quite in tune with the up-to-date technological trends and best-practice forms of e-government found in some advanced countries. For instance, in April 1993 Minister Dong-Yoon Yoon, of the Ministry of Post and Telecommunication, officially announced its intention to build the High-Speed Information and Communication Infrastructure (HICI), which was a Korean version of the National Information Infrastructure (NII) announced by the Clinton administration in the same year. Because the minister managed to report his plan to the president in January 1994, he could form the Taskforce for the HICI Plan in August of that year (NCA 1997, 204–209).

In the 1992 presidential election, Al Gore put forth the plan for building the NII in the United States. One important reason why the Korean government could

catch up with other advanced countries in the area of informatization is the existence of a community of experts that often have direct access to decision makers in the macropolitical system. This community largely comprises researchers in such institutes as the Korea Information Society Development Institute, the National Computerization Agency, Electronic and Telecommunications Research Institute, and Korea Telecom, as well as university professors. The Taskforce for the HICI Plan was formed out of these institutes.

Also, some university professors in the areas of public administration, business administration, and computer science have maintained access to the decision makers in the macropolitical system. Their memberships in government committees such as the Informatization Promotion Committee, Special Commission on E-government Korea, Informatization Evaluation Committee, and Informatization Strategy Meeting in the Blue House usually serve as a channel for such access. In a way of speaking, the expert community in Korea has served as a gatekeeper for the arena of informatization policy.

The macropolitical system did not properly establish a subsystem that would deal exclusively with policies for informatization and promotion of the information industry until the middle of the 1990s. The early stage of informatization of government was led by the Coordination Commission on National Five Basic Computer Networks (CCNFBCN), which was chaired by the chief secretary of the president, and the National Computerization Agency (NCA), which was a government-funded technical organization empowered to implement the plan. Thus, in those years (1984–1987), informatization of government was directly administered by the macropolitical system without forming a subsystem that would routinely carry out informatization functions. However, the cost of not establishing a subsystem was not at all small. As soon as the chairmanship of the CCNFBCN was transferred to the president of NCA, centrifugal forces were quickly in play to cause the demise of the driving force for informatization.

The establishment of the Ministry of Information and Communication in December 1994, Information Promotion Committee in May 1996, and Informatization Promotion Fund, which comprised the main components of the informatization subsystem, was a reaction to these disorders in information policy. The establishment of the subsystem helped to instigate the driving forces for informatization again. However, the formation of the subsystem has not gone without problems.

22.4.2 Subsystem and Micropolitical Dimensions of Korean E-government Policy

Problems resulting from overlapping jurisdictions and interministry competition became important parts of the scene after the establishment of the informatization subsystem. In a sense, the turf competition between ministries is embedded in the design of the informatization subsystem. Two factors among others can be pointed out as reasons for the disturbance in this subsystem. One has to do with

the division of labor, which, in the Korean central government, is generally done based on functions. Meanwhile, the Ministry of Information and Communication was established to accomplish the objectives of informatization and promotion of information industry. Informatization is inherently a transfunctional objective. Thus, it is not unexpected that there would be jurisdictional conflicts between the MIC, which was created to achieve a transfunctional objective, and other ministries organized on the basis of the functional division of labor.

Hierarchies or matrix forms of command structure are usual prescriptions to deal with these types of jurisdictional problems. However, in the context of Korean public administration, where the loyalty to the home ministry is essential for promotion and successful organization life, task forces and other matrix forms of organizations have not generally been effective as mechanisms for coordinating inter- or transministry undertakings. It is not at all unusual that members of task forces simply represent interests of their home ministries.

As to the hierarchy as a mechanism for coordination, a problem in this case was that the MIC was just one of many ministries and did not have the authority needed to coordinate each ministry's informatization effort. Indeed, the authority for internal management of the government rested in the MOGAHA. The MIC's general authority on informatization has been in conflict with the MOGAHA's authority on internal management. More than that, the problem of overlapping jurisdictions and jurisdictional competition has been spreading between the specialized informatization organization (i.e., the MIC) and other functional ministries as informatization has become an important undertaking for every ministry and agency in the information age (Ahn and Choi 2000, 1–2).

The other reason for the disturbance in the informatization subsystem has to do with money. The Framework Act on Informatization Promotion required creation of the Informatization Promotion Fund and spelled out that the fund be managed by the MIC. The size of the Informatization Promotion Fund was 2,786 billion won⁷ as of November 2002 (Ministry of Planning and Budget 2002, 5). The fund has served as a crucial resource of power for the MIC.

As pointed out earlier, informatization has become every ministry's business. Each functional ministry has been responsible for most e-government undertakings in recent years. Notwithstanding that each functional ministry has the authority and responsibility to carry out e-government projects, money for those projects often must come from the Informatization Promotion Fund under the jurisdiction of the MIC. Although the MIC underscores the necessity for coordination in informatization investments and uses the Informatization Promotion Fund as its leverage, disturbances have been recurring in informatization subsystems that have money but lack authority and in others that have authority but lack money.

The Informatization Promotion Committee was designed to coordinate ministries' informatization efforts. Indeed, the committee is chaired by the prime minister so as to be the highest decision-making authority as far as informatization in Korea is concerned. The committee has several subcommittees in functional areas such

as e-government and civil applications, social welfare, education, and environment. The subcommittees consist of representatives from relevant ministries and agencies. However, the committee has not functioned properly as a coordinating mechanism to produce such values as information sharing, business process reengineering for expedited processing of civil applications, or reduction of duplicated investment in IT (Lee et al. 1998, 377–378).

Rather, the committee has been held only as a part of the cabinet meeting. Although it is chaired by the prime minister, the committee is scarcely empowered with effective policy instruments to induce interministry cooperation. With an upper level committee deficient in expertise, authority, attention, and leadership, it is not at all odd that the subcommittees consisting of representatives from relevant ministries convene only as annual rituals.

In conclusion, the lack of coordination in the informatization subsystem has been conducive to undesirable practices at the microlevel of politics. There is a tendency to think of informatization as building new systems rather than changing the processes and structures of organizations themselves, as well as a tendency to emphasize better citizen services and operational efficiency as the prime goals of e-government. The protection of autonomy and expansion of territory comprise strong motivations for government bureaucracies (Wilson 1989, 179–195).

The Korean ministries seem to have shown no exception in the arena of informatization. Especially when coordination by the macropolitical system or in the informatization subsystem was weakened, micropolitical activities of each ministry proliferated so that it could claim new information systems, while putting less emphasis on process or structural changes. Additionally, new information systems claimed as such were largely systems that could be added to the current tasks or transaction-processing systems that automated current processes for marginal gains in operational efficiency or expedited services for citizens.

Establishment of the Special Commission on E-government Korea (SCEK) and Presidential Commission on Government Innovation and Decentralization (PCGID) was required for inter- or transministry e-government initiatives to be implemented. The SCEK was a temporary organization, consisting of the secretariats from research institutes such as the National Computerization Agency and the Korea Information Society Development Institute, six vice-minister-level representatives from ministries and the Office of the Prime Minister, a representative from the Policy Planning Secretariat in the Blue House, and seven civilian committee members, one of whom was the chairman. The PCGID was an organization very similar to the SCEK, except that it had overall government reform under its jurisdiction and had the subcommittee on e-government as one of its subcommittees.

In both SCEK and PCGID, the civilian chairman and the representative from the Blue House played crucial roles to persuade acceptance and implementation of e-government projects whenever they encountered parochial conflicts. Additionally, civilian members, mostly professors and CEOs of the research institutes, helped to make sure that interministry agreement was implemented and encouraged

some painstaking business process reengineering jobs to be undertaken (Special Commission on E-government Korea 2003, 55–94).

22.5 Conclusions

As of 2008, more than 87% of tax reporting was carried out using the home tax system operated by the National Tax Service. The public procurement is digitized and centralized by the Korean online e-procurement system so that public enterprises, as well as the central and local governments, have to work through the system. The number of citizens participating in the central government using the citizen participation portal hit 38,000 in terms of filing policy suggestions in 2006 and 75,000,000 in terms of receiving government information in 2007. The number of civil service applications processed using the G4C system amounted to 12,000,000 in 2006.

The e-government in Korea seems quite vibrant; it is in use not only by public officials, but also by citizens. Indeed, e-government has greatly changed the ways in which government conducts its tasks and interacts with citizens. Yet, interministry competition and parochial conflicts seem to be normal conditions in the arena of e-government policy. The involvement of macropolitical institutions—especially, the Blue House—and expert community members constitutes some necessary conditions for anything to be done about inter- or transministry e-government initiatives.

The history of e-government policy also shows that when the policy was dominated by subsystem and micropolitics, it strengthened the tendency of equating e-government initiatives more with doing new projects than reforming the ways in which public affairs were handled. In addition, citizen services and operational efficiency were often overemphasized during the period of dominance by subsystem politics while the importance of strategic uses of information technology to accomplish the organization's mission was downplayed. In order for e-government initiatives to get going and proceed in the right direction, it is necessary for the macropolitical system and expert community to provide guidance for e-government undertakings.

Notes

1. The top five countries in e-government readiness were Sweden, Denmark, Norway, the United States, and the Netherlands. The top six countries in the e-participation index were the United States, Korea, Denmark, France, Australia, and New Zealand. Korea was ranked fifth in the e-government readiness index and fourth in the e-participation index in 2007 in the same survey by UNDESA (United Nations Department of Economic and Social Affairs). Korea is the only Asian country to be included in the top 10 list (Japan was ranked 11th in 2008 and 14th in 2007).

2. "Computerization," rather than "informatization," was the word used at that time.
3. The Basic Plan for Comprehensive Plan for High-Speed Information and Communication Infrastructure was elaborated and finally adopted by the government in 1995 after the Ministry of Information and Communication was established.
4. The original version of the E-government Act by the MOGAHA spelled out the establishment of the E-government Committee and the Taskforce for E-government, where the Ministry of Planning and Budgeting and the MOGAHA could play dominant roles. The intention was to separate the e-government undertakings from the jurisdiction of the Information Promotion Committee where, the MOGAHA thought, the MIC played the dominant role as the secretary organization.
5. Kondratiev waves are long-term cycles of about 40–60 years each that describe economic growth in the (capitalist) world economy. The first wave began with the Industrial Revolution in the 1770s. The second is characterized by steam and railways (beginning in the 1830s); the third by steel, electricity, and heavy engineering (beginning in the 1870s); and the fourth by automobiles and mass production (beginning in the 1920s). The most current, fifth wave is thought to have started in the early 1970s, fueled by information technology, which brought forth a new cycle of economic activity. Although long-wave theory is controversial among mainstream economists, it is generally accepted by those who study innovation and its impacts.
6. The author's manuscript uses the phrase, "stylized facts," which are described as facts that "are recurring and [of which] most students in the policy area admit their true value."
7. The exchange rate, as of August 2009, was approximately US\$1 = 1,220 won. Hence, the approximate size of the fund was about US\$2.3 billion.

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TAIWAN

4

CHUNG-YUANG JAN, COORDINATOR

Chapter 23

History and Context of Public Administration in Taiwan

Chung-yuang Jan

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23.1 Introduction

In Taiwan, public administration has been developing for over half a century. This chapter discusses stages of the institutional structure of public administration, values of public administration, the history of administrative reforms, and emerging issues of public administration. Taiwan is a relatively small and mountainous island of about 13,972 square miles; about 25% of the land is arable. Although there were only 6.6 million people in Taiwan at the end of World War II, today’s population is about 22 million. The major languages spoken in Taiwan are Mandarin, Holo, and Hakka, while Austronesian languages are spoken by indigenous peoples.

Taiwan has a central government and three levels of local government in which about 490,921 (2007) public employees work. Its central government has five branches: the Legislative Yuan, Executive Yuan, Judicial Yuan, Examination Yuan, and Control Yuan. This chapter discusses four characteristic values of public administration: administrative efficiency, accountability, democracy, and rule orientation. It also discusses four stages of administrative reforms: the initial and formative stage (1950s and 1960s), the “ground” stage (1970s), the transformative stage (1980), and the exuviate (shedding) stage (1990s through the present). The chapter concludes with a discussion of emerging issues for Taiwan’s public administration in an era of heightened democracy and global economic competition.

23.2 Brief History of Stages and Legacy of Public Administration in Taiwan

Taiwan is an island off the southeastern coast of Mainland China. Historically, it has been peripheral and insignificant to China. As early as 1200, Chinese immigrants sailed across the Taiwan Strait to settle on the island. In 1683, Taiwan was annexed under the jurisdiction of Fujian Province in the Qing dynasty. After being defeated by Japan in the First Sino-Japanese War (1894–1895), the Qing dynasty ceded Taiwan and the Pescadores to Japan as part of the Treaty of Shimonoseki.

During the transfer of Taiwan from the Qing Dynasty to Japan, there was intense fighting between self-organized Taiwanese and the Japanese army. As the Japanese took control of the island, the colonial government intentionally strengthened centralized control of localities, which included measures that redrew territorial boundaries and set up a family surveillance system (the Bao-Jia system). On October 25, 1945, representing the Allies, the Chinese government accepted the

formal surrender of the Japanese army in Taihoku. Following 50 years of Japanese rule, Taiwan and the Pescadores were reunified with China at the end of World War II and became the provinces of Taiwan.

Thus, the administrative system of Taiwan is relatively young. The early roots of this system lie in Mainland China. In the period before World War II, the Kuomintang (KMT) was the ruling party of Mainland China and developed its administrative philosophy, which included ideas about establishing an effective checks-and-balances system, modern budget and personnel systems, and a philosophy of administration that follows a plan–implement–evaluate strategy. Much of this was created before World War II.

In 1949, the KMT was ousted from Mainland China by the Communists; it relocated in Taiwan, where it formed a government. The period from 1950 through 1987 is characterized by a one-party (KMT) administrative system and martial law. During that period, the KMT had total control over the bureaucracy and the legislative bodies. The KMT implemented modern public administration structures and practices such as those relating to personnel management and budgeting, while also controlling important decisions and appointments.

There is general agreement that martial law furthered political and social stability and that authoritative technocrats successfully promoted economic development, eventually resulting in impressive economic achievements of global significance (e.g., Taiwan as one of “four Asian dragons”). Public officials provided economic intervention, macroeconomic management, and sectoral guidance. The government developed successive 5-year plans, had numerous state-run corporations, provided programs and funding in support of economic objectives furthered in the private sector, and sometimes helped created private companies.

Although early administration concerns focused on security, stability, efficiency, and economic development, from the 1970s onward additional concerns included the accountability and competency of the public service. Martial law provided little freedom to challenge authority, little ability to form new associations, no meaningful political elections, and regrettable instances of human rights violations. Obviously, despite economic and security progress, these matters became increasing concerns for people in Taiwan.

The period since 1987 has been characterized by growing economic, political, and social liberalization and democratization. Taiwan has become a full-fledged democracy, and its bureaucracy has been transformed to meet the needs and expectations of its citizens in this context. Freedom of expression is now well established in this society, and technology is increasingly used to provide services and access to information. Government now has far-reaching programs to provide accountability and transparency, including numerous mechanisms for citizens to file complaints and grievances, as they increasingly do.

Although many bureaucrats still operate with great authority, the reality of these laws, their use, and their impact on decision making are hard to deny. Openness

and accountability have also altered a bit the way in which government bureaucrats influence the private sector, relying a bit more on tax policies, though still formulating 5-year plans. In this new period, concern with public service ethics is also ongoing, and new efforts are made to improve the administration by lower level governments.

23.3 Institutional Description

The hierarchy of Taiwan government has four levels: central, provincial/municipal, county/city, and rural/urban townships. Each has its own clearly defined responsibilities and authorities. The central government is composed of the Office of the President and five government branches, or *yuan*: the Executive Yuan, Legislative Yuan, Judicial Yuan, Examination Yuan, and Control Yuan. The Executive Yuan is the most influential of the five, holding many key controls and employing a majority of the government's top civil servants (Lin 2003). The Examination Yuan functions much like a civil service commission, and the Control Yuan has independent audit and corruption investigation responsibilities. A comprehensive source of general information about the administrative systems of Taiwan is the Government Information Office (2008).

The president is the head of Taiwan and may hold office for no more than two consecutive 4-year terms. The president represents Taiwan in its foreign relations and at functions. All acts are conducted in his name, including command of the armed forces, promulgation of laws and decrees, declaration of martial law, appointment and removal of civil servants and military officers, conferring of honors and decorations, granting of amnesties and pardons, and conclusion of treaties and declaration of war and cease-fires. By the resolution of the Executive Yuan, the president may issue emergency orders and, following the Legislative Yuan's passage of a no-confidence vote against the president of the Executive Yuan, declare the dissolution of that yuan after consulting with its president.

The five branches of the central government are described as follows:

- *Executive Yuan.* The highest administrative organ, the Executive Yuan has a premier, a vice premier, a number of ministers and chairpersons of commissions or councils, and several ministers without portfolio. The premier is appointed by the president; the vice premier, ministers, and chairpersons are appointed by the president on the recommendation of the premier. Under the Executive Yuan, there are currently eight ministries: Interior, Foreign Affairs, Defense, Finance, Education, Justice, Economic Affairs, and Transportation and Communications. There are also two commissions and five to seven ministers without portfolio.
- *Legislative Yuan.* The Legislative Yuan is the highest legislative organ; it has 225 members, and each term is for 3 years. Reelected representatives may serve consecutive terms. The Legislative Yuan has a president and a vice president

elected by and from its members. The functions of the Legislative Yuan are to decide by resolution statutory or budgetary bills or bills concerning martial law, amnesty, declaration of war, and conclusion of peace or treaties; to propose amendments to the constitution, change territorial boundaries, and impeach the president or vice president; and to exercise the power of consent to confirm the appointment of personnel nominated by the president.

- *Judicial Yuan.* The Judicial Yuan is highest judicial organ. It is responsible for the adjudication of civil, criminal, and administrative litigation, as well as the discipline of civil servants. The Judicial Yuan has a president, a vice president, and 15 grand justices, who are nominated and, with the consent of the National Assembly, appointed by the president. The term of each grand justice is calculated individually, and all members do not serve for a consecutive term. Through group consultations, the grand justices interpret the constitution and unify the interpretation of laws and ordinances. They also form a constitutional tribunal to adjudicate matters relating to the dissolution of political parties violating constitutional provisions.
- *Examination Yuan.* The Examination Yuan is responsible for the examination, employment, and management of all civil servants. Specifically, it oversees all examination-related matters, all matters relating to qualification screening, and all legal matters pertaining to the employment of, discharge of, performance evaluations of, scale of salaries for, promotions of, transfers of, commendations for, and rewards for civil servants. The Examination Yuan has a president, a vice president, and 19 members, all of whom, with the consent of the Legislative Yuan, are appointed by the president for a 6-year term.
- *Control Yuan.* The Control Yuan is the highest watchdog body, exercising powers of impeachment, censure, and audit. It has 29 members, including a president and a vice president, all of whom serve a term of 6 years and are appointed by the president with the consent of the Legislative Yuan. The Control Yuan has a Ministry of Audit, headed by an auditor-general who is nominated and appointed, with the consent of the Legislative Yuan, by the president for a 6-year term. The ministry audits the final accounts of revenues and expenditures of all government agencies.

The current structure of the Taiwanese government is shown in Figure 23.1, but the amendments to the Executive Yuan Organization Act were presented to the Legislative Yuan for deliberation in 2009.¹

In addition, Taiwan has three levels of local government: provincial/municipal, county/city, and rural/urban townships. County governments are headed by magistrates, and city governments are headed by mayors. Individuals serving in these two positions are directly elected for a 4-year term and may be reelected to serve a second term. Counties are subdivided into county municipalities and townships. These are led by mayors and magistrates, who are also popularly elected for up to two 4-year terms.

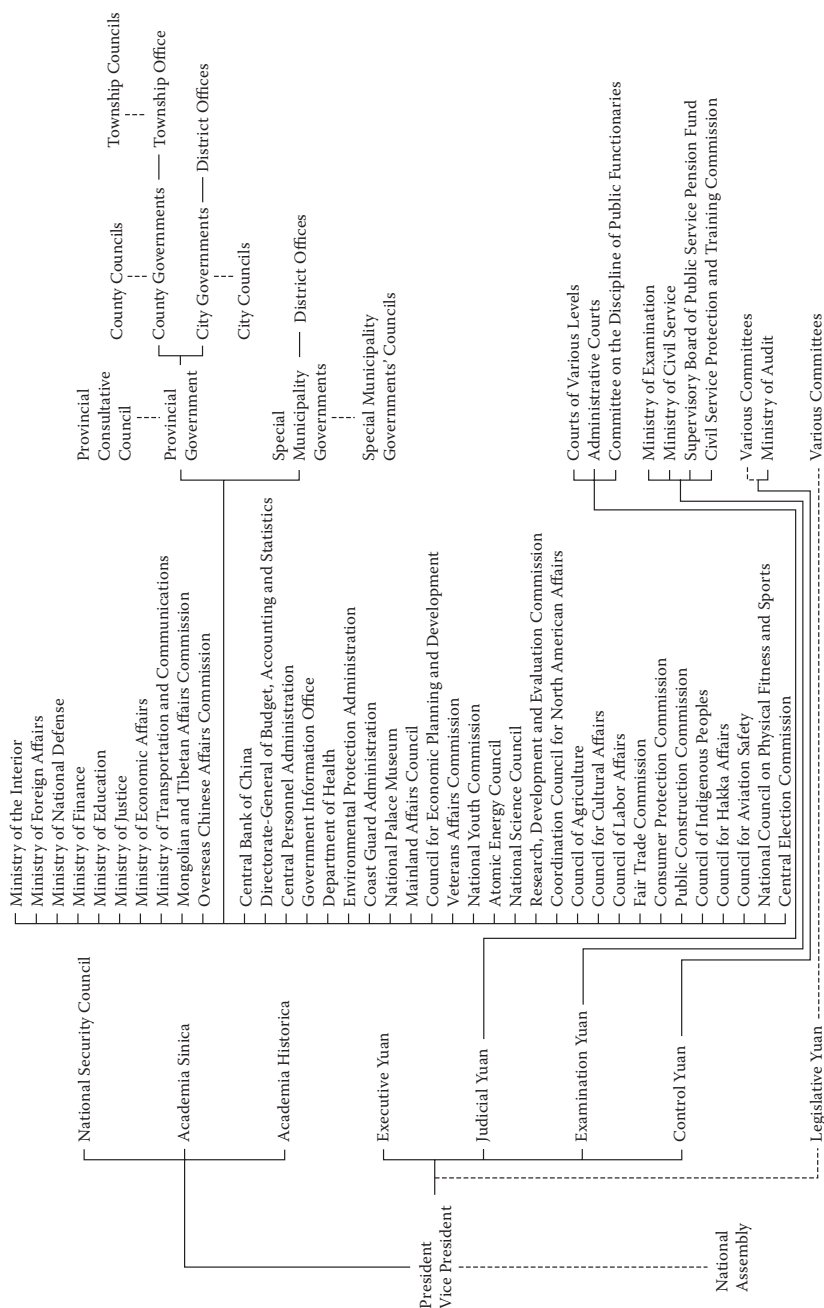


Table 23.1 Public Servants in Taiwan

Year	Total	Central government		Local government	
		Civil Servants	Other Employees	Civil Servants	Other Employees
2007	490,921	185,960	99,834	150,882	54,245

Source: Examination Yuan. 2008. Statistical abstracts, Table 10: Number of all public servants, 1997–2007: http://www.exam.gov.tw/bofteng/ssub_list.asp?Vcode=104&Vcode1=100&Rnd=0.4613919 (see Table 10); also see www.exam.gov.tw/EUPLoad1/EBOOK/1021/eB10.pdf

At the end of 2007, there were 490,921 public employees in Taiwan, of whom 285,794 served in central government and 205,127 in local government (Table 23.1). Of these public employees, about 68.6% were recruited through civil service exams and have civil service status (called “public servants” in Taiwan), 27.9% work in public enterprise organizations, and 14.5% work in public sector health or educational settings (excluding teachers). The data also exclude military personnel.

23.4 Administrative Values

Obviously, administrative values are not always uniform in time or place and are not always spelled out in formal documents. Yet, some values are strong and continue to be present in discussions and debates and serve as important guideposts, though sometimes they are unstated or shared assumptions about policies under discussion. To some extent, the following sections reflect the relative youth of the administrative system as well as the burgeoning state of democracy in Taiwan.

23.4.1 Administrative Efficiency

Administrative efficiency is an important value that has centered on the speed and execution of administrative orders, including the development of administrative capacity and reporting procedures to ensure the appropriate implementation of policies and programs. Concern with administrative capacity was paramount in the early stages of the development of administrative structures in Taiwan and included concerns for the effective coordination of actions of other actors in society. In modern parlance, administrative efficiency concerns effectiveness rather than economic efficiency in the Western notion of the efficient use of resources. The focus here is on effective execution.

Such administrative efficiency continues to be relevant today and is now implemented in the context of increased liberalization and democratization.

Government continues to need means of getting actors to act in ways that promote its economic and social objectives, even as it guards against too much planning or micromanagement of processes that are best handled by others. The effective administration of programs and policies continues to be an important concern. In recent years, the ideas of new public management (NPM) have been adopted by Taiwan's government, and e-government is one of the remarkable cases.

E-government is widely used for increasing the speed of transactions, and many services are now conducted online. Online public services currently being established include tax reporting, motor vehicle registration, disbursement, industry information, health insurance, and utilities services. The government looks forward to providing even more innovative 24-hour service in the near future. Hence, administrative efficiency is an important value, defined especially as speed and ensuring that program and policy objectives are achieved.

23.4.2 Increased Democracy

Taiwan has transformed itself from an authoritarian regime to a democratic polity, and there is much evidence that people embrace their newfound freedoms. Political debate is full and rich, and citizens seek to influence and participate in government decision making. Elections are free and hotly contested. Transparency is urged, and human rights are closely protected and guarded against infringement. Democracy is widespread. Administrative systems are brought in line with expectations for democracy. Laws regarding freedom of information and access and input into administrative decision making exist and find active expression.

Laws are key to establishing and maintaining democracy, and there is evidence that people have mustered a respect for the rule of law. Laws are protected and safeguarded; vigilance and concern for not going back to the past are strong. There is growing evidence that public agencies are themselves advancing new policies and programs that strengthen democracy. Of course, it is true that bureaucratic mentalities do not easily change and, for some, these laws and values are little more than inconveniences that set new boundaries; even in well-established democracies, such attitudes are to be found. In the current era, democracy and the rule of law are well-established guiding values and are still transforming bureaucratic practices.

23.4.3 Accountability and Duty

Taiwan is decidedly part of the East Asian culture, which means that concepts of duty and loyalty toward one's direct supervisor, at whatever level, are of considerable importance to many people and of supreme importance to some. The notion of accountability being embedded in such personalized relationships is consistent with the Confucian heritage and traditions, which emphasize fulfillment of duties and the exercise of benevolence (and propriety) by leaders. Relations among civil

servants and with their leaders have always involved strong personal trust and loyalty to leaders, as well as to the KMT party during martial law. Many relationships are grounded in having common backgrounds or experiences over many years. These close relationships create stable expectations, allow people to count on each other in periods of need, and include a strong sense of personal accountability and mutual support.

If the purpose of accountability is to ensure trust, then, in East Asia (including Taiwan), legal (including constitutional) foundations of accountability have been historically less important in building trust than interpersonal relationships. Indeed, Western notions of professionalism, job descriptions, and employment contracts have arguably less impact on Taiwanese people's job content on a daily basis than their perceived duty toward their supervisors. Yet, Western notions of accountability and the rule of law are gaining ground, thereby also addressing, or at least highlighting, problems that can come from people-centric bases of trust, duty, and accountability.

For example, civil servants or their kin benefiting from official duties through tributes, banquets, and gifts were quite common in the past as a means of establishing and strengthening trust and demonstrating ties of loyalty. Yet, these are clearly illegal under current laws. Administrative reforms since the 1970s define these practices as corruption; more broadly, citizens increasingly urge action against all forms of (legally defined) corruption—rightly so. As noted earlier, new legal protections since the end of martial law provide citizens with far more protections against government actions; lawsuits and administrative appeals against the government abound. Although Western notions of accountability are increasingly adopted, the point is that accountability among public officials in Taiwan has always been an important value, even as its standards and practices are changing.

23.4.4 Rule Orientation

Taiwan has a highly hierarchical government structure and an enormous number of regulations and procedures. Indeed, formalization, centralization, and complexity of structure are some clear practices of public administration in Taiwan, and rules and procedures are the key means of navigating and realizing programs and policies. Moreover, following rules also ensures the legality of decisions and is consistent with the rule of law and equal treatment. Agencies have seemingly endless rules; officials must know which rules apply to any specific situation and often follow written rules to the letter. Rule orientation is quite strong.

In the working lives of many low-level officials, respect for rules and the decisions made based on them is a deeply ingrained practice, if not a guiding value. Obviously, such rule orientation has a long tradition. Taiwan's propensity for rule promulgation is quite similar to that found in Germany and France. It is interesting to note that Taiwan's constitution was developed and modeled on that of Germany and that modifications of it have been influenced by French practices too.

Exchanges and orientations with these countries remain strong today. Whatever the source of modern rule orientation, rule-based decision making is strong in Taiwan. (Indeed, it is sometimes said that every action requires a rule, whereas, in the United States, actions are allowed unless prohibited by rule. Every exaggeration has its grain of truth.)

Yet, dependence on rules stymies flexibility, and a dynamic society presents new situations that are not covered or foreseen by existing rules and administrative practice. Taiwanese leaders and senior managers are often called upon to exercise discretion and to formulate new rules to address newly emerging cases. Such leader-centric decision-making styles are also consistent with the Confucian heritage, it might be noted. Leaders are expected to overrule rules and thereby set new precedent. Unhappily, many top leaders seem overburdened by their many duties and unable to make all the necessary decisions. Although increased discretion of lower officials is likely to be needed in future years, such efforts may be experienced by citizens and others as contradicting other values of accountability and democracy.

23.4.5 History of Administration and Reforms in Taiwan

The following sections add detail to the broad historical outlines sketched earlier, focusing on the history of administrative reform in Taiwan through the late twentieth century. Doing so reinforces some points made earlier, while also providing a bridge to some of the other chapters in this book.

23.4.5.1 Formative and Initial Stage

As previously noted, the early roots of the administrative system of Taiwan lie in Mainland China. In 1934, the Kuomintang, then the ruling party of Mainland China, ordered a review of the evolution of public administration in Taiwan. The Research Committee of Administration Efficiency was established in the Ministry of Interior under the control of the central government in order to advocate the “new life movement.” The duty of the committee was to offer research and recommend the checks-and-balances system, budget system, personnel system, and administration efficiency system in public organizations. The committee was reorganized as the Administration Efficiency Promotion Committee in 1937, and it proposed the reform program as the plan–implement–evaluate administration system in 1940. The spirit of this new system was to assure the administration of solid linkage among planning, implementing, and auditing. This system has influenced the administration system in Taiwan until now.

Following Japan’s defeat and surrender at the end of World War II, the administrative area of Taiwan was returned to China on October 25, 1945. In 1949, the central government of China, then governed by KMT, lost its battle against the Chinese Communists, and the KMT retreated and relocated to Taiwan. In these early years, to face the threats from the cold war atmosphere and the other side of

the Taiwan Strait, the strategy of national development was also rooted in national authority; the government controlled social development and freedoms in order to ensure and provide various economic and social resources.

The KMT instituted martial law and the National Assembly added an emergency clause to the constitution called the “Temporary Provision of the Period of Communist Rebellion,” which restricted the basic rights of individuals. The spirit of nationalism was strong and seen as necessary in these times. The central government advocated economic construction and many efforts were directed toward that aim. These spirits of national and administrative controls are associated with creating the “economic miracle” that Taiwan would later become.

However, the government faced both internal and external problems. The internal problems, such as the shortage of expenditures and money, ineffective operations, inefficiency of the bureaucratic system, corruption, and the waste of resources, were waiting to be solved (Chen 1995, 71, 193). A series of administrative reform initiatives were undertaken. The United States put pressure on Taiwan to speed up administration reform, and in 1956 a committee was established (the Huang Jilou Committee, under the Executive Yuan) that suggested reforms.

The committee learned from the American Hoover Commission. Six work teams focused on administration, finances, the interior, foreign affairs, education, and the judiciary; each made recommendations with regard to five directions, including judicial, economic, efficiency, service, and administration function reforms. None of the commission’s 47 recommendations were adopted by then President Chiang Kai-shek. However, in 1958 a second committee was established (called the Provisional Administration Reform Committee or the Wang Yunwu Committee) that focused on administrative adjustments, a checks-and-balances system, administration efficiency, multilevel duty, uniform management of staff work, local administration, improvement of the salary system for public employees, and prevention of corruption. The committee produced 88 recommendations, which were certified and adopted (see also Hsu 2003).

In order to implement these recommendations, the Administration Reform Recommendation Task Force was established in January 1959. Not all recommendations were successfully implemented, however. Those that were implemented concerned problems of administration procedures, improving the quality of meetings of the Executive Yuan, the assurance of multilevel responsibilities in administration organizations, having regular public meetings, and communication and cooperation between local councils and local governments in Taiwan Province (M-h. Chiang 1998, 88–91). Reforms not well implemented concerned institutional problems, such as checks-and-balances relationships and reorganizing the administrative organizations in the Executive Yuan.

In December 1966, President Chiang Kai-shek established a new round of reforms. The Central Personnel Administration was established in September 1967; not the least of its duties was to bring the scientific and efficiency values from martial units to administration units (Jiang 1997, 176). The Research Development and

Evaluation Commission (RDEC), Executive Yuan, was established in April 1969 to be the main institution responsible for administration reform (RDEC 1980, 1). In June 1969, the “Framework to Enforce Political and Economic Efficiency Plan” was passed to enforce the regulation and complete reforms. For example, all of the Executive Yuan’s subordinate agencies were required to establish research development and evaluation systems in order to adapt scientific management methods and advance the plan–implement–evaluate administration system.

In sum, the following features characterize reforms during this initial stage: (1) initiated reactively rather than proactively, (2) often focused on improving administrative efficiency and control, (3) grounded in theories of administrative management, and (4) lacking any spirit of democratic participation and not addressing broader social and political issues.

23.4.5.2 Public Administration in the 1970s: Grounding Stage

In the 1970s, against the background of political and economic crises, new efforts were undertaken to address public corruption and competency. In 1971, the People’s Republic of China succeeded in gaining admission to the UN General Assembly, and in 1979 Taiwan ended diplomatic relations with the United States. Two oil crises shook the global economy in 1973 and 1978. These external factors increased concern about the working of government as well.

In June 1972, Prime Minister Chiang Ching-kuo proposed a 10-item administration reform (Zhang 1991–1992, 360–361) that mainly focused on matters of ethics (some relating to building construction):

- increasing transparency by informing the public of the beginning and closing dates of public construction
- ensuring that only qualified civil servants attend international or academic conferences
- forbidding any kind of bribery activities among civil servants
- forbidding banquets among civil servants
- forbidding too many messages of marriage or funeral celebrations among civil servants
- forbidding civil servants to go to red-light districts
- forbidding civil servants to attend public ceremonies
- forbidding civil servants to change budget items without the basis of law
- requiring civil servants to fulfill their duties
- temporarily halting construction of new official buildings

These regulations are still part of the administrative system, and in subsequent years more of such regulations have been adopted (Zhang 1991–1992, 185)—for example, in April 1974, transparency in financial, personnel, opinion, and punishment and award systems (so-called “four adaptation outlines”). In October

1976, the “Outline of a Multilevel Responsibility System in the Administration Institute” was passed; it increased internal empowerment and a multilevel system of responsibility. In August 1979, the Audit Team for Enforcement of Citizen Services was established. Its purpose was to plan, communicate, research, and audit government services for citizens in order to create a positive impression of public services. Unhappily, empirical research on the effectiveness of these measures is largely lacking.

In addition, the Executive Yuan noticed the total number of government employees increasing every year, and an organization restructuring program started in 1972 to decrease government work units by merging units and reducing incompetent employees. In March 1972, the “Compilation Plan for Organization Function” was passed, and the Executive Yuan decreased by 1,985 institution units and laid off 1,641 incompetent workers in July 1974. The “Five-Year Employee Streamline Plan” was adopted in September 1975 and, after 5 years, an additional 409 institution units were eliminated and more than 14,000 employees were gone. In September 1978, a new reform was undertaken (“work simplification”) to increase scientific management and also lay off incompetent workers. Another 7,588 incapable employees were let go between 1979 and 1984.

One of the most important reform programs was the localization of public administration in Taiwan in the 1970s. The KMT wanted to reinforce the legitimacy of its authority and address the problem that many of the political elite had been cultivated since Chiang Chingkuo was prime minister in the early 1970s. The objective was to broaden the pool of talent and participation. The first part of this program increased the number of young officials in the government, enabled them to participate in the exercise of authority and decision making, and cultivated them for becoming future members of the cabinet or as chairmen in provinces. The second part focused on creating a regular election of the National Assembly, starting with the central representation election, in order to cultivate more political leaders for participation in national policy decisions.

23.4.5.3 Public Administration in the 1980s: Transforming Stage

The name of this period is based not on major administrative reforms, but rather in the significance of influential major events outside administration. Indeed, this period saw relatively few administrative reforms. Two National Administration Forums were undertaken in 1981 and 1986, but these did not result in major new initiatives. Rather, salient events included the deregulation of martial law in July 1987 and termination of temporary provisions and emergency decrees. Undoubtedly, the changing atmosphere of the cold war also made these possible. Democratic reforms were passed during the late 1980s, amendments were discussed and passed regarding the Executive Yuan, political parties were given the freedom to organize, and new newspapers were allowed. This period marks the end of martial rule and the beginning of democratic reform.

Beyond political change, economic and social liberalization were occurring too. In economic development, the rapid economic growth of Taiwan was noted and it became one the “four dragons in Asia,” along with Hong Kong, South Korea, and Singapore. At this time, Taiwan also reduced import barriers and broadened exchanges with the United States and European countries in order to develop its economy further through liberalization and internationalization. Socially, dynamic social reform movements emerging with the coalition of the political movements. Many environmental and welfare strikes and movements emerged in the 1980s. Taiwan’s industrial deepening, democratization, and the rise of mass politics greatly reduced bureaucratic insulation and thus bureaucratic power in decision making; bureaucrats became more susceptible to public pressure, new economic interests, and political will.

In short, social, economic, and political liberalization were occurring and would affect public administration in profound ways in the 1990s.

23.4.5.4 Public Administration since the 1990s: Shedding, Efficiency, Accountability

The democratization of Taiwan, increased concern with corruption,² and the emergence of new reform movements in the West (new public management) triggered an ongoing series of reform efforts in Taiwan. The KMT sought to make government more effective and more honest and thereby also hoped to fend off increased political competition from the newly emerging opposition (Shih 2007). The three main reform targets were integrity, effective efficiency, and public convenience (e.g., Tsai 2008; RDEC 2008).

Work on a new administrative reform program under Premier Lien Chan began in 1992 and was officially adopted in January 1994 (called the administrative renewal project). The three main targets of reform were administration efficiency, reduced corruption, and support of the development of civil society. Regarding administration efficiency, many cues were taken from the then burgeoning movement of new public management in the United Kingdom, United States, and other countries. (The nature of these reforms is discussed in a later chapter in this book.)

The efforts in Taiwan focused on increasing citizen convenience and speed. Streamlining services and the use of IT were important strategies, though other efforts included work improvement squads, simplification of construction and contracting-out regulations, modernization of paper and electronic documents, improved cross-sector and cross-agency communication, and the development of an association whose purpose was reform of administration. There is some evidence that concern with government competitiveness in international rankings played a role in undertaking these efforts as well. Although overall competitiveness of Taiwan’s government has been stable (about 15th–20th in the world),³ Taiwan is now very highly ranked for its government IT services and is often among the top in the world (see Chapter 29).

Government also sought to speed up privatization of state-owned enterprises, which had been ongoing since 1989. In July 1989, the Executive Yuan established the Task Force for the Implementation of the Privatization of National Corporations. There is evidence of quite some privatization and outsourcing in Taiwan. The original 40 state-owned corporations were reduced to 26, by 2006, and there are plans to reduce these further. Outsourcing is a matter for individual agencies; cleaning and information systems are routinely outsourced and, by 2000, about 50 medium to large functions of agencies had been outsourced, notably in environmental protection and social services (Shih 2007, 305). Undoubtedly, there is a feeling that more can and should be done in this area, though concerns are sometimes voiced about private-sector corruption that can accompany such efforts. About 30,056 government positions have also been eliminated as a result of reorganization and efficiency measures.

To address corruption by civil servants, a review of the Public Functionary Assets Disclosure Act was called for; in the Administration Reform Program of 1995, new regulations were established to prevent corruption, and the structure and functioning of corruption control organizations were improved. In addition, a review of public resources, a review of statutory fees, increased privatization and private participation in public construction projects, and improved auditing of implementation plans were called for. The program also called for protection of the environment and increased economy in using natural resources in government operations.⁴

Reforms in the 1990s might have been slow or piecemeal, but they were successful enough to call for more. After the first presidential election, President Lee Teng-hui continued the reforms. The National Development Council, held at the end of 1997, focused on the future development of Taiwan in three critical areas (constitutional institutions and politics, cross-strait relationships, and economic development). The NDC resolved to implement a new round of administration reforms with the same aims:

- reducing the number of government employees
- using electronic government to increase competitiveness
- improving service quality
- reinforcing the development of civil society

Premier Vincent Siew further developed these themes into separate reform projects that included additional concern for improving finance. Similarly, a framework of government reform was proposed in January 1998; its main target was to establish innovative, flexible, and responsive government, somewhat modeled after private-sector experiences with “lean” management and reengineering practices (P-k. Chiang 1998).

When the opposition party, DPP (Democratic Progressive Party), came to power in 2000, an “economic development conference” was convened in 2001;

this led to creating a Council on Government (CGR). According to Shih (2007), then President Chen did not trust the bureaucratic system, and he chose advisors from business and academia and personally chaired the reform council. Its slogan was “Active Government with Global Competitiveness,” showing continuation of past issues and foci. Yet, the CGR set out to streamline government organization structure as well by shedding functions and reducing the large number of agencies, thereby reducing complexity in coordination, policy integration, and oversight (control) by the president.⁵

Some of the changes and consolidations have come to pass. Also, the Taiwan provincial government and the Fujian provincial government have been drastically downsized and their functions largely transferred to central government departments. Additionally, the Local Government Act promulgated in 1999 puts the provincial governments under the control of the Executive Yuan, meaning that they would no longer be self-governing bodies.

In addition, the Office of the President invited the elite from different fields to organize the National Reform Commission (NRC) in October 2001. This was the largest scale of government reform led by the highest official level in administration reform history. These reforms have continued to advocate deregulation, efficiency (often following private-sector business practices), decentralization, and outsourcing. One of the purposes of outsourcing is to continue reducing the size of the government payroll, which is pursued in conjunction with strategies of voluntary separation and early retirement, along with heightened interest for the use of information technology and citizen participation and comment processes. In a sense, NPM continues. Indeed, in 2004, the Legislative Yuan passed the Basic Code Governing Central Administrative Agency Organizations, which provides further streamlines, simplifies organizational structures, reduces redundant personnel, and increases managerial flexibility.⁶

Yet, while these reforms continue, the observation cannot be denied that, relative to other countries, Taiwanese government has not increased its government competitiveness (Shih 2007). Despite many NPM successes—notably in e-government—some perceptions persist of Taiwan sometimes having a difficult, inflexible, and corruptible bureaucracy. These problems are surely less present today than in the past, but other administrative systems have also improved themselves, sometimes in the same areas. Hence, further reform is needed.

23.5 Concluding Thoughts

Taiwan is a small island that, from quite modest beginnings, has established itself as an economically significant and democratic system. It has a public administration that is able and usually effective, though not without its share of performance and ethical shortfalls at times. It is guided by values of administrative efficiency, accountability, democracy, and rule orientation. Many recent reform

efforts have aimed at bringing modern management techniques to it, including reengineering and information technology, for example, as well as heightened concern for ethics.

Undoubtedly, ethics will reign as an important issue for some time to come. Yet, increasingly, careful empirical distinctions are called for. With so many laws in place, who are the “sinners”? Certainly, violations do not always involve low-level officials. The area of ethics may need more fine-combed analysis in order to avoid a civil service reputation tarnished by the acts and politics of a few.

Some new and strategic significant concerns may be emerging. Because democratization has now taken root, the question is how the public administration can and will continue to lead society. Taiwan’s administration is surely not alone in this challenge: This is a concern for most small administrative systems and even for large ones. New industries must be developed, and central administration must play a key role ensuring that resources are adequately marshaled to assure economic competitiveness. Civil servants need to exercise more initiative—of which there is not really a well-established model in democratic societies. Likewise, social needs that use but cannot always depend on civil society must be met. Beyond this, growing trade between Taiwan and Mainland China brings forth emerging concerns.

The question of effective public administration leadership in a modern, interdependent democracy seems likely to emerge in the near future as a paramount issue quite separate from the continuing importance of ongoing administrative reforms. Modern society inevitably brings new challenges for public administration.

Notes

1. Some changes are forthcoming at this point. On April 9, 2009, the 3139th meeting of the Executive Yuan passed a plan on government restructuring. The number of governmental agencies will be reduced from 37 to 29. This restructuring is based on the three principles of streamlining, flexibility, and efficiency mentioned by President Ma Ying-Jeou in his policy address. Restructuring will also encompass investigation of government functions, reduction in the numbers of ministries and commissions, procedural simplification, organizational diversification, strengthened oversight, and increased service efficiency. In order to speed up the reform process and secure public support, the Executive Yuan has urged the Research, Development and Evaluation Commission to stick to the timetable and has actively promoted follow-up activities and helped promote communication among the Legislative Yuan, parties, and legislative committees. The Executive Yuan’s plan should be ready for formal implementation in 2011. During the reforms, the government will maintain its focus on its core competencies in order to protect citizens’ rights and benefits.

Under the goal of building a “streamlined, flexible and effective government,” the reform of the Executive Yuan will be carried out in accordance with the following principles: First, the core government functions will remain operative to serve the people. Second, new ministries or councils may be created in response to urgent social needs.

Last, the functions of agencies for particular purposes will be kept to maintain the optimal design of second-level agencies in the central government. Therefore, there will be 13 ministries, nine commissions, four subsidiary agencies, and three independent agencies.

The five new ministries are Ministry of Health and Welfare, Ministry of Culture, Ministry of Labor, Ministry of Agriculture, and Ministry of Environmental Resources. The 13 downsized commissions are Mongolian and Tibetan Affairs Commission, Council for Cultural Affairs, Council of Labor Affairs, National Youth Commission, Atomic Energy Council, Department of Health, Environmental Protection Administration, Government Information Office, Consumer Protection Commission, Public Construction Commission, Council of Agriculture, Council for Economic Planning and Development, and Sports Affairs Council.

2. A number of serious public construction purchasing scandals caused increased public concern about public integrity and bribery. These included the highway construction scandal, the waste water scandal of CPC Corporation Taiwan, the purchasing scandal of Taipei Rapid Transportation System, and the purchasing scandal of Martial Equipment and Expenditure.
3. Garelli (2005, 50–51).
4. In addition, the interest and encouragement of civil society led to proposal of the idea of “community corporate development” in 1994. Increased responsiveness was also furthered by the direct election of the mayors of Taipei and Kaohsiung in 1994 and the first presidential election in 1996.
5. In 2009, the minister of the Development and Evaluation Commission, Executive Yuan, said that since 1947 over 20 governmental divisions had been created, thus making coordination, integration, and mobilization difficult. The number of governmental agencies will be reduced from 37 to 29. The ministry emphasized that this restructuring was based on the three principles of simplification, flexibility, and efficiency. Restructuring will also encompass examination of government functions, reduction in the numbers of ministries and commissions, procedural simplification, organizational diversification, strengthened oversight, and increased service efficiency.
6. Consisting of seven chapters and 39 articles, the code provides guiding principles and regulations governing agencies’ organizational regulations, names, ranks, and grades; establishment of agencies; adjustment and closure regulations; agency powers and services; and the establishment of internal units (<http://www.rdec.gov.tw/ct.asp?xItem=4088090&ctNode=10100>).

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Chapter 24

Public Policy Processes and Citizen Participation in Taiwan

Tong-yi Huang and Wenling Tu

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24.1 Introduction: Taiwan in a Comparative Perspective

With another peaceful power transfer from the ruling to the opposition party after the presidential election in May 2008, Taiwan met the strict criterion of the “two-turnover test”¹ for democratic consolidation. The major challenge Taiwan now faced was no longer whether the democracy would reverse to authoritarianism imminently, but rather how sustainable the democracy would be. Critical to democracy’s sustainability is the performance of the government, which heavily hinges on responsive, accountable, and transparent public policy processes (PPPs).

Because Taiwan’s democracy is relatively new, scholarly attention has been mainly focused on the political arena. In contrast to political phenomena that have been systematically and continuously studied, Taiwan’s PPPs are virtually in a “black box.” A theoretical approach has yet to be developed. However, drawing from earlier literature in explaining Taiwan’s economic achievements and political development and from sporadic studies on PPP in specific policy domains, this chapter attempts to analyze Taiwan’s PPP from the perspectives of institution, the elite, and interest groups.

Before the lifting of martial law, Taiwan’s PPP was like that of Mainland China. In the one-party authoritarian regime, the ruling Nationalist Party (the Kuomintang, KMT) commanded political power and the PPP. Democratic institutions such as the National Assembly and Legislative Yuan only served as rubber stamps. In the party, a small number of the political elite along with technocrats was fully in charge of planning and implementation of public policies. However, they were subject to the party chairman, who also served as the president and had the final say for all public policies. Like what Korea experienced before the late 1980s, the policy-making process in Taiwan was very limited to inner government circles dominated by a small group of KMT party leaders and the technical elite.

However, top-down planning and implementation of public policy by this type of bureaucracy became unlikely after Taiwan went through its democratization. As a result of political reform and constitutional amendments, the Legislative Yuan regained its legitimacy and now wields more political power in the PPP. Moreover, Taiwan held its first ever direct presidential election in 1996, and the National Assembly passed a series of amendments designed to strengthen the administrative apparatus in 1997 (Rigger 1999).

Legitimized by the democratic process, the president’s appointed cabinet has dominated the policy-making process. Increasing numbers of elections on both local and central levels have contributed to leveraging the power of elected politicians in policy-making processes. The political elite, especially political appointees in the government, play an influential role in making policies and leading bureaucrats in Taiwan. In addition to the institutional change and power shift among the elite, the role of interest groups has become more important in the PPP as the civil society has grown stronger. The central government policy has often been constrained by various interests, following political conflicts and market power (Wang 1996).

24.2 Democratization and Institutional Change

The transition from an authoritarian regime to democracy in Taiwan involved several institutional changes. The first was the change from a one-party to a competitive-party system. The second was the constitutional reforms that facilitated direct election of the president by citizens and a semipresidential system that strengthened the power of the presidency. Equally important was the overhaul of the parliament in 1992, which empowered legislators' decision-making and oversight capabilities. Paralleling this change was the government's vulnerability to the influence of various interest groups, which gradually made the policy decision-making process wide open. Institutional structures, arrangements, and rules have important consequences for the adoption and content of public policies (Ostrom 2007).

Before the transition, the government was ruled by the Nationalist Party (the KMT), which has been characterized as a semi-Leninist party (Cheng 1991). To exert close control over the state and society, the party penetrated the public and private sectors by cultivating its relationships with them through its hierarchical party organization. In the public sector, the party developed parallel party cells in each unit of government departments and agencies. The heads of the departments or agencies in the government also served as leaders of the party cells. Under the close control of the party, major policy was initiated and made in the party; the power was centralized in the Central Standing Committee chaired by the party leader.

The party's control over government policy is best illustrated by the fact that the weekly working meeting of the Executive Yuan was held 1 day after the KMT's Central Standing Committee's weekly meeting, which forged policy direction. Under the KMT rule, the so-called "millennium parliament" (the majority of whom had been elected from Mainland China without reelection in Taiwan since 1947) was nothing but a rubber stamp to endorse the ruling party's policy. Therefore, the government's department and agency heads served as the major implementers of policy rather than the policy initiators. They were mainly accountable to their party supervisors. The merger of chains of command in the party and in the government characterized the nature of the policy-making environment in the regime dominated by the KMT.

As a major step of democratic reform and a significant shift of decision-making power in central public policy, the senior legislators in the Legislative Yuan were forced to retire in 1992; all the legislators in this yuan have been reelected from Taiwan every 3 years since then. The Legislative Yuan no longer plays the role of a rubber stamp for the ruling KMT. Rather, it has gradually regained its legitimacy of policy making stipulated in the constitution of Taiwan, which bestows upon the Legislative Yuan the power to approve the central budget and to rectify major enactment of the laws. Now with the legitimacy of Taiwan's major legislative body, the Legislative Yuan has become the central stage of the policy-making process.

The legacy of an authoritarian state still grants the central administration considerable resources and control of power. Moreover, Taiwan held its first ever direct presidential election in 1996, and the National Assembly passed a series of

amendments designed to strengthen the administrative apparatus in 1997 (Rigger 1999). Made legitimate by the democratic process, the president's appointed cabinet has dominated the policy-making process. Unlike in Japan, where the bureaucracy is primarily powerful in the public policy process, the political elite, especially the political appointees in the government, play an influential role in making policies and leading bureaucrats in Taiwan.

Aside from the reform of the legislative body, which shifted the decision-making center from the party to the Legislative Yuan, Taiwan witnessed a change in the relationship between the government and interest groups. Two factors facilitated this change. The first was the democratic reform of the legislative body. Unlike the mainland-elected senior legislators, who were relatively insulated from Taiwan's society and local politics, some local politicians had close connections with factions and the mafia (Chen 1996; Lin, Chu, and Hinich 1996). Because all the legislators were elected from Taiwan, the Legislative Yuan inevitably recruited local politicians with faction or mafia backgrounds. This reform therefore introduced local interest groups and even the mafia into the central policy-making processes.

The second factor contributing to the change of the government-interest group relationship was the power transfer from the KMT to the Democratic Progressive Party (DPP) that took place in 2000. During the KMT rule, major interest groups representing farmers, fishermen, labor, and business were institutionalized and incorporated into the party through party cells developed in the associations and through different formal representative channels in the state and party decision mechanisms. As the major opposition party, the DPP developed close ties with minority groups such as environmentalists, aboriginal groups, women, and human rights movements. After it ousted the KMT from the central government in 2000, the DPP invited previous social movement leaders to serve in the government as agency heads or committee members. As a result, minority interest groups have more say in the policy process today.

However, in 2008, the DPP suffered a humiliating loss in both legislative and presidential elections. The KMT won 81 of the Legislative Yuan's 113 seats; the DPP took only 27 (Five legislators were not affiliated with any party). Two months later, on March 22, the KMT candidate, Ma Ying-Jeou, won the presidential election by a landslide. Taiwan is back to a unified government again because the KMT controls both administrative and legislative power. It remains unclear how the political map between the government and civil society will be redrawn.

Overall, during Taiwan's democratic consolidation, the policy process has been more vulnerable to interest group influence, whether it is channeled through the Legislative Yuan or the administration. To categorize Taiwan's political opening, Lin (2007) captures this trend nicely by arguing that the interactions between Taiwan's state and society have moved from "active-exclusive" under KMT rule toward a "passive-inclusive" relationship in the DPP government. In the next section, we will discuss how this openness of political environment fosters change in policy processes.

24.3 Public Policy Processes: Formulation, Implementation, and Evaluation

Major changes in institutional rules, organizational entities, and procedures frame the formulation, implementation, and evaluation of public policy in Taiwan. Generally speaking, in Taiwan both long-term and evidence-based planning in PPP is lacking because of the loose connection between policy research and policy adoption (Huang and Cheng 2006). Instead, the campaign platforms of elected officials and the political will of appointed politicians become the major sources of policy initiatives.

24.3.1 Policy Formulation

Taiwan's current policy-making process was shaped by the change of the state-party relationship and the constitutional design of the central government. As mentioned earlier, under the KMT rule, the party machine dominated the government's policy-making process. The government mainly implemented the policy according to the party's decision. Unlike the KMT's highly centralized nature, in which the head of state also served as the party chairman, the DPP did not exert a close grip over the government. Because the president is now directly elected by popular vote instead of being indirectly elected by the National Assembly, the president has the mandate to implement campaign promises.

In the DPP government, the major decision-making power was mainly in the hands of the president and premier. The party's role in the policy process has decreased dramatically. According to the constitution, the premier is appointed by the president without the consent of the Legislative Yuan. Officially, the president was elected by the people and has the mandate to make major decisions. However, implicitly, the president and the premier have a division of labor in terms of different areas of policy: The president navigates the courses of foreign and mainland affairs policy and leaves the other policy areas to the premier. That said, the president still has influence on policies other than security and the foreign affairs arena.

Within the executive branch, some policies are subject to legislative scrutiny and approval; others can be finalized within the Executive Yuan, ministries, or departments in the cabinet-level ministries, bureaus, or councils. The constitution stipulates that the budget and major acts have to go through three readings in the Legislative Yuan, as is common practice in the legislative process in other democracies. Before its submission to the Legislative Yuan, every act has to be deliberated and passed in the Executive Yuan council, which comprises the president and the vice president of the Executive Yuan, the various ministers and heads of commissions, and the ministers without portfolio. Furthermore, the Organic Law of the Executive Yuan permits the Executive Yuan council to request that relevant personnel be present at council meetings for interpellation. By nature, the council is a consultative and coordinative body because it is chaired by the president of the Executive Yuan, who has final say on every council decision.

Although the Legislative Yuan has the mandate to review the budget and major acts proposed by the Executive Yuan, in practice, it does not have sufficient capacity to scrutinize the proposals offered by the Executive Yuan due to its lack of policy information, research expertise, and sound seniority system in the committees and subcommittees (Ma 1998). Most disputes regarding the proposals are resolved in the party caucus negotiation system, which consists of representatives from the major party caucus and is blamed for its lack of transparency and its inappropriate power to overrule decisions made in the committees or subcommittees of the Legislative Yuan. As a result, horse-trading, logrolling, and negotiation play a major role in this policy-making and resource allocation arenas.

For proposals formulated in the administration, the Council for Economic Planning and Development (CEPD), the Research, Development and Evaluation Commission (RDEC), and the National Science Council were officially charged with proposing long-term plans in different policy areas. As a result of democratization, the ruling party has to face reelection every 4 years. Therefore, the government no longer places great emphasis on long-range planning as was done under the KMT's rule. Consequently, the role played by these three cabinet-level organizations in Taiwan's long-term planning has been greatly reduced.

For policy in a specific area, although bureaucrats have expertise, their role in policy making has dwindled greatly because of increasing interest-group pressure, legislative oversight, informal intervention, and political will (Tan 2000). Rather, elected executives at the central and local levels and their political appointees have more say in the policy decision. Because the public administration is more exposed to legislative oversight and interest group influence, it relies more frequently on public polling to retain its autonomy. Recently, it sought to use a novel form of citizen participation to resist pressure from the legislature and interest groups (Lin 2007).

24.3.2 Policy Implementation and Evaluation

The Legislative Yuan and the Executive Yuan are mainly responsible for making public policy and leave most of the policy implementation to 25 county/city governments. As a unitary system, the central government controls Taiwan's budget and has the power to allocate resources to local governments for public construction and service delivery. Before 1999, Taiwan provincial government (TPG) played the major role in allocating resources and implementation. The jurisdiction of the TPG, however, overlapped greatly with that of the central government.

To streamline the government organization, the central government under President Lee Teng-hui initiated a "reinvention" of the government. In the late 1990s, President Lee managed to suspend the Taiwan provincial government and substantially downsized the government structure by reducing its layers from four to three (central, county/city, and township) (Ji 1999). The division of power between central and local governments is specified in the Local System Law, which has been enforced since 1999.

Thanks to Taiwan's democratization, the policy implementation processes are becoming more decentralized. Since the government was significantly downsized, local governments as well as the central government rely more on business and the third sector for public construction and to provide services in social and environmental policies. A new public-private partnership model—BOT (build, operate, transfer)—has been utilized by the government to engage big conglomerates in building major public transportation projects such as Taiwan high-speed rail, electronic toll collection on national highways, and the Kaohsiung mass rapid transit system (Wu 1998).

Nonprofit organizations are also involved in service delivery in social welfare and health care policy domains, which used to be provided by the government. During the past years, however, scandals and corruption arose from these cases and public officials were indicted. Since the private sector and the third sector have been increasingly involved in policy implementation, appropriate partnerships and relationships between the public and private sectors have yet to be built.

With regard to policy evaluation, there are two categories: organization evaluation and program evaluation. For organization evaluation, the RDEC in the Executive Yuan and the RDEC branch in the cabinet-level organizations and local governments are the major evaluators. For example, cabinet-level evaluation is conducted by the RDEC of the Executive Yuan, while the agencies under the Taipei city government are evaluated by the RDEC of that city government. For program evaluation, each level of the government selects a major policy to follow up and control.

At the cabinet level, programs are divided into economic, technology, and social programs. They are respectively subject to evaluation by the Council for Economic Planning and Development, National Science Commission, and the RDEC. The results of the evaluation are published and reported to the Executive Yuan council. Within other cabinet-level organizations and local governments, programs are mainly evaluated by the RDEC branch. The connection of the evaluation results with performance management differs according to the layers of the agencies and the management styles of the agency heads.

There is no "one-size-fits-all" description and explanation of the policy processes in central and local governments because they vary from agency to agency. But it is possible to identify key problems in current policy processes. In policy-making processes from 2000 to 2008, frequent stalemates in the Legislative Yuan arising from the "divided government" hindered the passage of major national policies regarding economic development and government reengineering. Further, the relatively frequent change of the president of the Executive Yuan jeopardized the stability and continuity of policy making. In either the policy-planning or adoption process, an evidence-based or a knowledge-based decision model needs to be promoted, rather than heavy political consideration.

With regard to policy implementation, disputes between the central and local government regarding proper allocation of budget have constantly haunted the

central–local relationship, which is further complicated by competitive party politics. An equally important issue in policy implementation is the public–private relationship, which affects the performance of government. With regard to policy evaluation, an incentive mechanism based on performance (program or organization) needs to be established.

24.4 Public Participation in Policy Processes

Major changes in the policy process give opportunities as well as challenges to citizen participation. Drawing from the case of environmental politics, we will elaborate the opportunities for citizen participation in policy-making processes that have been formed after democratization and the furious debates on the current policy mechanisms for citizen participation. The discussions will lead us to identify the problems of citizen participation in policy-making processes.

Democratic transition since the mid-1980s has encouraged public participation processes that allow people to express their opinions and concerns freely. The first fully representative Legislative Yuan in 1992 offered many opportunities for lobbying of public interests. New institutional channels became available for civic groups to present their interests within the political system (Tang and Tang 1999). For example, the Legislative Yuan and certain city/county councils have developed hearing systems that allow citizens as well as civic groups to express their opinions during the policy process. The Administration Procedure Act (APA), which was passed in 1999 and went into effect in 2001, stipulated that government agencies should notice the citizens and give them opportunities to comment when an administrative rule is drafted. The APA also allows the administrators to hold hearings for public consultation at their discretion, although public hearings have been misused as loosely organized public meetings to explain the content of the policy to the public.

These processes also restructure the relationship between state and civil society. In some cases, participation of civic groups in policy negotiation contributes to “democratizing bureaucracy” (Tang and Tang 2000). The plethora of participatory channels was further opened up for the public and interest groups after the DPP ousted the incumbent KMT, which had ruled Taiwan for 55 years, in 2000. Political access for bottom-up participation became more open at the central level in policy-making processes.

As an example, environmentalists only took part in the Wildlife Conservation Advisory Committee before the power transfer, but under the DPP government, the scope and depth of their participation increased considerably (Ho 2005a, 347). The National Advancement for Sustainable Development Committee began to acknowledge the contribution of nongovernmental organizations after 2001. Since 2002, the committee has incorporated several “representatives of social groups,” who are mostly veteran environmentalists (Ho 2005a, 346).

In 2001, the Environmental Protection Agency (EPA) also made an important change in the rules for selecting environmental impact assessment (EIA) reviewers that allowed professional associations, academic institutions, and civil groups to submit their recommendations. Among the qualifications for nominees, 3 years' experience in charge of an environmental group was accepted. By participating in the meetings of the sixth EIA committee, representatives from environmental groups succeeded in halting some devastating development projects and promoting information transparency (Tu and Peng 2008).

Such a change also occurred in other policy arenas under the DPP government. Ho (2005b, 410) uses an example of labor politics and argues that the reforms of labor policies (e.g., open up the labor pension fund for low-interest loans to unemployed workers) became possible with a more meaningful extent of civic groups' participation. Procedural participation, which denotes institutionalized access for civic groups to the decision-making process, did result in some progressive changes in policy implementation. Such reforms were not possible without opened policy channels at the central level.

The availability of the policy channels allows civic groups as well as the public to work within the institution. Ho (2005b) states that many political channels, such as positions at the ministerial level, have been released for social activists. Through participating in the policy-making process, these former activists helped to bridge the gap and reduce misunderstandings between officials and movement organizations. Consequently, the activists have undergone a valuable experience in the actual workings of the public sector, and officials have been more willing to trust and work with activists (Tu and Peng 2008).

Democratization forged opportunities of procedural changes in favor of public participation. Tang, Tang, and Wing-Hung Lo (2005) reviewed the transformation of the EIA system in Taiwan and argued that civic participation and public consultation were encouraged by the 1994 EIA Act as a result of the environmental legislative lobbying. Under the act, developers have to announce the project formally for a certain period of time before starting the review process. The environmental impact report should be made available for public examination and discussion before being submitting to the review committee. In addition, developers are required to collect residents' opinions through public hearings and opinion surveys. These arrangements demonstrate the support of public participation in the institutional channels, allowing various stakeholders to find and discuss solutions to protect environment (Tang et al. 2005, 18).

A democratic government seems much more prepared for broadly based participation. Some scholars further assert that democratization leads to an increase in inclusive and participatory decision-making processes, which eventually strengthen the capacity for environmental governance (Tang and Tang 2006). However, this may be overly optimistic without viewing the downside of participatory processes in environmental politics. Ho (2005a) contends that increasing channels for public participation in the public sectors results in little policy impact of any direct

consequence. The weakened state, which is vulnerable to dominant interests, makes substantial environmental reform nearly impossible.

Although environmentalists have gained important access to policy decision making, prodevelopment countermobilizations have also been on the rise. The EIA disputes provide examples (Tu 2007a). The EIA became a center of contention as the business community sought to eliminate this cumbersome process. As a result, the DPP government not only promised to improve the efficiency of the EIA, but also kicked out the former director of the EPA, Kwo-Lung Chang, a veteran environmentalist, for his firm stand in supporting proenvironmental policies (*Taipei Times*, May 21, 2007).

Sometimes participatory requirements only result in procedural fulfillment rather than substantial implementation. Several challenges remain to foster substantial participation in the EIA process. Many practitioners have complained that the current EIA system is not transparent and open enough to encourage participation of diverse social actors. Tang et al. (2005, 21) argue that the participatory base in the assessment process has not been enlarged, given the fact that the majority of EIA cases have attracted little civic participation in evaluating project impacts. There is also the complicated issue of representation because the current EIA system has few provisions to ensure that views and interests of disadvantaged groups will be accounted for in the EIA participatory process.

Furthermore, as Taiwan is deeply embedded in the global economy, environmental demands could be set aside to accommodate the fast pace of economic development. To accelerate the development, the EIA review has often been compressed into a short process (Tu and Lee 2008). The aforementioned EIA disputes demonstrate the attitude of development agencies, which view the EIA process as the biggest obstacle to development. As a result, the government has little intention of enhancing the participatory mechanisms in the EIA system to foster substantial citizen participation.

The challenges shown here reveal the weaknesses of current approaches to public participation, which sometimes result in conflicts and distrust. The openness in the institutionalized political system, while increasing bottom-up public engagement in the policy-making process, does not necessarily lead to an ideal model of democratic involvement. The current practices of public participation have been criticized for the failure to include different stakeholders and to foster good discussions on public issues. In response to the limitations of current participatory mechanisms, practitioners have started to apply information and communication technologies (ICTs) to expand the scope of participants. Some scholars have advocated deliberative democracy in hopes of improving the quality of public participation and discussions.

24.5 Innovations of Citizen Participation Mechanisms

Two innovations in citizen participation merit discussion: One is the application of the ICTs in government's service delivery and public consultation, and the other

is the experiment of deliberative participation mechanisms. Both have important implications for citizen participation in policy processes. Taiwan's information technology has developed since the 1980s, but not until the 1990s did the government systematically utilize the technology for its internal management, service delivery, and communication with citizens. Taiwan's efforts in e-government have been highly regarded, as indicated in its outstanding ranking by world-renowned institutions. Today, almost every government agency has its own Web page, which enables it to disclose its policy information, provide service online, and serve as a two-way communication platform with citizens.

Among the online citizen participation mechanisms, the e-mail boxes of agency heads stand out as the most well-developed model for public consultation and handling of citizens' complaints. The e-mail box was first installed in 1995 by the city government when former President Chen Shui-bian served as the city's mayor. Afterward, it was adopted by the agencies of the central government and other local governments. The e-mail box allows citizens to write to the agency head to complain and give suggestions. For each e-mail, the public agencies have developed an official procedure to follow, including official registration, investigation, and response within a certain number of working days. According to research in 2006, the letters sent to Taipei city government through this channel have amounted to 4,000 each month and are still increasing (Chen, et al. 2006).

The Internet provides a fast, direct, and inexpensive channel for citizens to express their complaints and policy suggestions; however, it has caused unexpected problems. Because the number of letters has increased greatly due to the popularity of the Internet and e-mail, it has become an unbearable management burden for public officials. In addition, due to the "digital divide," which is not easily abridged in a short period of time, and the government's special attention to dealing with these e-mail letters, the application of the e-mail box to public consultation and complaint handling has raised the issue of inequality among citizens (Huang, et al. 2003).

Like the ICTs, deliberative democracy also provides opportunities and challenges to citizens' participation in policy processes. At the turn of the century, scholars in the fields of political science and public administration in Taiwan started to introduce theories of deliberative democracy. To reform the existing citizen participatory mechanisms in policy processes, practitioners have experimented with several models.

Taiwan started its deliberative citizen participation with the issue of national health insurance in 2002. Several participatory forms of deliberative democracy, such as citizens' conferences, deliberative polling, and citizen group forums, have been practiced in debating the contentions of and forming consensus on national health insurance policies. Because of promotion from academic institutions and the central government, the participatory forms of deliberative democracy have been widely practiced at both central and local levels.

Since 2004, several citizen conferences have taken place on the issues of surrogate motherhood, Youth National Affairs Conference, tax reforms, prenatal genetic testing, and water resources. In 2004, the Taiwan Peace Promotion Foundation adopted the methods of Open Space from North Ireland and invited 40 citizens from different ethnic groups to engage in dialogues on the issues of ethnic conflicts and national identity—the most politically sensitive issue in Taiwan. In 2005, the scenario workshop was first introduced to Taiwan, discussing the issue of government strategies on job training. The second scenario workshop was followed in 2006 with discussion on the renovation of the Dan-Shui River. In 2007, Taiwan practiced its first citizen jury on the topic of renovation of the river.² In 2008, two scenario workshops were conducted in Taipei County to discuss river restoration and community development. Two controversial policy issues about the death penalty and sexual transactions were deliberated in citizen conferences.

Related research (Lin and Chen 2003; Huang 2004; Deng and Wu 2004) has indicated that practices of deliberative democracy have increased citizens' political literacy, willingness of public participation, and consideration of public interest. All the deliberative participatory methods address communication and information integration—the missing components in the other current participation schemes in Taiwan for policy discussions (Tu and Chen 2007).

Taking the example of the citizen conference, the method puts an emphasis on inviting common people to read informative material in advance, have discussions during preparatory sessions, and set up questions they want to explore; later, during the conference, they can cross-examine experts about these questions. Based on a certain level of knowledge, citizens are able to debate controversial questions, make decisions, and propose a final report to the society as a reference for the policy (Lin and Chen 2003). Another example is the method of the scenario workshop, which associates major stakeholders in view of formulation of common vision on issues of concern. Such an experiment also contributes to the establishment of networking processes, transforming potential obstacles like sectionalism into opportunities.

Research in Taiwan indicates that deliberative forms of public participation are a sophisticated approach to direct democracy that transforms conflicts of interest into a process for participants to learn together. The quality of the public discussion has therefore improved, and the consensus for policy decision making and implementation can be reached. These experiments have important implications for conflict resolution during policy processes. Some government officials, researchers, and various movement activists have gradually recognized the value of deliberative participation in deepening democracy and the cognitive transformation of public attitudes toward issues.

Deliberative democracy has a short history in Taiwan, so the related theories, structures, and systematic analysis are still being formulated. However, preliminary assessment indicates several obstacles to implementing deliberative citizen models. First is citizens' familiarity with and trust in these mechanisms. Because these mechanisms are borrowed from Western societies, citizens in Taiwan are

not aware of their procedures and objectives. Therefore, in implementing several deliberative public meetings, organizers encountered difficulty in recruiting citizens.

The second problem is the lack of criteria for selecting citizen participation models. Which model is appropriate for which policy at which stage of the policy cycle? The third issue concerns the effect of participation on policy output. Because the deliberative participation mechanism has not yet been institutionalized in the policy process, the conclusion of the meetings is not legally binding. This lack of policy impact would further hamper citizens' incentives to engage actively in these deliberative meetings (Tu 2007b).

24.6 Conclusion

In the past decade, Taiwan witnessed rapid movement toward democratic consolidation. As a result, public policy processes have become more transparent and accessible. Tight control by a dominant party machine no longer exists. Paradoxically, policy making and implementation are also more vulnerable to the influence of legislators and interest groups. With such change in the policy environment, bureaucrats have less say in decision making. To counteract this trend, the administration has attempted to engage citizens in policy processes through opinion polls, online mechanisms, and deliberative citizen participation. However, the effect has been quite limited.

Three major institutional changes and further developments in the future will greatly influence the contour of the policy process and citizen participation. First, parliamentary reform that downsizes membership from 225 to 113 in 2008, together with an electoral system change from the single, nontransferable voting system to the single-member district system, reshaped the operation of the Legislative Yuan—the center stage of policy making. In addition, the KMT won both the legislative and presidential elections by a large margin. The results of the elections continue to reshape the party–state relationship, which further forges the policy processes in administration. Finally, the new government has proposed a draft to reorganize the government. These institutional changes would further mold the interactions among key stakeholders in Taiwan's public policy process and set the parameters for their involvement in it.

Notes

1. According to Huntington (1991), this test is how the ruling Kuomintang was defeated and by the constitution, surrendering its power. The successor party, however, suffers from the same fate today.
2. The last two projects (deliberation on the renovation of the Dan-Shui River) have been organized by the authors of this chapter.

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Chapter 25

Intergovernmental Relations in Taiwan

Don-yun Chen and Yue-chang Lue

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25.1 Introduction

Taiwan has a strong tradition of centralization in all aspects of governance, including intergovernmental relations (IGR). After another half-century of central government domination, democratic transition began in the late 1980s. In 1987, then President Chiang Ching-Kuo announced democratizing policies including the end of martial law, abandonment of newspaper control, and formation of the first opposition party. Democratic transition affected every aspect of Taiwanese politics and is the watershed event of IGR in Taiwan.

The increased complexity of governance has made the management of IGR urgent (Wright 1990, 175). Yet, due to the tradition of centralization, self-governance skills and cooperative norms between local governments and between the central and local governments are still forming. The old values of centralized governance and the new values of grassroots democracy clash and interact with each other in every aspect of IGR. As a result, IGR in Taiwan now can be considered to be in a stage of “pluralist decentralization” between the stages of central government domination and boundary-spanning management, where cooperative partnership and multiple layers of policy networks play central roles in governance. This chapter discusses the development of IGR and its current state from four perspectives: historical and legal, political, fiscal, and public policy. It also considers the effects of political competition at local levels and the forces affecting the further development of IGR in Taiwan.

25.2 Historical and Legal Antecedents
of IGR in Taiwan

In 1949, the ruling party, the Chinese Nationalist Party (also known as the Koumintang or the KMT), was defeated by the Chinese Communist Party

in civil war and subsequently retreated to Taiwan.¹ Based on this long and complicated history of development, three historical antecedents influence the system and function of IGR in current Taiwan: (1) the 1947 constitution, which was brought from China and partially implemented in Taiwan beginning in the 1950s; (2) local organization established during colonial Japanese rule; and (3) new developments during democratic transition after the late 1980s.

The legal foundation of IGR in Taiwan is discussed within this historical framework; it is based on four key documents, specifically: (1) the 1947 constitution and additional articles of the constitution (amendments adopted between 1991 and 2005), (2) the Local Institutions Act (adopted in 1999), (3) the Revenues and Expenditures Classification Act (adopted in 1951 and critically revised in 1999), and (4) several rulings from the Council of Grand Justices, such as numbers 498, 550, and 553 (Lue and Hsu 2004).

25.2.1 Martial Law Years (1950–1987): IGR Is Dominated by Central Government

Due to continued rivalry after 1949 with the Communist Party in Mainland China and the potential for continuation of the unsettled civil war, the KMT instituted martial law and the National Assembly added an emergency clause to the constitution called the “Temporary Provision of the Period of Communist Rebellion,” which restricted the basic rights of individuals. However, for the purpose of allowing individuals to participate in public affairs, articles related to local government were only partially implemented. The KMT government proclaimed the “Executive Order of Local Self-Governance Guideline of Taiwan Province” (the Executive Order of 1950) as the operational regulations of local government.

The KMT government began to hold local elections, including for village heads, mayors of county cities, county magistrates, and local councilmen of county cities, counties, and provincial cities. The government also redrew local government areas; the Taiwan and Penghu islands were divided into 16 counties, five provincial cities, and four county cities, all of which were local self-governing units. Until 1987, these rules were the basic operative principles of IGR in Taiwan.

Main articles concerning IGR in the 1947 constitution are in Chapter X, “The Power of Central and Local Governments,” and Chapter XI, “System of Local Government.” These articles lay out the basic principles concerning the division of power between central and local government (articles 107–111), the principles of the local government system (articles 112–128), fiscal balance between local governments (article 147), and self-governance related to residents in the frontier region (articles 168 and 169). The 1947 constitution clearly lists the power of the central, provincial (*sheng*), and county (*hsien*) governments in

articles 107–111,² and matters not listed are to be settled according to the provisions of article 111:

Any matter not enumerated in Articles 107, 108, 109, and 110 shall fall within the jurisdiction of the Central Government, if it is national in nature; of the province, if it is provincial in nature; and of the county, if it concerns the county. In case of dispute, it shall be settled by the Legislative Yuan.

However, the most important character of IGR during that time was direction and supervision from central government. The mechanism of conflict resolution in the 1947 constitution was never implemented during this period of time. The dominance of centralized political control over IGR can be seen from the Executive Order of 1950, which lists ways of supervising local government (from articles 42–55):

- (1) Central government has the final ruling power on local affairs at all levels.
- (2) Horizontal IGR and debates should be arbitrated by central or superior levels of government.
- (3) Any local council resolutions should be approved by the central government.
- (4) Illegal local council resolutions or the illegal deprivation of the authority of locally elected administrators should be approved and implemented by the central government.

Through these rules, IGR was characterized by hierarchical relationships between the central government and local governments from 1950 to 1987. Although the Executive Order of 1950 gave local government some executive authority and local councils some rights to decide local affairs, central government still held arbitrary supervision powers. In addition, all local government regulations were merely executive orders, not laws. In short, IGR was dominated by the central government and showed only vertical relationships from 1950 to 1987.

25.2.2 Democratization Years (1987–2008): *IGR Is Gradually Decentralized*

After lifting of the Emergency Decree on July 15, 1987, then President Chiang Ching-kuo launched a series of democratization reforms that included opening license applications to new newspapers, allowing Taiwan's residents to visit relatives in Mainland China, and granting permission for the formation of new political parties. When the first opposition party, the Democratic Progressive Party (DPP), formed in 1986, Taiwan moved into an era of democratic transition. Constitutional, legal, and organizational transformations in IGR have been occurring since then.

Among these is the passage of the Local Self-Governance Act of Provinces and Counties of 1994 and the Local Self-Governance Law of Metropolitan Cities of 1994, the ratification of the Local Institutions Act of 1999 (LIA),³ major revisions to the Revenues and Expenditures Classification Act in 1999 (first ratified in 1951), and several rulings from the Council of Grand Justices; all serve as the building blocks for new IGR in Taiwan (discussed later). Both central and local governments began to cooperate on formulating IGR in practical and legal ways.

Although the spirit of the LIA followed centralization principles of the Executive Order of 1950, local government gained more autonomous rights and could now regulate local area affairs with authority delegated from the central government. Conflicts between central and local government were to be resolved by congress. Also, with the approval of the local council, local administration could set up enterprises with other local authorities. In addition to these rights regulated by the LIA, rulings from the Council of Grand Justices (numbers 498, 500, and 553) provided three major rights for local government:

- The Council of Grand Justices (CGJ) stated that Congress should respect the rights of self-governance that are protected by the Constitution.
- The CGJ ruled that, during the process of legislation, the central government had a duty to consult with local authorities.
- The CGJ concluded that, in order to coordinate policy formulation, the central government should build bargaining mechanisms with local authorities.

Thus, the status of local government has greatly improved since 1987.

Because electoral success is the key to government survival and legitimacy, both the central government and local governments were motivated to cooperate to resolve problems in order to meet the needs of local residents. The central government (basically, the Executive Yuan) implemented a program called the "Strengthening Central and Local Government Coordination Program" (1997).⁴ Two joint service centers in both mid- and southern Taiwan were established. The goals of these centers included improving the administrative efficiency of the central government in communications with local government and serving as a bargaining mechanism between the central government and local governments. Local governments, including counties and cities, began to cooperate with each other in dealing with cross-border problems, such as water resource preservation, antipollution measures, traffic, etc. For example, Taipei and Keelung signed an administrative contract to deal with their garbage and refuse issues cooperatively (Lee 2006).

Then President Tung-hui Lee called an extra system meeting—the National Development Conference—in 1995 to build consensus to suspend the operation of the provincial government in Taiwan. Although the Local Self-Governance Act of Provinces and Counties of 1994 allowed for an election of provincial magistrates,

Taiwan Province was the only province that the central government could rule after 1949, and the overlap between Taiwan and Taiwan Province was almost complete.⁵ In 1997, the constitution was amended and the Taiwanese provincial government was suspended in 1998.⁶ At the conference in 1995, the major argument for suspending the provincial government was economic. It was thought that, with four levels of operation, IGR was overly inefficient on a small island such as Taiwan.⁷ This political move was also interpreted as Taiwan's attempt to become independent from Mainland China.

In summary, IGR in Taiwan has undergone a significant transformation from central dominance to pluralist decentralization since 1987. However, due to the long-standing tradition of centralization and the self-interest of local politicians, the newly established IGR tradition still has a long way to go in order to be consolidated.

25.3 The System and Politics of Local Government in Taiwan

According to provisions in the constitution (1947), provinces and municipalities within Taiwan are established under the central government, counties and cities under the provincial government, and rural townships (*shiangs*), urban townships (*jens*), and county municipalities (*shihs*) under county governments. Except for the provincial government, all of these are independent legal entities in nature. In addition, districts (*chius*) are set up under appropriate special municipalities or cities, villages (*tsuens*) and boroughs (*lis*) under the concept of rural townships, and urban townships, county municipalities or districts, and neighborhoods (*lins*) under villages or boroughs (see Figure 25.1).

In total, as of 2007, the Taiwanese local government system contained one provincial government, two municipal governments, 16 county governments, five city governments under Taiwan province, 368 city/township governments and districts, 7,826 villages/boroughs, and 147,342 neighborhoods.⁸

25.3.1 Electoral Base for Local Governments

When the KMT retreated to Taiwan, there were two conflicting requirements in order for it to establish effective rule. First, under the cold war structure, the KMT sided with Western democracies against the Communist world. Thus, it was imperative to have free elections, even if only a formality. The most pressing issue in rebuilding the government system in Taiwan during the late 1940s was the political recruitment of both council heads and councilmen. Second, the nature of authoritarian control could not allow thoroughly free elections. As a result, the electoral system of Taiwan developed under attitudes

Table 25.1 Development of Election at Levels of Government in Taiwan

Level of Government		1940s	1950s	1960s	1970s	1980s	1990s	2000s
Central government	President						x	x
	Legislature				◊	◊	x	x
Provincial government	Magistrate						x	•
	Council		x	x	x	x	x	•
Municipal government	Mayors						x	x
	Council		x	x	x	x	x	x
County/city government	Magistrates		x	x	x	x	x	x
	Council		x	x	x	x	x	x
City/town government	Chiefs		x	x	x	x	x	x
	Council		x	x	x	x	x	x
Boroughs/village heads		x	x	x	x	x	x	x

x = direct election.
◊ = partially direct election.
• = suspended government level.

emergence of opposition at the local level (Chen and Chu 1992; Wang 2004; Wu 1987). Authoritarian clientelism was the form of control system used by the KMT organization and functionally characterized IGR before democratization. According to Chao (1998), the ecology of Taiwanese local politics is like a network of political classes or groups that combines economic interests with political power through involvement in local elections—actively intervening in public works projects and even colluding with organized criminal organizations to acquire informal enforcement power to gain both economic and political benefits. Figure 25.2 shows the structure of this so-called “black-gold” structure in Taiwanese local politics.⁹

The core of the black-gold operating networks is threefold in nature: (1) a vertical relationship between KMT leadership and local political factions, (2) another vertical relationship within the local faction, and (3) a horizontal relationship between different factions that compete for resources. In Figure 25.2, the KMT elite and local faction elite are essential agents for the operation of the network. Before democratization, the KMT was the only patron in Taiwan, and local factions played the role of client in different areas. The key resources of this patron–client relationship are different “positions” within political, business, and social organizations¹⁰; exchanges of resources were made between these “positions.”

We can observe the positions that the elite held at different levels of the factions during the authoritarian years. As we can see in Table 25.2, a hierarchical structure within local factions was parallel to the hierarchy of government in Taiwan. Various political and societal positions were protected and distributed by the factions to protect local interests. The structure was stable and resistant to change until the era of democratization.

After democratization, there has been a great debate about whether local factions have declined because the KMT is no longer the only patron in Taiwan (Wang 2007). Various case studies have sought to provide evidence of the current

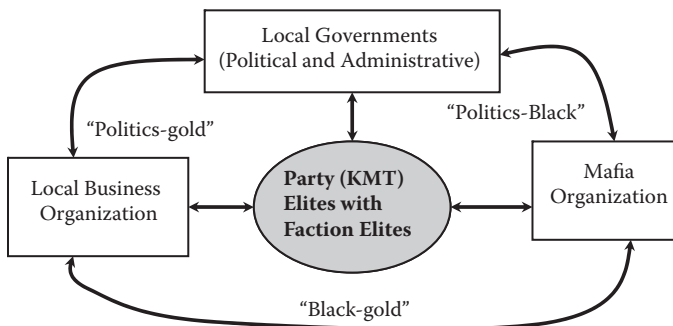


Figure 25.2 The patron–client structure in Taiwan’s local politics. (Revised from Chao, Y.-m. 1998. *Political Science Review* 9:309.)

Table 25.2 Positions Held by Factional Elite at Different Factional Levels

<i>Factional Elite</i>	<i>Possible Positions</i>
Faction leaders	Current county/city magistrates
	Senior central government legislators
	Senior provincial councilmen
	Central government political appointees, high-ranking civil servants, and retired county/city magistrates
First-level elite	Provincial councilmen
	CEO for monopolist public enterprises
	Director at county-level farmer organization
	Current or retired central government legislator
	Senior director at borough/village-level farmer organization
	Wealthy businessmen
	Senior county councilmen
Second-level elite	Current or retired city/town chiefs
	Current or retired directors or board members at city/town-level farmer organization
	County councilmen
	Senior city/town councilmen
Third-level elite	City/town councilmen
	Senior representatives and group members at city/town-level farmer organization
	Senior borough/village heads
	Administrative personnel at the borough/village level
Fourth-level elite	Borough/village heads
	Neighborhood heads
	Representatives and group members at city/town-level farmer organization
	Others with access to the network

Source: Revised from Chen, H.-s. 1993. Master's thesis, Department of Political Science, National Taiwan University.

situation in local politics during the era of democratization, and new developments have been observed:

- When the suspension of the provincial government occurred in 1998, retired provincial councilmen were transferred to the legislature. According to statistics, 75% (60/79) of retired provincial councilmen joined the 1998 legislative election and 76% (46/60) were successfully elected. Because almost all of the provincial councilmen were related to local factions, the factions began to influence Taiwan policy arenas after 1998.
- Because the KMT and DPP compete with each other in every election, both parties need grassroots electoral support. The bargaining power of local factions was thus strengthened.
- Without the KMT serving as a monopolist patron, running a local faction became more expensive than ever before. More resources were needed to maintain factions.

Overall, effectively serving as grassroots support groups, local factions are still influential with respect to Taiwan's policies.

25.3.3 Party Landscape at the Local Level

Since democratization began in the early 1990s, party competition between the KMT and DPP has come to occupy the political landscape. Before the 1990s, the KMT served as the only patron and dominated local elections. However, as Taiwan moved into the era of democracy, the KMT gradually lost its once dominating role in local politics. Table 25.3 shows that, on average, almost 80% of county/city councilmen elections were won by KMT candidates in 1985. However, this number declined to around 45% in 2005, after 20 years of democratization. Among these counties and cities, Chiayi County had the greatest decline (73%) because one of its major factions changed its patron loyalty from the KMT to the DPP after the DPP won the 2000 presidential election.

Party system dynamics in Taiwan also raise questions regarding the executive–legislative relationship at the local government level. In Table 25.4, we can see that in 1985 over 80% of county/city governments were unified under the KMT rule. However, in 2005, only about 60% were characterized by that kind of unified government. This change means that more resources will be devoted to build cooperative relationships between the executive and legislative branches at the local level. Also, cooperation between county and city governments will be more difficult because the legislative bodies will not necessarily support collaborative work with other county and city governments.

According to empirical research, when DPP executives face overwhelmingly KMT-controlled legislatures, the proportionate reductions of local government budgets tend to increase as legislation productivity decreases compared to unified

Table 25.3 Percentage of Seats Won by KMT Candidates in Taiwan's 10th–15th County/City Councilor Elections

<i>County/City</i>	<i>1985 (10th)</i>	<i>1989 (11th)</i>	<i>1993 (12th)</i>	<i>1997 (13th)</i>	<i>2001 (14th)</i>	<i>2005 (15th)</i>
Taipei County	75.4%	73.9%	56.9%	58.5%	41.5%	43.1%
Ilan County	75.8%	69.7%	55.9%	61.8%	29.4%	47.1%
Taoyuan County	79.6%	75.0%	65.0%	56.1%	46.6%	46.6%
Hsinchu County	93.1%	69.0%	60.0%	57.6%	47.1%	58.8%
Miaoli County	81.6%	81.6%	79.0%	65.8%	28.9%	42.1%
Taichung County	86.5%	80.0%	63.2%	57.9%	36.8%	50.9%
Changhua County	69.8%	66.0%	55.6%	63.0%	40.3%	43.6%
Nantou County	73.0%	62.2%	54.1%	54.1%	32.4%	24.3%
Yunlin County	72.7%	46.5%	53.5%	58.1%	46.5%	41.9%
Chiayi County	94.7%	64.9%	62.2%	59.5%	35.1%	21.6%
Tainan County	68.8%	55.1%	48.0%	44.0%	36.0%	38.0%
Kaohsiung County	69.8%	49.1%	44.4%	46.3%	37.0%	50.0%
Pingtung County	78.2%	74.1%	56.4%	56.4%	41.8%	45.5%
Taitung County	93.8%	96.7%	76.7%	73.3%	63.3%	53.3%
Hualien County	93.9%	87.9%	78.8%	75.8%	67.7%	71.0%
Penghu County	68.4%	68.4%	63.2%	63.2%	42.1%	36.8%
Keelung City	92.9%	82.1%	82.1%	67.7%	59.4%	59.4%
Hsinchu City	68.0%	68.0%	57.7%	55.2%	35.5%	45.2%
Taichung City	92.5%	93.0%	80.0%	71.1%	56.5%	52.2%
Chiayi City	72.7%	54.6%	40.9%	47.8%	30.4%	30.4%
Tainan City	61.5%	52.5%	46.3%	46.3%	34.1%	36.6%
Average	79.2%	70.0%	60.9%	59.0%	43.8%	44.7%

Source: Authors combined various sources.

Table 25.4 Distribution by Party Affiliation in Taiwan's County/City Governments and Councils

<i>Magistrate vs. Council</i>	<i>Unified Government</i>		<i>Divided Government</i>	
	<i>KMT vs. KMT</i>	<i>Non-KMT vs. Non-KMT</i>	<i>KMT vs. Non-KMT</i>	<i>Non-KMT vs. KMT</i>
1985	17 (81.0%)	0	0	4 (19.1%)
1989	14 (66.7%)	0	0	7 (33.3%)
1993	13 (61.9%)	0	0	8 (38.1%)
1997	6 (28.6%)	0	0	15 (71.4%)
2001	9 (42.9%)	6 (28.6%)	0	6 (28.6%)
2005	13 (61.9%)	1 (4.8%)	1 (4.8%)	6 (28.6%)

Source: Authors combined various sources.

KMT-controlled governments (Wu, Huang, and Chang 2003). Another research finding concerning Taichung County revealed that divided government had encouraged councilmen to ask for more of the budget to go to local infrastructure. However, if the magistrate could control the dominant faction in the county council, pork-barrel budgets would be less necessary as a tool for soliciting cooperation from councilmen.

In contrast, in a situation other than the preceding one, the magistrate has to yield to the demands of councilmen to avoid policy gridlock and executive–legislative stalemates (Tang, Wu, and Su 2002). In general, local faction politics, local party systems, and the governing structure will all have an impact on the governing effectiveness of local governments. As we think through the political side of local government, we can see that deciding how to apportion the budget in IGR is another important area that needs to be explored. In the following section, we will discuss fiscal IGR in Taiwan.

25.4 Fiscal Decentralization, Allocation Inequality, and State-Owned Enterprises

Money speaks powerfully in IGR. The most important tool for centralized control in IGR is the fiscal instrument. In Taiwan, problems of reform in fiscal relationships in IGR come from two directions: revenue shortages and distributional inequality (Jang 2003). The problem of regional inequality in revenue capacity is still a serious one. The focal point of fiscal IGR is the distributional equality of the central government's regular and planning grants to local governments. Intergovernmental tension (vertical and horizontal) surged during the revision of the Revenues and

Expenditures Classification Act (RECA) in the late 1990s. Also, as revenue tools are increasingly delegated to local government, county governors have adopted various strategies to raise revenues, with different degrees of success (Chang 2003; Fang 2006). In this section, we will first present the tax system problem of inequality in local government.

**25.4.1 Tax and Central-to-Local Tax
Redistribution Systems in IGR**

The tax system in Taiwan is divided into national and local taxes (see Figure 25.3). Most tax items are direct taxes. According to the Revenues and Expenditures Classification Act (RECA), which was amended in 1999, taxes are roughly divided into national and local taxes. National taxes consist of income taxes (individual and profit-seeking enterprises), estate and gift taxes, customs duties, business taxes, commodity taxes, tobacco and alcohol taxes, securities transactions taxes, and futures transactions taxes. The local (municipality, county, and city) taxes consist of land taxes (land value taxes, agricultural land taxes, and land value increment taxes), house taxes, vehicle license taxes, deed taxes, stamp taxes, and amusement taxes.

The tax redistribution fund is the source of one of the key conflicts in fiscal IGR in Taiwan. Before the revision of the RECA, the legal foundation for the central-to-local redistribution of tax revenue rested on articles 109 and 147 of the

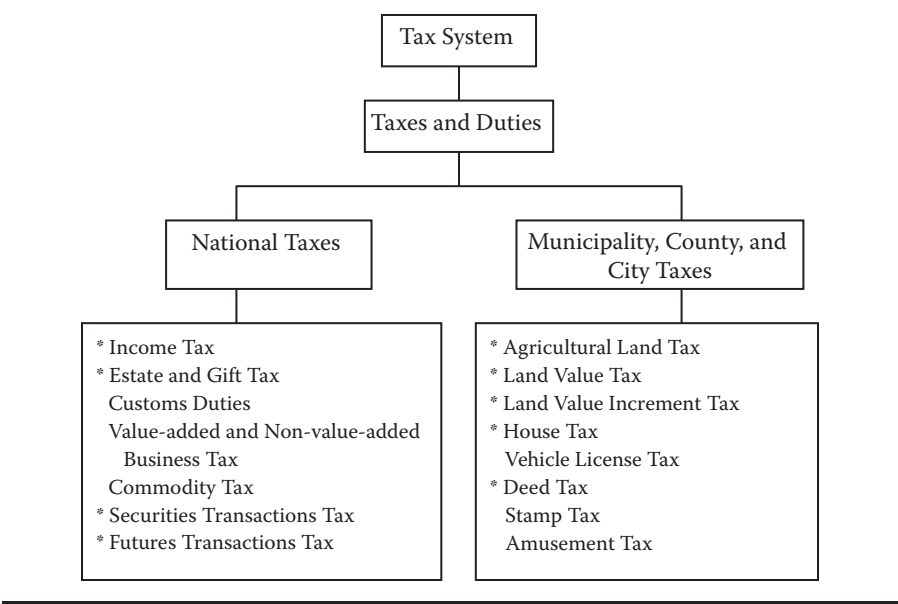


Figure 25.3 Taiwan's tax system. "*" = direct taxes. (Source: Ministry of Finance. 2007. Guide to Taiwan taxes.)

1947 constitution. The central government could give financial resources to local governments when it delegated various programs (such as subsidies to the poor) to local governments or when the central government tried to balance fiscal inequality among local governments.

After the revision of the RECA and the suspension of the provincial government, sources of the basic fund for distribution became 10% from the income tax, 10% from the commodity tax, 40% from the business tax (these sources are national taxes), and 20% from the local land value increment tax. Redistribution rules stated that municipal governments received 43%, county/city governments 39%, and borough/village governments 12%. Additionally, 6% of the fund went to other, special uses.

25.4.2 Fiscal Inequality at the Local Level

Because fiscal IRG is constantly changing in Taiwan, the problems of balancing fiscal responsibility and inequitable endowments become more pronounced as key managerial issues for fiscal IRG. For fiscal responsibility, according to empirical research on the operational efficiency on local government expenditures, findings show that when the operational efficiency of the unified government decreases by overly focusing on population in the northern part of Taiwan, the operational efficiency in northern local governments becomes stressed (Chang, Liu, and Sang 2002).

Another study used a relative method to present inequality in local governments: a two-dimensional space constructed with fiscal conditions on the horizontal axis and fiscal benefits on the vertical axis (Jang 2003; see Figure 25.4). The fiscal condition represents the endowment and management of the local government's fiscal situation. The fiscal benefits represent a resident's benefit from the government. The local governments in quadrant I have strong fiscal conditions and give very good fiscal benefits to residents. It is not surprising that the three metropolitan cities are in this quadrant. In quadrant II are governments in rural areas of Taiwan, where fiscal conditions are weak but fiscal benefits are relatively high because of support from the central government. The governments in quadrant III are characterized by fiscal conditions that are not as weak as those of governments in quadrant II; however, these governments can only offer limited fiscal benefits to their residents. Finally, in quadrant IV, the governments are in strong fiscal condition but distribute limited benefits to their heavily populated constituencies.

Due to lack of self-financing resources and dependence on central governmental grants for fiscal operation, the financial deficit has become the most serious problem for local governments in Taiwan. As Table 25.5 shows, in 2004, 42.9% of the county/city budgets came from central grants and only 18.1% from local taxes. Thus, county/city governments are heavily pressured to search for financial assistance or fight for more assistance from the central government and other local governments in order to ameliorate their precarious financial conditions. As a result, fiscal inequality has become the most important factor in causing conflict in Taiwanese IGR.

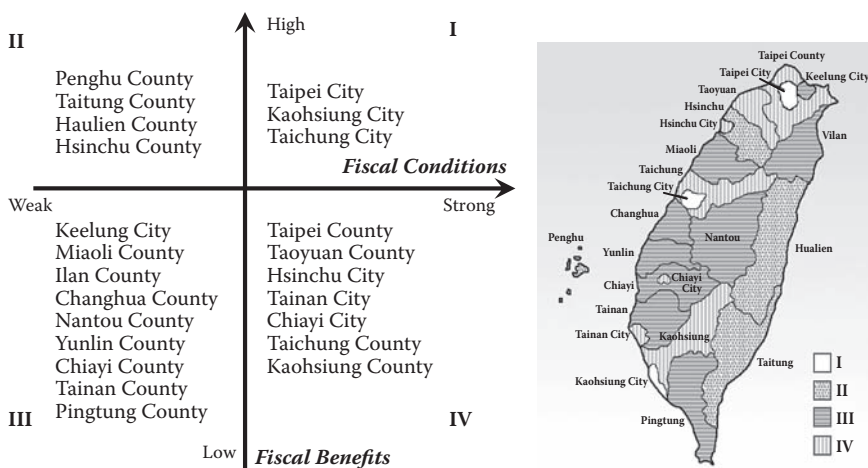


Figure 25.4 Fiscal conditions versus fiscal benefits in local governments. (Expanded from Jang, C.-L. 2003. *Journal of Public Administration* 8:99–121.)

25.4.3 State-Owned Enterprises

There are two definitions of state owned enterprises (SOEs) in Taiwan. One definition is when the government owns over 50% of stock and the other definition is when the government is the largest shareholder in an enterprise. SOEs are located in six major areas: banking, transportation, utilities, communications, manufacturing, and construction. Banking SOEs are mostly owned by the Ministry of Finance of the central government. The Taipei City Bank was privatized in 2005; the Kaohsiung Bank is still owned by the Kaohsiung municipal government.

In the public transportation area, air and rail transportation companies are owned by the Ministry of Transportation and Communication of the central government. Local bus services are owned by the local government. The Bureau of Taipei City Bus was privatized in 2004. Many other local bus services are planning for privatization. The most important case in transportation is the construction of the Taiwan high-speed rail (THSR) through BOT (build, operate, transfer). During the process from 1998 to 2006, problems concerning finance, safety, and local development were raised. The operation of the THSR signals a new possibility for public transportation construction outside the traditional SOE framework.

In the area of public utilities and communications, Chunghwa Telecom and China Petroleum Company are moving to privatization. Only the Taipei Water Company is owned by the Taipei city government. In all, the trend toward new public management is indeed influencing SOEs in Taiwan. In the near future, privatization is still the key direction for development.

Table 25.5 Income of Municipal City and County/City Governments in Taiwan^a

	<i>Total Sum of Budget</i>	<i>Tax Income</i>	<i>Ratio</i>	<i>Grants from Central Government</i>	<i>Ratio</i>	<i>Debt Income</i>	<i>Ratio</i>
Average of metropolitan city	\$6,309,899	\$4,666,177	74.0%	\$922,256	14.6%	\$891,383	14.1%
Average of county and city	\$15,494,444	\$6,647,149	42.9%	\$6,648,528	42.9%	\$2,799,628	18.1%

Source: National Audit Office, 2004.

^a Unit: U.S. dollars (exchange: 32 NTD :1 USD).

25.5 Vertical and Horizontal Relationships in Public Policy Formulation and Implementation: Perspectives and Issues

Policy problems are not limited to within the lines drawn by intergovernmental territories (Comfort 2002), and both policy cooperation and competition occur between governmental units as they deal with problems. To understand the issues and perspectives of IGR in Taiwan, we offer the 2×2 framework shown in Table 25.6 (Rosenthal and Hoeffler 1989).

25.5.1 Bilateral Cooperation

In the upper left cell of Table 25.6, two units of local governments attempt to cooperate with each other on various policies issues. For instance, the Danshuei River is the longest river (159 km) in the northern part of Taiwan. Its drainage spreads 2,726 km². Because this river runs through Taiwan’s most densely populated area (around 6.5 million inhabitants), the problem of pollution is analogous in seriousness and importance to the situation of the River Han in Seoul, South Korea. However, efforts to clean up Danshuei River require both Taipei city and county governments to cooperate.

Beginning in February 2006, immediately after the 15th local election at the end of 2005, a bilateral conference was held by the Taipei city and county governments. Several short-term collaborative projects were launched, including the sharing of fresh water from the Feitsui Reservoir and equalizing the fee for the inhabitants in the two areas. Because the Feitsui Reservoir is located in Taipei County and managed by the Taipei city government, the citizens of the county had been charged higher fees and had limited access to the fresh water from the reservoir. On June 20, 2007, the mayor of Taipei city government and the magistrate of the Taipei county government signed a formal treaty cooperating in the following policy areas concerning both sides of the Danshuei River:¹¹

recreation and tourism
transportation and communication

Table 25.6 Typologies of the Public Policy IGR in Taiwan

	<i>Two Units</i>	<i>More than Two Units</i>
Horizontal	Bilateral cooperation	Local coalitions
Vertical	Single principal vs. single agent	Single principal vs. multiple agents

Source: Adopted and revised from Chen, D.-y. 1998. In *Public management* [in Chinese], ed. J. Huang. Taipei: Sha-Ding Books.

economic development
environmental resource management
policing and security
culture and education
health and welfare
urban planning and development

However, the critical problem in bilateral cooperation is financial. Most projects incorporated into the treaty are not related to financial resource reallocation between the two river authorities. Some efforts have attempted to secure financial resources to build a cross-border metropolitan rapid train system. These efforts might lead to further legal or institutional reforms in IGR.

25.5.2 Local Coalition

In the “more than two units” column in Table 25.6, public management in IGR can be seen as a horizontal intergovernmental network (O’Toole and Meier 2004). Bilateral cooperation is a special case of a basic structure for the possibility of a local coalition where more than two local authorities attempt to coordinate policy. For example, as early as 1999, Kaohsiung City and County and Pingtung County in the southern part of Taiwan established a regular Kao-Kao-Ping Summit (KKPS) between executive leaders to settle current cross-border problems and construct visions for regional governance. The focal point issues were Kao-ping River basin management, transportation planning, and economic development.

A total of 23 summits was held and 64 proposals were passed between 1999 and 2007. One of the most important achievements of the KKPS was the establishment of the first river basin management committee in 2001: the Kao-ping River Basin Management Committee.¹² However, 38% (24/64) of proposals were requests for extra funding from the central government for local development projects.¹³ The most important purpose for the local authority coalition is said to be proposals for acquiring extra funding from the central government.

In the northern part of Taiwan, a similar local coalition called the North Regional Development Committee (NRDC) was formed in the beginning of 2006.¹⁴ A total of eight local authorities were included in this coalition, which had three layers to promote regional cooperation. The core layer of the coalition is regular bilateral cooperation between the Taipei city and county governments. The second layer is the Metropolitan Taipei Cooperation Project, which includes the Taipei city and county governments and Keelung city government. The project originated from a refuse and garbage disposal plan between the Taipei and Keelung city governments in 2003. Based on the first two layers of cooperation, the NRDC was formed to expand regional cooperation to the Ilan, Taoyuan, Miaoli, Hsinchu county, and Hsinchu city governments, covering the entire northern part of Taiwan.¹⁵ There are divisions of function among these participating local authorities.¹⁶

However, there are obstacles to the NRDC's success. First, the limited participation of legislative bodies in the process raises the problem of the legitimacy of its decision making. Second, each local mayor or magistrate has his or her constituency to target for reelection. Sincerely sharing resources with other authorities is politically impossible. Finally, like the KKPS, the NRDC suffers the same inevitable problems of financial shortages and dependence on funding from the central government.

25.5.3 Vertical Collaboration and Conflict

Principal-agent theory can be a good conceptual tool to understand vertical cells (Moe 1984). The key problem of agency theory is to utilize control and coordinating mechanisms to bridge conflicts of interest and information asymmetry between the principal and the agent. If we treat the central government as the principal and the local government as the agent, there are three general ways of controlling and coordinating agents: personnel, organization, and information and communication technologies (ICTs).

In order to control local authorities in the authoritarian era in Taiwan, five critical local government personnel positions were centrally controlled: the heads of personnel, accounting, administrative ethics, police, and legal administration offices. Control over these personnel positions is still largely intact today. Furthermore, in order to implement national health insurance, the Bureau of National Health Insurance (BNHI) established six local offices throughout Taiwan. These offices take orders only from the BNHI and are delegated with exclusive authority to implement the NHI plan.

Finally, there are many programs concerning the population and welfare policies in the Ministry of Interior. For example, population registration is required by law and is implemented through local bureaucrats. Before 1997, the population registration database was not shared between local authorities, and citizens had to go to specific local offices for registration. After 1997, boundaries between population registration offices disappeared as the database was connected and shared between local constituencies. ICT not only helped implement consumer-centered government service but also strengthened the control and coordination power of the central government to increase the effectiveness of nationwide programs.

The vertical collaboration in IGR sometimes might degenerate into conflict between the central and local governments. According to one interesting study, vertically divided governments in Taiwan (i.e., the central government and local governments controlled by different parties) are more likely to lead to stalemates, inefficiencies, and dysfunctional politics. Most IGR conflicts are mixtures of financial and partisan factors. For example, the problem of vertical conflict between the central government and local governments can be seen in the case of financial burden-sharing in national health insurance (Liu and Chen 2007). According to the NHI law, government, employers, and insured individuals share the financial burden of the NHI premium.

However, there is a loophole in the law through which there is no legally binding punishment if the local government is unwilling or unable to pay its premium share. In the beginning of NHI in 1995, only Chiayi and Yenlin counties did not pay their full premium dues, arguing financial shortages at the local level. Between 1996 and 1997, Tainan and Pingtung counties joined this movement for the same reason. In 1998, Kaohsiung municipal city, Taichung City, and Taitung County began to delay their payments. In 2000, the Taipei municipal government and three other local governments also jumped on the “payment delaying” bandwagon, which resulted in a total of 12 local constituencies (more than half) delaying pre-*mium* payments.

The BNHI began to realize the seriousness of the formation of this noncoordinated coalition at the local level and thus coordinated with other ministries at the central government to issue ultimatums to local governments in 2001. It sued the “leader” of the local governments, the Taipei municipal city government, in constitutional court. Supreme Court Ruling 550 was issued in 2002 and settled the issue. The key issue of the problem, pointed out in the ruling, is that the NHI law was passed during the late authoritarian era when local governments had little chance to participate in the decision-making process. The process through which “the central government invit[ed] a banquet, [while] the local government pa[id] the check” should be avoided by involving local governments in the nationwide policy-making process.

In recent decades, democratization has created fragmented IGR in Taiwan. Although the central government is still resourceful in terms of tax revenues, its political rhetoric calls for local autonomy and, at the same time, blames local policy failure for the inaction of the central government. A new vision of IGR has emerged as various stages of central government reorganization plans have been discussed in Taiwan. The newest stage concerns the use of the Executive Yuan (like the cabinet office in the West) as the coordinating and commanding central authority through the establishment of an IGR Division directly under the office of the head of the Executive Yuan. Because the reorganization plan is still pending, the possible impact on future IGR in Taiwan should be placed in perspective. Additionally, various efforts have been made to build cooperative and horizontal IGR, but the effectiveness of these efforts needs to be evaluated carefully.

25.5.4 Other Boundary-Crossing Arrangements

One important success of IGR has been on border-crossing policy cohesion. Local government organizations are not the only entities who manage these policies. We will discuss eight policy areas:

Agricultural irrigation associations are the oldest cross-border organizations in Taiwan; they can be traced back to Japanese occupation. All associations are, in legal terms, public entities and are supervised by the Council of Agriculture

of the central government. There are 17 irrigation associations. The associations are ruled by committees with 17–29 members in charge of local irrigation decision making.

River management and water resource management in Taiwan are handled by the Water Resource Agency (WRA) within the Ministry of Economic Affairs. The WRA has three regional water resource offices (northern, central, and southern). Additionally, in total, there are 10 river management offices. All these organizations are directly supervised by the central government.

National parks. Since 1961, Taiwan has promoted natural resource preservation. The Law of National Parks was passed in 1972 and, after 27 years, Taiwan has a total of seven national parks. In total, 8.5% of Taiwanese land is in these national parks. The management bureaus in each of these national parks are supervised by the Ministry of Interior.

Public hospitals. For the purpose of promoting public health, there were about 541 public hospitals scattered throughout Taiwan in 2007. With only a small proportion of hospitals and clinics in Taiwan (2.8% or 541/19,900), doctors and supporting personnel are all public servants. During the SARS epidemic in 2003, the Taipei City Hospital Ho-ping Division was infected and the government ordered isolation of the hospital and its continued operation with all personnel working in their positions.

Public universities. In 2007, there were 149 colleges and universities in Taiwan; one-third were public (52/149). The budgets of these public universities are gradually moving from full support by the central government into a combination of donations, tuition fees, and government funding. Because the legal status of the university in Taiwan, like hospitals, is that of a nonprofit organization, there is a reform call to change the law and give institutions of higher education more flexibility in their fund-raising activities.

Scientific parks. For the purpose of economic development, a total of 13 scientific parks have been established in the past 30 years. The most famous park is Hsinchu Scientific Park, where all the famous high-tech manufacturers of Taiwan are headquartered. A management office in every park is supervised by the National Science Council in the central government. For local governments, the scientific park brings tax revenues as well as pollution to the area. This love–hate relationship will continue in the future.

Harbors. There are a total of 254 harbors in Taiwan. Within this total, there are 15 business and 239 fishery harbors. Most business harbor bureaus are public entities supervised by the Ministry of Transportation and Communication. For the purpose of coordinating with local development, there is a call for reform to integrate city government with business harbors, especially in the city of Keelung and Kaohsiung municipal city. Fishery harbors are managed by local governments under the supervision of the Fisheries Agency in the Council of Agriculture.

Airports. There are a total of 36 airports in Taiwan. One-quarter of them are exclusively for military use (9/36) and 26 are able to land fighter jets for military use. The military bases are managed by the Ministry of Defense and the business airports by the Civil Aeronautics Administration (CAA) under the Ministry of Transportation and Communication. The largest civil airport, Taiwan Taoyuan International Airport, is managed by a public office supervised by the CAA. There is a call to integrate airport management with the local Taoyuan County government.

In all, these areas of cross-border policy management in Taiwan are almost fully under the control of the central government. Although there is a chance that agricultural irrigation associations, public hospitals, and universities might become nondepartmental public bodies, these possibilities will not be realized before the Nondepartmental Public Bodies Act passes in the legislature. Furthermore, the call to integrate harbor and airport facilities with local government is another aspect of Taiwanese IGR that will be interesting to observe in the future.

25.6 The Reform Agenda: Facilitating Forces and Barriers

In 1996, the Organization for Economic Cooperation and Development (OECD) held a ministerial symposium on the future of public service and claimed that managing across levels of government (MALG)¹⁷ will be the most important strategic issue for government. In dealing with MALG, participant countries developed five objectives (OECD 1997, 13),¹⁸ which are more or less practically related to the management of IGR. In this section, we discuss the future development of IGR in Taiwan from the perspectives of both facilitating forces and barriers.

25.6.1 Facilitating Forces

25.6.1.1 Growing Grassroots Consciousness

After martial law ceased in 1987, civic organizations were increasingly formed (see Table 25.7). By becoming more actively involved in social and political life, individuals gained consciousness of local public affairs. They have been more willing to respond to government activities and take action to influence public affairs. Additionally, local individuals have been more concerned about fairness and equality in comparison with individuals in authority. Public consciousness will push IGR reform toward more equalized treatment of citizens in different local constituencies. Furthermore, some proposals to increase economies of scale for local

Table 25.7 Number of Civic Organizations 1987–2005

Years	Professional Organizations	Social Organizations
1987	5,202	5,060
1990	6,334	6,106
2000	8,198	12,915
2005	9,222	19,570

Source: Ministry of Interior. 2007.

Note: Professional organizations include farmer, fishermen, labor union, and other job associations. Social organizations include school and study associations, medical associations, and religious, social service, international cooperation, business cooperation, and other groups.

authorities are asking local individuals to initiate referendums to integrate local governments. However, this possibility will not be realized unless the incumbent local politicians are willing to share power with politicians in other areas.

25.6.1.2 Public Transportation Upgraded

Today in Taiwan, the transportation service is another key facilitating force for changes in IGR in the future. In 2006, the THSR system became operational, cutting the travel time from northern to southern Taiwan from 6 to 2 hours. The upgraded traffic system not only provides rapid transportation for travelers but also creates new cross-border public problems, such as environmental protection, crime reduction, economic development, and so on. For example, the average real estate price in the Taipei city area increased after initiation of operations of the THSR. The concern over furthering the imbalance in development between the north and south is becoming increasingly realized. As a result, more intergovernmental cooperation is needed to solve these problems, and building effective IGR will become an acceptable solution for every local government.

25.6.1.3 Differences between Local Areas

After a half-century of development, Taiwan’s local environment is characterized by very different faces. Residents are extremely concentrated in the metropolitan and village cities with very different resource endowments, economic development, and societal landscapes. For example, in the 2,052 km² of Taipei County, there are 29 different local municipalities, including some large county cities with more than 500,000 inhabitants and little villages with fewer than 5,000 citizens (Ministry of Interior 2007). Because of such enormous differences, every local government

must discover its own special vision, goals, and capacities to achieve its aims. The development of IGR in the future will be based on these numerous differences and the eagerness to bridge the gaps in differences.

25.6.2 Barriers to Development

For the development of IGR in the future, we also need to be aware of possible barriers. These include financial shortages, the mentality of centralized power in the central government, and the capacities that local governments have to coordinate.

25.6.2.1 Financial Shortages

A long-standing problem in Taiwan's IGR is that local authorities lack sufficient financial resources and are dependent on grants from the central government for basic operations. This financial shortage is the single most serious problem for local government development in Taiwan. After the 1999 reform of the Revenues and Expenditures Classification Act, business taxes became national rather than local taxes. The percentage of national tax revenues as a proportion of total tax revenues increased from 60 to 80% and the financial dependence of local authorities on the central government increased. With these financial shortages at the local level, the possibility for successful horizontal cooperation depends on the intentions of the central government.

25.6.2.2 Mentality of Centralization in Central Government

There is a tradition of central control in Taiwanese IGR—not only fiscal centralization but also personnel control. However, the outcome of this centralized mentality might be that local authorities will always avoid local complaints by shifting the blame for policy or managerial failures to the central government. It can be said that the more vertical the dependence is, the more vertical blame shifting that will occur. As a result, whether decentralization will become the core of future reform is dependent on how the central government deregulates many rigid legal and administrative structures established in the past 50 years.

25.6.2.3 Capacities of Local Authorities to Coordinate

Other than fiscal decentralization, the institutional and managerial capacities of local authorities for vertical and horizontal coordination should be strengthened. Local authorities require more flexibility in discretion in sharing fiscal and administrative resources with other local authorities. However, these changes will not be realized unless related government budgeting, accounting, and personnel regulations are deregulated.

25.7 Conclusion

Taiwan has similar IGR problems to other administrative systems. It is larger than Singapore, where IGR has only limited importance in public governance, but smaller than Mainland China, where rigid control by the central government is only rhetorically feasible because of its sheer size. Under the spirit of path dependence, IGR in Taiwan is still struggling with its colonial and authoritarian past. Various reform proposals have been raised since the 1990s, but no proposals have been fully implemented. If we infer from the reform efforts of IGR in the past 20 years (i.e., after democratization in the early 1990s), only incremental change from the original structure has taken place. However, it might not be wise to conclude that IGR reform is impossible in Taiwan because deepening democracy might lead to other bottom-up forces that change the basic structure of IGR. In the mid 2009, Taiwanese central government approved a plan to increase the number of municipal government from two to five. Taipei County will now become the New Taipei Municipal Government. Taichung City and County, Tainan City and County, and Kaohsiung Municipal City and County will combine and become Taichung, Tainan and Kaohsiung Municipal Governments. The landscape and numbers of local government as shown in Figure 25.1 will change drastically in the upcoming years.

With a long tradition of centralized governance, Taiwan is still struggling with finding a proper way to reconcile local demands for democracy and autonomy with needs for authority and stability. An analogy can be drawn to describe IGR in Taiwan as a movement from “central dominance to paternalist decentralization,” where the central government acts as if it were the parent of a teenage child. On one hand, parents want their kids to be independent in the long run, but they cannot help taking over issues that might go wrong if managed by the teenage child. On the other hand, the teenager wants to be independent, but blaming the parent will always be attractive in easing the burdens of responsibility.

How IGR in Taiwan can break this “paternalist curse” depends on the future development of grassroots democracy and competition from global forces, such as regional integration. Under pressures from local economic competition, customer-centered cross-border service deliveries, and equalized treatment of different areas, changes in Taiwanese IGR will definitely continue, but with visible uncertainties of which way these changes will move along the spectrum of centralization and decentralization.

Notes

1. At that time, there were two Chinas: the People's Republic of China (Mainland China), ruled by a Communist government, and the Republic of China (Taiwan), ruled by the KMT government. Communist China treats Taiwan as a “renegade province.” In 1999, the Democratic Progressive Party (DPP) defeated the KMT in presidential elections and held national authority. This was the first time in the history of Taiwan that the presidency, and thus control of the central government, changed parties.

2. For example, in article 107, the powers assigned to the central government concern: (1) foreign affairs; (2) national defense and military affairs concerning national defense; (3) national, criminal, civil, and commercial law; (4) the judiciary system; (5) aviation, national highways, state-owned railways, navigation, and postal and telecommunication services; (6) central government finance and national revenues; (7) demarcation of national, provincial, and county revenues; (8) state-operated economic enterprises; (9) the currency system and state banks; (10) weights and measures; (11) foreign trade policies; (12) financial and economic matters affecting foreigners or foreign countries; and (13) other matters relating to the central government as provided by the constitution. The complete English translation can be found at <http://www.president.gov.tw/en/>
3. When the LIA was implemented in 1999, the Local Self-Governance Law of Provinces and Counties of 1994 and Local Self-Governance Law of Metropolitan Cities of 1994 were canceled.
4. The Research, Development, and Evaluation Commission of Executive Yuan was responsible for promoting cooperation between the central and local governments.
5. It is obvious that allowing election of the Taiwan province is politically unnecessary and potentially paralyzing because any directly elected province magistrate would become the second most powerful politician in Taiwan and could belong to a different political party from the president's.
6. According to article 9 of the amendments to the constitution:

The system of self-government in the provinces and counties shall include the following provisions, which shall be established by the enactment of appropriate laws, the restrictions in Article 108, Paragraph 1, Item 1; Article 109; Article 112 through Article 115; and Article 122 of the Constitution notwithstanding: (1) a province shall have a provincial government of nine members, one of whom shall be the provincial governor. All members shall be nominated by the president of the Executive Yuan and appointed by the president of the Republic. (2) A province shall have a provincial advisory council made up of a number of members, who shall be nominated by the president of the Executive Yuan and appointed by the president of the Republic.

This information was accessed from <http://www.president.gov.tw/en/>

7. They are central, provincial/municipal, county/city, and borough/village governments.
8. Data are from the Web site of the Ministry of Interior (<http://www.moi.gov.tw/stat/>), accessed July 19, 2008. There are 32 country municipalities, 61 urban townships, 226 rural townships, and 49 districts within 368 city/township governments and districts. Also, within the 7,826 villages/boroughs, there are 2,993 villages and 4,833 boroughs.
9. "Black" means the connection between organized crime and local politics. "Gold" means that money matters in local elections. The "black-gold" structure is implemented through vote-buying behaviors in local elections.
10. These organizations include local farmer, fishermen, and farmland irrigation organizations, Buddhist temple governing boards, local associations of community development, etc.
11. According to population statistics at the end of 2006, the two local authorities have about one-quarter of the total population in Taiwan.

12. The committee is an ad hoc organization with an administrative decree and is supervised by the Ministry of Economic Affairs of the central government. A formal bureau is planned for the future. The minister of economic affairs serves as the committee chair with 23 committee members from various central and local government agencies. The primary goal of this committee is to prevent further pollution of the Kao-ping River. For related information, please see the Web site at: <http://www.kpriver.com.tw/index.php>
13. The data come from coding summit records from the following Web sites of the Research, Development, and Evaluation Committee of the Kaohsiung city government: http://rdec.kcg.gov.tw/cooperation/cooperation_2.htm
14. The official Web site is <http://www.ntdc.org.tw/00.htm>
15. According to 2006 data from the Ministry of Interior, the population of this area is about 46.3% of Taiwan's total population.
16. The division of labor is Keelung City: recreational service, Taipei City: health and welfare; Taipei County: economic development; Taoyuan County: transportation; Ilan County: security and disaster management; Hsinchu City: culture and education; Hsinchu County: minority administration; and Miaoli County: environment and resources management.
17. The scope of MALG includes structural and functional reform according to public governance principles and agreements between central and local government systems.
18. They are (1) facilitating the achievement of national objectives, (2) removing unnecessary duplication, (3) obtaining better value for taxpayer money, (4) making services more responsive to local needs, and (5) empowering citizens to participate more in decision making.

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Chapter 26

Public Service Ethics and Corruption in Taiwan

Chun-Ming Chen and Wen-Jong Juang

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26.1 Introduction

This chapter provides an overview of public officials' ethics and anticorruption efforts in Taiwan. It outlines the forms and structures of anticorruption agencies and major laws and regulations, and spells out what Taiwanese and civil societies have done, and can do, to reduce the level of corruption in society.

Historically, because of the strength of the party–state and the political will of the authorities, Taiwan was listed as one of the authoritarian polities with low levels of corruption (Amundsen 1999, 21). However, vote buying for the KMT candidates in the elections has become rampant. In reality, since 1980, facing a serious challenge from the opposition DPP, the KMT has turned to local factions (Hsueh 2007, 12), many of which have ties to criminal networks. Increasingly, more local faction leaders and even gangsters have been put into positions of political influence, contributing to corrupt patron–client relationships. The party has turned itself into one of Taiwan's richest incorporated enterprises with assets once valued in the trillions of Taiwan dollars. Thus, the KMT has been associated with Taiwan's economic “miracle” and initiation of democratization, but it has also frequently been criticized for its connection with gangsters (black) and obtaining money interests (gold) through inappropriate means.¹

The DPP gained considerable support in the 1990s through its reform agenda, even from those opposed to the DPP position on Taiwanese independence. President Chen Shui-bian, a former Taipei mayor, was noted for his attempts to clamp down on “black–gold” throughout his career. However for the last couple of years, several scandals have involved President Chen's relatives and inner circle, certain leading politicians, and high-ranking officials exploiting their

control of government for personal wealth (Shih 2007, 88) in a typical “black-gold” manner. Thus, the public perception of the DPP regime has been reversed and President Chen and the DPP government have faced mounting pressure. Following his stepping down from presidential office, the former president was detained² by the Taipei District Court for Special Investigation Task Force’s indictment on charges of embezzlement, corruption, and money laundering at the end of 2008.

Against this background, citizen interest in ethics has risen and government and various government agencies have become involved in investigating matters of corruption.

26.2 Organizational Division of Labor

What are the structures and functions of a public service system in setting up ethics and monitoring and executing anticorruption in Taiwan? What do major laws and regulations offer to curb corruption? Are powers given to law enforcement to facilitate action against corruption?

26.2.1 Anticorruption Agencies (ACAs)

According to Quah’s (2007, 73–74) assessment of the effectiveness of four Asian countries’ anticorruption agencies, there are three patterns of controlling corruption: (1) no specific law enforcement agency, (2) existence of several anticorruption agencies, and (3) creation of a unique corruption control agency (the most popular pattern). Taiwan’s anticorruption system can be categorized as following the second pattern.

Broadly speaking, the anticorruption system is composed of the prosecutors’ offices, the investigation bureau under the Ministry of Justice (MJIB), the Control Yuan, and government ethics office configurations at all levels of government. The first three are engaged in overseeing and supervising actions or inactions of elected officials and career public servants from the outside. The enactment of anticorruption laws is undertaken mainly by the prosecutors’ offices, the MJIB, and the Department of Government Ethics (DGE) under the Ministry of Justice (Kuan 2007, 1).

The government ethics offices and Control Yuan are anticorruption institutions in a narrow sense and complete their duties by partly or fully exercising illegal incident prevention, ongoing work on monitoring, and investigating violations (Chang, Chen, and Yeh 2006, 104–105). Without judicial power to conduct detection, government ethics offices have learned to take advantage of being accessible to public servants and have been transformed into playing a leading role in corruption prevention.

26.2.2 Prosecutors' Offices and the Special Investigation Center

The prosecutors' offices are set in parallel with courts at different levels—namely, the Supreme Prosecutor Office, the Taiwan High Prosecutor Office (with six branches), and the district prosecutor offices. In keeping with the principle of unified operation, the prosecutors' offices of respective levels are all subject to the command and supervision of the prosecutor-general of the Supreme Prosecutor Office.

The task of “corruption crackdown” is the responsibility of the prosecutors' offices, which command the field stations of MJIB and DGE units investigating and handling corruption cases to stop the practice and clean up the ranks of government offices. To implement the Executive Yuan's action plan for eliminating corruption and respond to social demands for a powerful, efficient, and professional task force in the fight against political corruption, in 2000, the Taiwan High Prosecutor's Office formed a Corruption Investigation Task Force (Black–Gold Investigation Center) and four special investigation units located in its branch offices. This occurred after Taiwan's first alternation ever of the party in power by then Justice Minister Chen Ding-Nan.

The Black–Gold Investigation Center got caught between political maneuvering and lower level prosecutors because funding had become too difficult to secure. For the former, opposition lawmakers under investigation of alleged acts of bribery were said to threaten to cut the center's proposed budget in retaliation³ (*Taipei Times* January 20, 2005). For the latter, much of its work overlaps with district prosecutors (i.e., the anticorruption task forces under district prosecutor offices), and the center seemingly conflicts with the Code of Criminal Procedure, which states that prosecutions must be presided over by district offices rather than the high court. In addition, the center is not included in the Court Organic Law (which establishes legal institutions). Some suggested that the Court Organic Law should be amended and the center's powers clarified in relation to the district prosecutor offices or that the center should be closed down (*Taipei Times* February 11, 2005).

Probably because it could better withstand political interference, the center did not close and was authorized to use the resources of district prosecutors, the MJIB, military police, and regular police. Moreover, because the Black–Gold Investigation Center had investigated and prosecuted serious and sensitive cases that might not be easily resolved at a district level, few doubted what had been achieved. Analytically, unlike district prosecutors, the center can focus on a single, serious case and take it to court quickly. Last but not the least, legislators' tactics were revealed by the media and the center gained support from nongovernmental organizations (NGOs), which ultimately kept its budget alive.

In 2007, a special investigation task force, which operates directly under the leadership of the Supreme Prosecutor's Office, was established to address the expectations of the citizenry. Under the Court Organic Law, the team is in charge of probes into alleged bribery and other irregularities involving the president, vice president, and heads of the five government branches, as well as generals and cabinet members. The team is also commissioned to take charge of efforts to crack down on illicit practices related to elections, as well as major corruption and economic crimes (*China Post* April 3, 2007). Prosecutors have gradually gained credit with higher integrity, mainly recognized in the case of putting President Chen into custody, though some may hesitate to consider them entirely independent.

26.2.3 Government Ethics Office

As an authority in charge of maintaining honest and transparent operation of the public service, the Government Ethics Office (GEO) under the Ministry of Justice oversees 2,500 government ethics officials. They are stationed in various agencies in order to eliminate malpractice and cultivate integrity awareness. All of the GEO's staff members are career public servants.

The GEO is given limited investigative powers, as mentioned earlier. Thus, reluctantly but progressively, the GEO's central mission has been transformed into a relatively more preventively oriented anticorruption agency, although it also digs out wrongdoing after it has happened in collaboration with prosecutor offices and the MJIB. The GEO takes charge of corruption prevention in terms of engaging in early-warning mechanisms built for various levels of government agencies through corruption and malfeasance case discovery and information gathering in accordance with the Act of the Establishment of the Government Ethics Units and Officers (Ministry of Justice 2008, 251). This includes review of public financial disclosure reports. Preventive measures such as standards of conduct, education, financial disclosure, and performance review apply principles of accountability and transparency to the conduct of public officials.

To prevent government's image from being damaged by major corruption crimes committed by high-ranking officials, a task force in a paparazzo style was set up by the GEO to watch high-ranking officials, who are considered susceptible to falling prey to corruption, closely (Ministry of Justice 2008, 17). The MOJ also created an anticorruption complaints mechanism. Government ethics officers are asked to give prompt response to citizen complaints, treat them as separate projects, and keep track of them (Ministry of Justice 2008, 17). It is to be hoped that citizens' trust in government will be regained.

With the assistance of Transparency International-Taiwan (TI-Taiwan), the GEO is now in the process of developing a government integrity index (GII) composed of both subjective and objective indicators for measuring the ethics performance of the central government and 25 city/county governments.

26.2.4 Ministry of Justice Investigation Bureau

The Investigation Bureau of the Ministry of Justice (or MJIB) has full capacity of judicial investigation and plays a significant role fighting corruption in accordance with its nine duties (the fourth and ninth duties in particular⁴). The main tasks of MJIB are to ensure public security, strengthen social stability, and promote people's well-being. Its Anticorruption Department (ACD) has been charged with commanding the field offices and stations in cracking down on corruption. Accordingly, rooting out corruption and abuse of public office is one of the MJIB's designated assignments.

The MJIB's anticorruption responsibilities were originally assigned to its first department, without specification of anticorruption. After May 1979, criminal investigation was transferred to a newly formed Economic Crime Prevention Center. Then, 2 months later, the center reorganized itself and incorporated actions against corruption once again. With the rising expectation toward a "cleaner" administration, a dedicated Corruption Elimination Department was established. The role of fighting corruption was highlighted, and the anticorruption activities in the MJIB were separated from other criminal investigations and became an independent key initiative. In February 1991, the department was renamed the Anticorruption Department (ACD) (Ministry of Justice Investigation Bureau 2007; 2008, 171)—a task force in nature pending the push for its amendments to the organic law.

The Prevention Team of Public of Public Works Abuses in ACD is responsible for planning, promoting, and executing the prevention or investigation of public works abuses. All field stations have been instructed to cooperate with the GEO to have full control over intelligence to investigate. In the end, the MJIB is formally empowered to investigate cases involving corruption, bribery, etc., although the expansion of the bureau has raised concerns that its authority might overlap with that of the GEO.

In 2008, the former director-general of the MJIB, Yeh Sheng-Mao, was sentenced to 10 years in prison for withholding information related to the former first family's alleged money-laundering activities and leaking confidential information to ex-president Chen (*Taipei Times*, December 31, 2008). Yeh's "blind loyalty" to the former president might be an isolated case, but it has already damaged the bureau's credibility because its staff members are supposed to uphold impartiality and justice.

26.2.5 Ministry of Auditing and Department of Asset Disclosures by Public Functionaries of the Control Yuan

The control system in traditional China began more than 2,000 years ago in the Chin (246–206 BC) and Han (206 BC–AD 220) dynasties. Generally, certain

posts are responsible for supervising and investigating officials and officers, counseling the emperor, and disciplining officials.

As an independent supervision (control) branch of the five-power constitution, the Control Yuan is responsible for correcting government officials at all levels and monitoring the government through the powers of impeachment, censure, and audit. The 24 members of the Control Yuan are nominated by the president and confirmed by the Legislative Yuan. They are not allowed to hold any other public office, engage in other professions, or have any political party affiliation. Unfortunately, when DPP President Chen proposed a list of member nominees for that body to the KMT (Pan-Blue Coalition)-controlled Legislative Yuan, they refused to ratify it. Thus, the Control Yuan (members) has been vacant since February 2005, allowing government agencies to enjoy a long period without supervision.

In accordance with the audit law, the Control Yuan creates a Ministry of Audit (National Audit Office), with a presidentially appointed auditor-general. The ministry is responsible for auditing all government expenditures at central, provincial, municipal, county, and city levels. The Ministry of Audit exercises the power of audit independently, free from any interference (Control Yuan 2008). In addition, to comply with the Public Functionaries Conflict of Interest Prevention Law, the Control Yuan investigates and disciplines in matters that involve conflicts of interest.

In recent years, a suggestion has been made that the Control Yuan should hold government performance accountable (Chou 2008, A15). Also, it has been suggested that members not serve second terms and that half of the members should be reelected every 4 years to increase independence in the exercise of their duties (Lee 2008). Although the power of the ombudsman has long been institutionalized in Taiwan, its function has at best been mediocre. Following resuming its operations in 2008, there are high hopes for this unique device for controlling public servants.

It is obvious that none of the four anticorruption-related agencies has comprehensive authority over anticorruption efforts. Of course, if such efforts involve not only investigation but also prevention, the prosecutor's office may not be an ideal dedicated government ethics institution. The GEO is designated to be the nexus of getting government ethics rectified; yet, its capacity for judicial investigation has fallen short from its beginning. Anticorruption is one of the defined nine duties of the ACD, but it has been physically distant from various administrative agencies and has not fully exercised its muscle. The bureau's expansion⁵ raised concerns that its authority might overlap with that of the GEO. Acting as a "watchdog" institution, the Control Yuan has fallen short in exercising its right to conduct searches and in directing other agencies.

As far as future prospects for the Taiwanese anticorruption system are concerned, keeping the multiple-agencies model intact or alternatively resorting to a unified type can be no easy choice. In any case, a well functioning anticorruption

system of the preceding four agencies and institutions inside and outside government that monitors government activities is indispensable.

26.3 Some Major Laws and Regulations

As is the case in China, public officials in Taiwan have been exposed to Confucianism and the paternalism (to a less extent) signified, on the part of imperial Chinese officials, in terms of “service discipline”—namely, disciplining oneself and self-cultivation—which is a relatively more internally oriented control of public servants (Chen and Tsai 2006). It embodies the self-conscience of ethic values and administrative duties. However, government in Taiwan, just like its counterparts around the world, has created various codes of conduct reinforced by training that raises ethics awareness. It has developed as well a relatively sound oversight mechanism that covers issues like asset declaration, money laundering, conflict of interest, and opening up government information in serving public interests.

26.3.1 *The Anticorruption Statute*

Under the Anticorruption Statute, acts of public servants who seek illegal private gains on matters under their management or supervision, betray their duty by taking bribes, take bribes while in the exercise of duty, or betray their duty by delivering bribes are considered major counts of crime. They are punishable with imprisonment of at least 5 years and fines of up to US\$33,300. A public servant who surrenders himself or herself after committing a crime and voluntarily hands over all the gains from that act may have the penalty commuted or exempted.

26.3.2 *Public Servants Asset Declaration Act*

As early as 1993, when the Public Servants Asset Declaration Act was put into effect, certain officials were required to declare such assets as immovable property, bank deposits, foreign currencies, securities, bonds, and debts. These officials include heads of government agencies of rank 10 (on a scale of 14 ranks) or above or with equivalent rank, major generals or above, elected officials and representatives at or above local-level administrative and legislative bodies, and those in charge of police administration, judicial investigation, taxation, customs affairs, land administration, auditing and accounting, urban planning, stock and security supervision, and procurement. The declaration is made within 3 months after assuming office or during early November to the end of December of each year.

Declared asset information of the president and vice president of Taiwan, the presidents and vice presidents of the five government branches (namely, Executive, Legislative, Judicial, Control, and Examination yuan), political appointees, and elected officials and representatives is published in the government gazette. Public

reports are also made available to anyone upon request. A number of requests have been made by the media, public interest groups, and others. Although there are limited penalties for lies on the form, the scrutiny of the press and the public has more or less led to compliance with disclosure.

Even so, the Public Functionary Assets Disclosure Law has had a limited effect in monitoring corruption among government officials. One of the major reasons for the law's being considered a "toothless tiger" has something to do with the Control Yuan's lack of resources to enforce it. To be more specific, the Control Yuan only has enough resources to conduct random reviews of asset-disclosure reports filed by officials. The maximum fine for falsifying reports has hardly been a deterrent. Even if it discovers suspicious movements of assets or other signs of corruption in the reports, the Control Yuan has seldom gone a step further and investigated criminal responsibility.

26.3.3 The Money-Laundering Act

As the first country in Asia to enact a money-laundering bill into *law* (1996, amended in 2002), Taiwan requires financial organizations to establish the identity of customers making currency transactions over US\$33,300 and to report transaction records to the Money-Laundering Control Center of the MJIB.

A breach of the Money-Laundering Act is punishable with a prison term of up to 5 years or in addition thereto a fine of up to NT\$3 million. If it is needed, the suspect offender's assets may be frozen. To prevent cross-border money laundering and facilitate the pursuit of such offenders, this law allows government agencies to sign cooperation agreements with foreign governments. The government in Taiwan has also established a financial information system to chase down deposits and withdrawals of criminally connected funds in bank accounts.

However, the law is not sufficient on its own. The Money-Laundering Act has been seriously tested in the scandal of former MJIB Director-General Yeh's covering up for former President Chen when a foreign anti-money-laundering organization was investigating alleged money laundering by Chen's family (*Taipei Times* 2008, December 4).

26.3.4 Public Functionaries' Conflict of Interest Prevention Law

In view of promoting honest government, curbing improper practices, and preventing corruption and the offer of illegal favors for private gain, government in Taiwan promulgated the Public Functionaries' Conflict of Interest Prevention Law in 2000. According to this law, if a public servant is aware of a conflict of interest, he or she should immediately file a report. In addition, public servants are not allowed to use their position, power, opportunity, or method to pursue profits for themselves or for related persons. Last but not least, a public servant and his or her relatives should

not involve themselves in transactions, leases, or contracts in the organization for which the employee works or that is placed under his or her supervision.

The so-called interests under this law include property and nonproperty interests. The latter refers to the use of a public servant or his relatives for appointment, promotion, transfer, and other personal advantage. These rules were put into effect in 2002.

26.3.5 Opening Government Information Act

In a democratic society, elected representatives of the people and an active civil society ensure that public service managers adhere to acceptable standards of professional conduct in carrying out their official responsibilities. This is mainly achieved by making the business of government open, transparent, and accountable (Harmon 1984).

Responding to rising citizen participation in decision-making processes, Taiwan passed the Opening Government Information Act in December 2005. Ordinary citizens are allowed to share and fairly use government information. The Ministry of Justice has made considerable effort to publicize the law through education, training, and the media in hopes of making government information more transparent. It is essential to protect people's rights to know because this furthers their understanding of, trust in, and will to participate in public affairs, thus contributing to a government with integrity.

26.4 The Development of Major Anticorruption Measures

What approaches and strategies are being taken to remedy problems affecting public service ethics and corruption control? What progress has been made by the government in its efforts to promote integrity?

26.4.1 Redirection and Restructuring of Existing Anticorruption Mechanisms

To respond to rising anticorruption consciousness, the Ministry of Justice put the Anticorruption Action Program into effect in November 2006. Both the GEO and the MJIB increased manpower in charge of abating corruption and gave more priority to work on honest administration and administrative incentives. Simplified case-handling processes were developed to hasten time efficiency and work on major cases.

No single special organization is in charge of coordination efforts (Kuan 2007). A liaison mechanism—Central (Regional) Liaison Meetings across

Investigating Apparatus and Government Ethics Authorities—has formed, and the plan for the establishment of a unified and relatively independent anticorruption organization⁶ is plausible. It would be better to integrate limited resources in both preventing and curbing corruption. As a matter of fact, one thing worth noting is that legislation efforts (especially those made by the GEO) for a single institution are continuing. Citizens have high expectations for an independent and effective anticorruption agency, as revealed in a series of integrity surveys conducted over the last 5 years.

26.4.2 Public Servants' Corruption Cases and Prevention Strategy

Unlike counterparts in the United States, where the designated agency ethics official (DAEO) of an individual government agency provides ethics counseling and training to every public official (Comstock 2001, 3), workshops and regular seminars held by Taiwan's GEO and MJIB have focused on ethics staff members and on-the-job training methods. Even though they are most likely to know the ethics issues facing their agency, GEO staff provide employees with little ethics training with well-planned, required core courses (Ministry of Justice 2008, 29).

That mandatory ethics training to every public official has not been offered by ethics staff on a regular basis has been echoed in a cross-cities/counties survey that examined local public servants' perception of administrative ethics. According to Huang and Chen (2002), 77.1% of local government officials recognized the importance of ethics training, but one-fifth (19.3%) stated that they had not been trained since their novice orientation. More than one-third of local officials had never been offered any formal ethics training by their organizations. Less than one-quarter of the respondents (24.7%) mentioned receiving training courses regularly provided by government agencies.

Both GEO and MJIB ethics staff have benefited from sharing experience by holding anticorruption seminars and compiling case study reports for prevention, gaining familiarity with laws and regulations, and improving investigative skills. An analysis of cases for the past couple of years shows that most corruption and malfeasance cases were based on the anticorruption statute, followed by criminal code. Most charges involve profiting, embezzlement or larceny of properties, fraud to profit with function, and taking bribes (Ministry of Justice Investigation Bureau 2008, 225).

To facilitate corruption investigation and prevention, publicity and educational campaigns of anticorruption works have been used in communities (Ministry of Justice Investigation Bureau 2008, 177–179, 182–184; Ministry of Justice 2008, 43–63, 257–287). In addition, both the GEO and the MJIB have compiled reports suggesting actions by various authorities, and special attention has been given to such businesses as public procurements and construction, and river and gravel inspection (Ministry of Justice 2007, 2008, 43–74).

In addition, the GEO has conducted an antiwaste program through special case auditing and checking “campaign checks” initiated by representatives and elected officials.⁷ In 2005, for instance, the GEO pursued administrative responsibility in 13 cases involving 30 persons. The GEO also helped the competent administrative agencies to work out improvement proposals in 75 construction projects and brokered leases (after changing design sometimes) for 34 cases (Ministry of Justice 2007b, 21–22). Of 166 idle or suspended public construction projects, 29% involved more than NT\$40 billion. The GEO helped authorities to work out improvement plans.

26.4.3 Anticorruption Agencies and Community Relations

Since 2003, the MJIB has begun efforts for publicity and education campaigns as well as changing from a “conservative” style to a proactive approach seeking to increase anticorruption awareness throughout all walks of life. This was in part motivated by the extraordinary achievements of the Independent Commission against Corruption (ICAC) in Hong Kong. The MJIB incorporates actual experience into anticorruption publicity campaigns, trains instructors, solicits project and activity plans, and uses publicity events involving schools, associations, and communities for disseminating concepts of probity through art, literature, speech contests, and symposia (Ministry of Justice 2008, 182, 211).

In 2006, government ethics authorities also launched an enhanced anticorruption publicity program. Some local-level government ethics offices recognized movies and courses at community colleges that discuss matters of government integrity, such as the interpretation of relevant public poll results (Ministry of Justice 2007b; 2008, 37, 247–267).

26.4.4 Amendment to Public Functionary Assets Disclosure Act to Encourage Transparency

The Legislative Yuan amended the Public Functionary Assets Disclosure Act of 1993 in 2007, strengthening Taiwan’s legal system against corruption. The amendment tightened regulations on the property declared by public servants and expanded the scope of coverage (*Taipei Times* March 6, 2007).

After the amendment was put into effect, high-ranking officials, local government leaders, and CEOs of state-owned enterprises were required to declare their assets for auditing after they assumed and left office. This measure increases transparency in government affairs. The amendment stipulates that officials must place their personal assets and those owned by their spouses and children into trusts within 3 months of assuming office and, for those already in office, within 3 months of the effective date of the regulation. The definition of property was expanded to include valuables, such as jewelry and antiques; declarations are published on the Internet.

The law is considered part of the efforts to establish “clean” politics. Another article stated that legislators and city and county councilors not only have to put their assets into trusts, but also have to report changes in their assets and those of their spouses and children each year, including all records of transactions and ownership transfers. Officials and representatives who fail to file reports, make fraudulent reports, do not explain large increases in wealth, or attempt to conceal assets can be punished by fines of up to US\$125,000.

Since the act was put into effect,⁸ around 50,000–60,000 people have been required to report assets, doubling the former number. The MOJ formed a task force to train staff to educate officials on proper reporting procedures.⁹ However, the agency at the Control Yuan that was in charge of reporting on officials’ assets fell short of staff to handle the increased workload because of the expansion of the law’s coverage. This inevitably hindered the law from being put fully into effect.

The MOJ also emulated Singapore and Hong Kong by “allowing the courts to treat as proof that an accused person was living beyond his means or had property beyond the reach of his income as collaborating evidence for his alleged corrupt practices” and added the provision on the criminal responsibility for possession of assets coming from unclear sources (Keong, 2003). Also, officials can be fined up to NT\$3 million (US\$91,200) if they are found to possess assets that are two times higher than the combined amount of their salaries and those of their spouse and children and are unable to explain the source.

26.4.5 Notifications for Administrative Disciplinary Actions and Compilation of Reports on Prevention Actions

Cases in which violations of laws and regulations or showing of neglect of duty are short of conviction are referred to other supervisory authorities. Severe cases in accordance with the Public Functionaries Discipline Act can be referred to the Control Yuan for dismissal, removal, stopping, demoting, major demerits, demerits, admonishment, and written warnings. For example, suppliers engaged in bid rigging are reported to authorities, who may suspend tender, confiscate a cash deposit, or suspend bidding rights in order to maintain the fairness and correctness of government procurement.

From July 2000 to October 2007, a total of 10,705 corruption cases had been indicted; these involved prosecutions against 620 high-ranking civil servants, 623 elected representatives, 1,917 middle-ranking civil servants, 3,081 low-ranking civil servants, and 4,464 citizens. Judging from the indictment percentage of medium-level officials and elected representatives, it is obvious that the targets of crackdowns on corruption were not limited to low-level public servants; on the contrary, they extended to the medium and higher levels. Yet, the effects for administrative disciplinary actions suggested by the MJIB remain to be seen. In 2006, for example, among a total of 233 cases or persons involving administrative illegitimacy referred by the MJIB, only 37 cases (12%) led to administrative or disciplinary action.

To better educate and equip civil servants with proper knowledge and keep similar cases from recurrence, initiatives have been implemented to pinpoint flaws and inadequacies and make suggestions to the authorities concerned. Both the MJIB and the GEO have compiled reports by using cases generating preventive measures as reference to help improve internal regulations and work processes (Ministry of Justice Investigation Bureau 2008, 104–141; Ministry of Justice 2008, 43–138).

26.4.6 Self-Imposed Commitment by Cabinet

In response to a series of alleged scandals, the DPP cabinet has used higher standards to regulate its political officials. The initiative's goal is to block the possibility of insider trading through the use of government information and to bolster the reporting and monitoring of movements of assets of government officials. Although the existing law on the reporting of assets by public functionaries does not require mandatory trusts,¹⁰ the DPP cabinet under Premier Su Tseng-Chang did require all cabinet members and other government political appointees to put their assets and those of their spouses and minor children into blind trusts.

According to the new rules, “Key Points for Implementation of Compulsory Trust of Assets for Political Appointed Officials in the Executive Yuan and Subordinate Agencies,” 105 political appointees in the Executive Yuan and affiliated agencies such as the Central Election Commission and the Central Bank of China, as well as 27 politically appointed ambassadors or representatives abroad, would be affected. Afterward, political appointees, their spouses, or minor children would not be allowed to instruct the trust companies to take actions to manage or dispose of the concerned assets without reporting such action in advance to the Department for Government Employee Ethics.

The assets placed in blind trust will still have to be reported to the Control Yuan under the requirements of the law for the reporting of assets by public officials. With the new rules marching ahead of the law, the cabinet displayed resolution to set higher demands on its members and to meet the expectations of the people for “clean” governance. On the other hand, this more or less implies inaction of the opposition KMT controlling the Legislative Yuan in promotion of the legislation of sunshine laws.

26.4.7 Political Parties, Legislators, and Amendments to the Sunshine Laws

Legislators frequently interact with interest groups in their legislative interpellations when cosigning bills, making statements, or blocking legislative bills. Whenever money is involved—whether it is in the form of political donations, campaign donations, activity sponsorships, or administrative fees for assistants, offices, or transportation—the legislative profession is at high risk of corruption.

Without moral and behavioral guidelines, intentional or unintentional violations of the law by legislators are unavoidable (e.g., being able to distinguish a “bribe” from a “donation”). With clear rules, understandably, honest legislators can concentrate on their jobs, knowing where their actions stand legally. In this regard, the Public Officials Election and Recall Act was revised to stiffen penalties for those convicted of buying votes in 2005. Those convicted face a mandatory jail sentence of 3–10 years.

According to a news report, a political appointee colluded with government workers by using government spending to arrange a dinner with the purpose of seeking support for the election of a certain candidate in a legislative election. In return, city officials were granted overtime payment for those who agreed to participate in a political rally for this candidate. Lee Yi-ting was the first legislator-elect to be indicted in the wake of the elections. He conducted vote buying through Farmers’ Association staff before elections, made visits to temples and made donations, and personally solicited support for his election bid (*Taipei Times*, January 24, 2008).

In another case, Vice Minister of Economic Affairs Hou was indicted by the Public Prosecutor’s Office on corruption charges of using the influence of his position to involve himself in seven flood-control construction projects. He also accepted bribes from the contractors in return for assurances that two officials would help them win their bids (*Taipei Times* November 29, 2007).

In view of legislators who are now engaged in legal trials and who hold positions on finance and budget committees (and who have strong ties within the financial and banking sectors), both the KMT and the DPP have become increasingly concerned about keeping a good perception of their members in the Legislative Yuan in order to win electoral support.¹¹ The two major parties have even traded accusations on failed bills. The KMT blamed DPP committee heads for blocking the review of sunshine bills, while the DPP said that the KMT-controlled Procedure Committee was at fault.

For the purpose of helping the public monitor legislators’ performance, it is necessary to open the legislative agenda and make party negotiations more transparent. Submitting to public pressure, KMT legislators reached a consensus with DPP legislators and agreed that the sunshine laws should be cleared by the legislature. Sunshine law legislation refers to an amendment to the Public Functionary Assets Disclosure Law to oblige legislators to place their property in trusts. An amendment to the Civil Servants Conflict of Interest Prevention Act would widen the scope of the law. An amendment to the Political Donation Law would stipulate a maximum amount for donations.

26.4.8 New Integrity Rules for Public Servants

It has been a social custom in Taiwan to present red envelopes containing money to business associates during holidays or special occasions such as weddings and

celebrations and to give money in white envelopes at funerals. However, to establish a “clean” government, the newly inaugurated KMT regime passed a set of measures to regulate the integrity of public servants and their families. According to the law, public functionaries are allowed to accept red or white envelopes on special occasions, but the amount of money cannot exceed NT\$3,000. The regulations also stipulate that public servants accepting presents from people who are not interested parties are required to report the gifts to their office.

On the other hand, inspired by codes of conduct for public office holders in the United States, Japan, and Singapore, the measure stipulates that public servants are not allowed to receive any gift valued at NT\$3,000 (US\$100) or higher or any gifts with a total value of NT\$10,000 or above from a single person in a year when the giver is deemed to be an “interested person.” Presents given to public servants via spouses, relatives, or family members living together or sharing common properties with public servants, as well as any third parties, are regarded as presents directly accepted by public servants.

Although some public servants complain that the regulations are too strict, the government maintains that the laws on gifts are even stricter than those in the United States and Singapore and that the city of Taipei uses similar ones to ensure integrity of government (*Taipei Times* June 13, 2008). In addition, the Central Personnel Administration drafted 12 ethics rules intended to encourage public servants to exercise self-discipline. However, the nature of these rules is mostly morally oriented advice.

26.5 Civil Society and Anticorruption Measures

Now we move to the following issues: What degree of public support do these anticorruption measures have? Which civil societies and nongovernmental organizations, in particular, have provided policy makers and managers with concrete guidance in the assessment of public service ethics and anticorruption measures designed for specific public organizations and sectors?

26.5.1 Citizens' Perceptions of Corruption

Because Taiwan has undergone democratization, it is reasonable for its citizens to hold public officials accountable in lieu of monitoring and control by civil society. In doing so, the initial step can be to recognize and characterize the severity of the problem—and the degree of integrity, in particular—through a survey of ordinary people's knowledge about corruption levels.¹²

For the last 5 years, as an independent NGO, TI-Taiwan has regularly been involved in the design and implementation of household telephone surveys¹³ on

behalf of the Ministry of Justice to capture the views of citizens in their roles as users of public services, subjects of regulation, clients for licenses and permits, and customers for such services as health care. For the first 3 years, the results were not released, probably because the ruling DPP feared that the data would be used to judge its management's performance.

According to the Taiwan Integrity Survey (TIS) data, the legislators of the Legislative Yuan, along with public functionaries in charge of procurement and construction and river and gravel inspection, are perceived as being the most corrupt in Taiwan, receiving scores of less than 3.90 on a 0–10 scale in terms of integrity (Table 26.1). Legislators' legitimacy in holding administrative office in an era of representative democracy is a clear concern.

Interestingly, paralleling the cabinet ministers' and executives' lowest scores ever in the 2006 integrity survey is the fact that an unprecedented number of senior officials at central government agencies had been jailed or implicated for corruption in 2005 (Table 26.1). This indicates the necessity for political leaders and senior officials to commit to the eradication of corruption in terms of showing exemplary conduct.

In their comparative examination of the degree of corruption perceived in Mainland China, Hong Kong, Taiwan, and Singapore, Peng and Chanh (2007, 103–135) argue that in terms of performance of anticorruption institutions, Taiwan cannot be compared to Hong Kong and Singapore; citizens in Taiwan seem to echo this observation. Respondents' assessment of government performance in terms of fighting against corruption and sweeping "black-gold politics" sent a message of a rising percentage of dissatisfaction (see Figure 26.1). A significant increase from 49% in 2004 and 61% in 2005 suddenly rocketed to 72% in 2006; the feeling shifted downward a little bit in 2007.¹⁴ To a certain extent, assessment of the effectiveness of the programs in favor of integrity and against corruption presents a clear challenge to the political will of Taiwan's leaders.

Negative government performance assessment goes side by side with pessimism about the future of the improvement of government integrity. According to the TIS data, since 2005 those who said they were pessimistic about government's determination to weed out corruption increased at least 5% more than those who said that they were not. The low trust in government can be seen around the world (Pharr and Putnam 2000); however, it is even tougher for a government that was believed "actually [to] encourage corruption rather than fight it" (Yu et al. 2008) to regain citizens' confidence. As predicted, President Chen and his ruling DPP seem to have paid the price for two major setbacks in the 2008 legislative and presidential elections. Citizens in Taiwan have high expectations for the newly elected central government led by President Ma to fight corruption, according to the 2008 TIS statistics shown in Figure 26.2.

Table 26.1 Perceptions of Integrity for 23 Types of Public Officials in Town: 2003–2008 TIS

Type of Public Official	Aug. 2003		July 2004		July 2005		July 2006		July 2007		July 2008	
	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean
Public medical treatment staff	1	6.3	1	6.19	1	6.04	2	5.81	1	6.08	1	6.08
Civil servants in general	2	6.02	2	5.81	2	5.83	1	5.83	2	5.95	2	5.80
Division of motor vehicles officers	5	5.66	5/6	5.62	3	5.69	3	5.71	3	5.71	4	5.74
Environmental protection inspectors	3	5.83	4	5.7	5	5.55	4	5.68	5	5.54	5	5.61
Tax collectors	6	5.65	7	5.54	6	5.54	6	5.48	4	5.56	6	5.58
Fire brigade inspectors	4	5.7	5/6	5.62	4	5.58	5	5.50	6	5.52	7	5.57
Judicial sector/prosecutors	7	5.42	3	5.72	7	5.49	7	5.33	7	5.51	8	5.46
Judicial sector/judges			8	5.47	8	5.28	8	5.14	8	5.26	9	5.28
Funeral–burial staff	13	4.84	12	5.08	10	5.03	9/10	4.96	9	5.05	10	5.03
Customs officers	12	4.88	13	5.01	11	4.91	9/10	4.96	10	4.95	11	4.96
Police officers	10	4.98	10	5.18	9	5.09	12	4.88	12	4.88	12	4.93
Prison and detention center staff	8	5.09	9	5.19	15	4.68	11	4.93	11	4.94	13	4.86

City/county head/ directors	14/15	4.79	14	4.97	13	4.78	14	4.44	13	4.56	14	4.72
Building administration officers	16	4.51	17	4.57	16	4.53	13	4.49	14	4.50	15	4.68
Town/township/city chiefs	14/15	4.79	15	4.86	17	4.46	15	4.35	15	4.43	16	4.63
Town/township/city council members	17	4.27	18	4.43	18	4.32	16	4.27	17	4.25	17	4.36
City/county councilors	17	4.27	19	4.26	19	4.07	17	3.91	18	3.99	18	4.15
Legislators	20	3.97	22	4.01	21	3.95	20	3.65	20	3.81	19	4.04
Procurement or construction staff	19	3.99	21	4.06	20	4	19	3.77	19	3.91	20	3.98
River and gravel inspectors	18	4.06	20	4.19	22	3.77	21	3.61	21	3.77	21	3.70
Cabinet ministers/ executives ^a	14/15	4.79	16	4.83	14	4.73	18	3.82	16	4.33	—	—
Average		5.04		5.07		4.92		4.79		4.88		5.00

Note: As far as the August 2003 survey is concerned, “judicial” includes judge and prosecutors, and “local representatives” includes city/county councilmen and town/township council members.

^a Respondents were not asked about integrity perceptions of cabinet ministers and executives because the 2008 TIS survey was conducted just 2 months after President Ma’s inauguration.

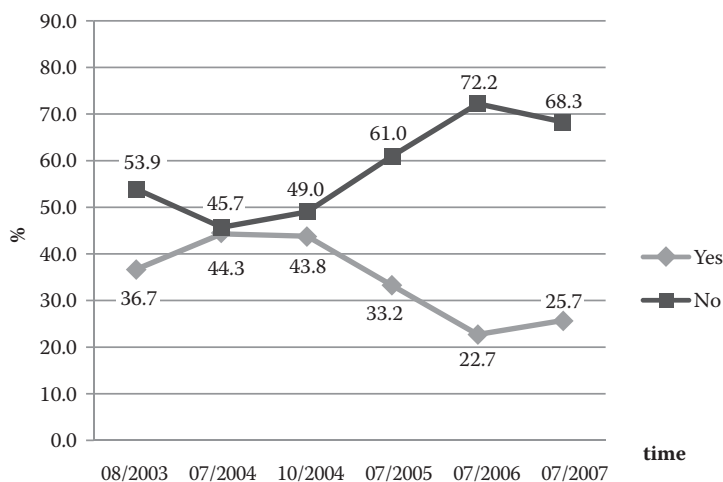


Figure 26.1 “How would you assess government’s performance on cracking down on corruption and ‘black-gold’ politics?” (From 2004–2007 TIS; <http://www.ti-taiwan.org/ch.files/doc.files/news071211.doc>)

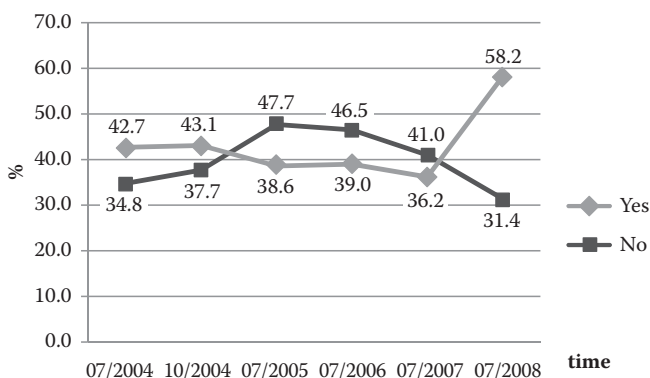


Figure 26.2 “How would you assess the improvement of government integrity in the future?” (Source: <http://www.acp.moj.gov.tw/public/Data/81226174939991.pdf>)

26.5.2 Citizen Groups’ Mobilization and Anticorruption Initiative

Nongovernmental organizations that fight corruption are gaining influence. In South Korea, civil society groups that published “blacklists” of candidates and parties tainted with corruption had a strong influence on the election outcome (*Asia Today* January 24, 2000). Legislative regulations in Taiwan allow lawmakers from

different parties to hold negotiations off the record and announce only the results. However, because it is a lawmaker's job to represent the people, the public should have access to see the working of the system. Legislators should let citizens see the processes, and closed-door, cross-party negotiations should be banned.

In order to prevent abuses of legislative power, the Coalition for Citizen Watch (CCW) was formed to push the legislature to allow more transparency—in terms of amendments of the Lobby Act and the Political Donation Act in particular—thus opening the legislative agenda to the public and making party negotiations more transparent. It urged lawmakers to make public all meetings held in the legislature in Taiwan, including closed-door, cross-party negotiations for which neither written nor visual records are kept. Because the legislature already has a video-on-demand system, which allows proceedings in all the chambers to be broadcast live online within the legislature, it would be easy to make it accessible to the public.

CCW also works with the legislature to allow civil groups to attend conferences held by legislative commissions as well as the legislature's question-and-answer sessions, which are currently only accessible to the media (*Taipei Times* March 1, 2008). The citizens' group also collects records of legislative meetings and invites academics and experts in different fields to review and analyze these meetings "so that voters will know who did what and if they were consistent."

26.5.3 *An Active Media in Revealing Corruption*

If public figures have the obligation to be monitored by the media and criticized by the public, then the free press has played a crucial role in anticorruption activities in Taiwan. Talk shows and newspapers have become important channels in uncovering illegal actions or misconduct committed by politicians and high-ranking officials. Although events such as legislators accepting bribes have taken place, they were not investigated until a magazine brought them to light.

The press multiplied its strong agenda-setting effect by reporting about corruption scandals and public perception. Because of their success in catching attention, more and more scandals exploded. Citizens' awareness of corruption and discontent with corrupt politicians is increasing. Certain cases of political corruption and bribery have even brought voters to the streets.

A former chairman of the ruling DPP and former and incumbent elected officials, lawyers, and scholars (many of whom used to be strong supporters of President Chen), along with Pan-Blue's "anticorruption, anti-Chen" campaign (ACAC) or "red shirt army,"¹⁵ initiated the "a million voices against corruption—Chen must go" campaign. They held a massive "encirclement" rally in restricted areas in the plaza in front of the presidential office calling for the voluntary resignation of President Chen amid corruption charges involving him and his family.

However, the ruling DPP seems to have succeeded during last couple of years in convincing its supporters that the mainstream media had been dominated by pro-China interests eager to sell out Taiwan. The DPP was suspected to have twisted the

anti-Chen movement deliberately into a “China bullying Taiwan” campaign, thus creating internal contradiction within Taiwan by constantly dividing, provoking, and tearing apart the Taiwanese people. For some observers, the media in Taiwan cannot be trusted to report responsibly on President Chen’s corruption. They considered the media to be at fault for its bias toward the opposition Pan-Blue camp, thus contributing to political unrest (Taiwan Matters 2006).

In any case, even if the media were suspected, they did play a significant role in exposing corruption scandals and claiming mass protest. The press has also more or less helped create the public ethos valuing integrity and detesting graft. As far as the high expectation for a comparatively objective and neutral media in raising consciousness, both press and electronic news coverage are encouraged to stick to their professional duty to report accurately in terms of investigation and commentary. After all, a well-balanced media report and an informed public are the best means to prevent corruption.

26.5.4 An Emerging Clean Electoral Culture

After decades of political transformation, citizens in Taiwan have enjoyed a democratic electoral system. From borough chief to president and from town representatives to legislators of the Legislative Yuan, all elections are competitive, although they are not completely fair because of the existence of once rampant vote buying (Liu 2000, 9). Usually, electoral bribery or vote buying is a beginning of various unscrupulous behaviors. Vote buying is one of the major factors contributing to corruption. Those elected by means of vote buying always end up profiting for themselves by leveraging the authorities because they are empowered by voters.

Fortunately, law enforcement in Taiwan has made a great effort to control corruption by conducting thorough investigations at its roots and thus preventing unscrupulous candidates from winning. Extra attention has been paid to those who have poor reputations, are associated with sinister gangs, and are alleged to have won in the election by bribery because they are more likely to involve illegal dealings in engineering procurements, staff recruitment, and publicly funded events (Ministry of Justice Investigation Bureau 2007; 2008, 257). Even so, there is still room for the Ministry of Justice, in collaboration with and with the help of civil society, to raise citizens’ awareness of the impact of the vote-buying corruption nexus and to turn vote-buying “gray”¹⁶ corruption into a “black” one, to use Heidenheimer’s terms (2002, 161).

26.6 Conclusion

Taiwan has been in the slow and chaotic process of consolidating its democracy. To make corruption fighting effective, anticorruption agencies in Taiwan need to be more dedicated and effective in stamping out corruption. President Chen’s case seems

to demonstrate that prosecutors in particular have gone far in trying to win back the people's confidence in the judicial system in this regard. Yet, efforts to make the government more transparent should include political parties too. A political party's own internal mechanisms should be able to curb problems leading to "black-gold" politics. Commitment by the government to step up efforts to increase ethical behavior of leaders, politicians, and senior officials has broad political support and is indispensable.

An informed public is the best means to prevent corruption. Although Taiwan ranked in the upper middle range in terms of the corruption perception index of Transparency International, the Taiwanese have shown that they are pessimistic about the future perspective on government determination to weed out corruption. They have been relatively aware as well that corruption may not only undermine the quality of a government's administration but also diminish its competitiveness. This is evidently reflected by active media exposing "scandals" and thus sabotaging the then ruling DPP's credibility or the "red shirt army" citizen movement against the corrupt DPP regime. Nongovernmental organizations must continue to be a significant factor in keeping politicians and public servants vigilant and not being seen as giving in to corruption. It is hoped that this will bring light to the dark side of this steadily progressing democracy.

Notes

1. Fell's piece (2004, 22–23) on party position and party competition in Taiwan showing the image of the KMT as corrupt has been stereotyped in the public imagination since the early 1990s.
2. The opposition DPP has questioned whether the change of judges before Chen's detention trial was a result of political pressure (*Taipei Times* December 31, 2008, 1).
3. Examples of these were cases implicating former independent legislator Lo Fu-chu, Chinese Nationalist Party (KMT) legislator Ho Chih-hui, and independent legislator Yen Ching-piao, as well as the Hotel Royal Chihpen loans case and the Jin-Wen scandal.
4. Number 4 ("to prevent corruption and malfeasance, and investigate vote-buying") and number 9 ("to investigate and guard against matters related to national security and interests, assigned by superior authorities") are the legal basis for the MJIB conducting anticorruption measures and investigating vote-buying cases (Ministry of Justice Investigation Bureau 2007, 2008, 170).
5. The bureau's size and scope of investigation have expanded from 7 departments to 15; all investigators have become "senior investigators" and have been allowed to request assistance from the judicial system and police agencies since December 2007. The bureau is now empowered to investigate, among others, cases involving corruption, bribery, various crimes, cross-strait intelligence, and matters of national security.
6. As far as it is concerned, the then opposition Kuomintang has been accused of blocking amendments to the Organic Law governing the establishment of an anticorruption bureau under the Ministry of Justice (other than the existing Government Ethics Office) from being put onto the legislative agenda by making use of its majority in the legislature's procedure committee.

7. The DPP administration's policies of suspending the ongoing construction of the number 4 nuclear power plant is a typical case. The waste of valuable national resources amounted to more than NT\$2.5 trillion, according to the Ministry of Auditing.
8. As to when the act would come into force, Kuomintang legislator Joanna Lai said that no date was specified because the implementation of the bill would involve a multitude of different agencies, including the Executive Yuan, the Control Yuan, and the central and local election commissions. She urged the Executive Yuan to enforce the rule as soon as possible.
9. Kuan Kao-yueh, the director of the Department of Government Ethics under the Ministry of Justice, mentioned this in a press conference held in March 2007.
10. According to Director Kuan of the MOJ Department of Government Ethics, "It was because all outside scholars all opposed a requirement for compulsory blind trust" that the proposed changes retained the provision for "voluntary" placement of assets in trust. "Now that the Executive Yuan has taken the lead to require compulsory blind trusts and if the people and legislators feel that this measure should be taken, we will revise the changes to include blind trusts," MOJ Department of Government Employee Ethics Director Kuan told reporters. He said that his department had drafted proposed revisions to the law requiring the reporting of assets to the Executive Yuan the previous December.
11. The KMT Legislative Caucus affirmed the ruling of DPP's intention to administer with competence and integrity; however, it considered the measures to be insufficiently comprehensive because the framework did not include investment funds. For the KMT caucus, they might have an effect only in form and not in substance.
12. Ordinary people's knowledge about corruption levels is not necessarily reliable and falls into the area of "perceptions." Usually, things are in reality getting better, but public perceptions are based on anecdotal experiences from the past. Even so, the resulting data provide a baseline against which to measure future change.
13. Each of the surveys reached out to 1,600 respondents.
14. Government performance in terms of sweeping "black and gold politics" was not covered in the 2008 TIS survey because it did not seem reasonable to assess a newly inaugurated regime.
15. Although some accused the "red shirt army" leaders of breaking the law (*China Post* October 8, 2006), others considered that the most remarkable thing about the protest was not its numerical strength but rather its peacefulness.
16. Some Taiwanese seem to have become used to vote buying and consider it more widely tolerated, though still illegal (*Taipei Times* 2004).

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Chapter 27

Performance Management Reforms in Taiwan

Chaomeng J. Huang and Lung-Teng Hu

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27.1 Introduction

To facilitate the improvement of public services and the reinvention of government, performance measurement and management have become pervasive practices in public administration. In Taiwan, practices of tracking and assessing public programs and agencies' efficiency and effectiveness have been started in the central government with the broad concept of performance management since the 1950s. Along with reforms and transformations time after time, the idea of performance management has been deeply rooted in Taiwan's governmental institutions and operations.

This chapter attempts to examine the state of performance management reforms in large, general-purpose public agencies in the central government of Taiwan. In the following sections, first, the development and recent practices of performance management systems in Taiwanese central government will be introduced. Next, the chapter presents the practices employed in the performance management system and associated initiatives that are expected to expand the synergy of performance management practices. Then, the chapter turns to discussion of some accompanying challenges that should be overcome. Finally, this chapter will be concluded by mapping Taiwan's experiences in performance management reforms.

27.2 Development of Performance Management Systems in Taiwan

In this section, we introduce the development of a performance management system in Taiwan. A brief historical overview will be presented first; then we turn to the introduction of present practices of government performance management in Taiwan.

27.2.1 *Historical Overview of Development of Government Performance Management in Taiwan*

The performance management systems in the central government of Taiwan were initiated in the early 1950s. They were rooted in the rationale of government-agency evaluations. The legal framework of evaluation of executive agencies of the Executive Yuan was proclaimed and took effect in 1951. The RDEC took over the duties as established in 1969. The development of government performance systems in Taiwan has gone through five phases to date (Lin 2004):¹

- Field assessment era (1969–1970). In this period, agency evaluation focused on assessing the agency's duties as well as internal management such as staff, operations, and materials and facilities. Evaluations were principally undertaken by field inquiries and, if necessary, were supplemented by documentary reviews.

- Comprehensive but focal assessment era (1971–1985). In addition to the Executive Yuan's subordinate agencies, provincial and municipal governments were included in evaluations in this era. Assessments focused on (1) programs tracked by the Executive Yuan, (2) status of the prime minister's directives, (3) programs tracked by agencies per se, and (4) time efficiency of official documents. Evaluations were conducted by written reviews.
- Expansive evaluation era (1986–1992). In accordance with the prime minister's directive, the evaluation framework was expanded and added two dimensions—budget execution and personnel management—in addition to program implementation and administrative efficiency, in 1986. Evaluations were principally conducted by written reviews and, if necessary, were supplemented by field inquiries.
- Priority assessment era (1993–2001). Evaluations concentrated on two main parts: the assessment of programs tracked by the Executive Yuan and the assessment of executive priorities. The former emphasized the examination of operational planning prior to the new fiscal year and also focused on the development of quantitative indicators regarding program goal achievement, effectiveness, human resources, and budget utilization. On the other hand, the assessment of executive priorities emphasized the fulfillment of the premier's administrative reports to the Legislative Yuan and decisions made by cabinet meetings, as well as project directives. To process the assessments, substantial evaluation items and scoring criteria were issued at the beginning of the fiscal year. Evaluations were principally conducted by written reviews and, if necessary, were supplemented by field inquiries. Meanwhile, the existing strategic planning system of Taiwan's central government—namely, the medium-term policy implementation system (MTPIS)—was developed by the Research, Development and Evaluation Commission (RDEC) in 1998 largely based on Bryson's strategy change cycle (1995), which was intellectually rooted in the Harvard policy model and stakeholder model traditions (Bryson, Freeman, and Roering 1986). Five central government agencies were selected to be the pilots of this new planning system in 1998.
- Agency policy assessment era (2002–present). Following the “Administrative Performance Assessment Guidelines for Agencies Subordinate to the Executive Yuan” proclaimed by the Executive Yuan, the performance management system had a dramatic reform in 2001. The main emphasis of the performance management system shifted to two dimensions: evaluation of executive agencies and evaluation of individual policy programs. The former focused on administrative performance assessment adopting results-oriented ideas and on organizational effectiveness and strategic planning. (Details of the administrative performance assessment system will be discussed later in this chapter.) Regarding the latter, on the other hand, each agency and department had to undertake self-assessment and preliminary assessments for each policy program in accordance with the “Individual Policy Programs

Assessment Guidelines for Agencies Subordinate to the Executive Yuan.” Evaluations were principally conducted by written reviews and, if necessary, were supplemented by field inquiries.

According to this brief review of the government performance management system in Taiwan, five important points can be summarized:

- Governmental evaluation followed scientific management doctrine and emphasized internal management before 1971.
- Conceptions of tracking performance of programs that are overseen by the Executive Yuan have been combined with a performance management system since 1971.
- Assessment systems turned to pursuing a comprehensive framework after the expansive evaluation era beginning in 1986.
- Evaluating performance by concentrating on executive priorities became a strategy of enhancing performance of Taiwan’s public sectors after 1993. Meanwhile, the national performance review was launched by the Clinton administration in the United States.
- The recent reform aims at achieving high performance at both agency and program levels. It seeks to run a results-oriented government by planning strategically.

Table 27.1 adapts the framework of “what, how, and who” used by Norman (2004) and shows a clear picture of the development of government performance assessment systems in Taiwan.

27.2.2 Recent Government Performance Assessment Practices in Taiwan

In 2001, with the ambition of transforming administrative agencies into outcome-oriented governmental systems, the Executive Yuan in Taiwan issued the “Administrative Performance Assessment Guidelines for Agencies Subordinate to the Executive Yuan.” These new guidelines gave a fresh impetus to the government performance improvement movement. They also launched a new systematic performance management framework for Taiwanese government.

As activated in 2002, the new administrative performance assessment system requires each agency to submit its strategic performance objectives, performance indicators, and performance targets and standards in accordance with three key performance aspects: services, human resources, and budgets. The total number of strategic performance objectives should be limited to 5–10 items. In addition to the common indicators of each performance aspect, agencies are allowed to adopt specific indicators, which can reflect the functional features or the business environment that the agency is confronting. The development of these performance

Table 27.1 Development of Government Performance Assessment System in Taiwan

<i>Era</i>	<i>What Was Assessed?</i>	<i>How Was It Assessed?</i>	<i>Who Assessed It?</i>
Field assessment (1969–1970)	■ Agency's duties ■ Internal management	■ Field inquiries in principle ■ Documentary reviews supplemented	■ RDEC
Comprehensive but focal assessment (1971–1985)	■ Programs tracked by the Executive Yuan ■ Status of the prime minister's directives ■ Programs tracked by agencies per se ■ Time efficiency of official documents	■ Written reviews	■ RDEC ■ NSC ■ CEPD
Expansive evaluation (1986–1992)	■ Program implementation ■ Administrative efficiency ■ Budget execution ■ Personnel management	■ Written reviews in principle ■ Field inquiries supplemented	■ RDEC ■ NSC ■ CEPD ■ DGBAS ■ CPA

(Continued)

Table 27.1 Development of Government Performance Assessment System in Taiwan (Continued)

<i>Era</i>	<i>What Was Assessed?</i>	<i>How Was It Assessed?</i>	<i>Who Assessed It?</i>
Priority assessment (1993–2001)	■ Programs tracked by the Executive Yuan ■ Executive priorities	■ Written reviews in principle ■ Field inquiries supplemented	■ RDEC ■ Secretariat ■ CPA ■ DGBAS
Agency policy assessment (2002–present)	■ Performance of executive agencies ■ Effectiveness of individual policy program	■ Written reviews in principle ■ Field inquiries supplemented	■ RDEC ■ CEPD ■ NSC ■ DGBAS ■ CPA ■ PCC

Source: Adapted from Norman, R. 2004. *Public Finance and Management* 4 (3): 429–447.

components is based upon each agency's and the Executive Yuan's medium-term and annual performance plans.

In this regard, each agency starts its performance management system with a medium-term administrative plan and formulates strategic objectives in terms of a 4-year period. The medium-term plan is based upon the president's and the premier's visions, executive priorities, and policy directives. The strategic planning is followed by an assignment of strategic targets in each individual year. Performance targets and standards for medium-term and annual strategic objectives are then assigned. Thus, practices of strategic planning and performance management are effectively connected and integrated.

At the end of each fiscal year, each agency has to conduct a self-assessment and review how well it performed compared to its previously set performance target. The annual performance report by each agency has to be submitted to the RDEC. The RDEC will assemble committees consisting of members from the Council for Economic Planning and Development (CEPD), the Public Construction Commission (PCC), the National Science Council (NSC), the Directorate General of Budget Accounting and Statistics (DGBAS), and the Central Personnel Administration (CPA), as well as specialists, to review an agency's performance. The final evaluation results should be published on the RDEC's Web site for public review and comments.

27.3 Practices of Performance Management Systems in Taiwan

Based upon the introduction of the development of Taiwan's government performance management system, we will now discuss several features. Administrative performance assessment systems can be considered in terms of strategic planning, performance measurement, and performance evaluation (Lee and Yih 2007, 4–7; RDEC 2006):

- Strategic planning phase
 - *Connecting with medium-term and annual administrative plan.* The recent performance system is tightly connected with the Executive Yuan's medium-term and annual administrative plan. An agency's annual performance targets are guided by its annual plan, and the annual plan follows its medium-term administrative plan. Medium-term and annual plans and performance assessment systems are three coherent managerial system designs. The "Administrative Performance Assessment Guidelines," particularly, emphasize conceptions of enhancing administrative performance, optimizing organizational size of agencies, cutting redundant costs, and involving employees with management by objectives.

- *Incorporating global competitiveness indexes and connecting with global trends.* To enhance Taiwan's global competitiveness effectively, the RDEC strongly encourages agencies to incorporate competitiveness indexes developed and conducted by the International Institute for Management Development (IMD), the World Economic Forum (WEF), and the Economist Intelligence Unit (EIU). It is expected that Taiwan's competitiveness can be improved by connecting strategic goals and performance systems with international competitiveness evaluations. As of 2004, at least 19 agencies had incorporated 78 global competitiveness indexes into their performance indicator systems (Lin 2004).
- Performance measurement phase
 - *Enhancing efficiency of evaluations with ICTs.* One of the innovative initiatives of performance systems led by the RDEC is the establishment of the government project management network (GPMnet). The GPMnet helps agencies reduce the time spent on document exchanges, assists them in repositing official data and information, and analyzes data more efficiently by leveraging the advantage of information and communication technologies (Chen 2007). By means of the GPMnet, all agencies' strategic objectives and performance indicators, as well as evaluation procedures, can be done via a single portal with networked agencies.
 - *Emphasizing outcome and customer-oriented performance.* In addition to cost and outcome-oriented evaluations, the administrative performance assessment system stresses the degrees of enhanced customer or citizen satisfaction. Agencies providing citizen services are encouraged to incorporate citizen satisfaction as one of the performance indicators.
 - *Focusing on core tasks.* Considering the difficulty of comparing agencies' performance with different attributes, since 2006, the RDEC has added two performance aspects of e-government and promoted private participation in public constructions in addition to administrative efficiency and service effectiveness. This feature is intellectually rooted in the president's management agenda in the U.S. government. This system will make agencies focus on programs emphasized by the Executive Yuan.
- Performance evaluation phase
 - *Management by colors.* Avoiding inappropriate contests among agencies, the format of final report of administrative performance assessments shifted from a scoring system to a light-signal system beginning in FY 2006. Adopting the idea from the president's management agenda, the new system uses a green light to signify excellent performance, yellow light for adequate performance, red light for performance that needs to be improved, and white light for results that have not been demonstrated. By means of the light-signal scorecard system, agencies are further responsible to prove their performance; otherwise, an agency that fails to prove

its achievements will be given a white light until its performance can be proved or improved.

- *Opening performance results and linking to rewards.* At the end of the year, after being reviewed by the RDEC, agencies are required to publish their final performance results on the Web site. Rewards and even penalties will be offered based upon the final results. The premier will also give public recognition for hard-working agencies and units.

Scholars have claimed that performance measurement imposed by central government may frustrate agencies implementing these measures and produce further dysfunctions (Broad, Goddard, and Von Alverti 2007). However, the administrative performance assessment systems in Taiwan allow departments and agencies to determine agency-specific performance indicators. Although agencies are required to incorporate at least one common indicator for each performance aspect, they can also adopt specific indicators that reflect the functional features or the business environment that the agency is confronting. This is another notable feature of the performance management system.

27.4 Other Initiatives for Improving Government Performance

Obviously, reforms of performance management systems have been initiated with an intention of seeking an outstanding government and good governance in Taiwan. However, it is impossible to achieve the preceding goals by performance management systems alone. Some governmental reforms in Taiwan are worth mentioning as well. In this section, we present the initiatives that aim at improving government-wide performance in addition to the performance assessment systems.

27.4.1 Organizational Reforms

Taiwan government systems have been in a fervor to adopt reinventing government ideas since 1993. Promises have been given to transform the “giganotosaurus” into a “small but effective” elf. It should be noted that after Taiwan’s first experience of party alternation in 2000, the government system experienced radical government restructuring and reforms. The government-wide reform initiatives include²

- **Deregulation.** In order to cut red tape and maximize the efficiency of resource management in government, strategies of privatizing public enterprises and state-owned properties, as well as terminating out-of-date rules and laws,

have been used to introduce market mechanisms and to improve the quality of public production and service.

- **Corporatization.** The purpose of corporatization is to shift public organizations to public corporations and to run public agencies in a business-like manner. It is proposed that public corporations can run well without shackles of traditional public personnel and accounting procedures and still guarantee the completion and quality of public missions.
- **Decentralization.** The goal of this reform strategy is to give local governments more autonomy and make them more responsible for dealing with local services and tasks, such as operation of parks, social welfare, and environmental protections. By so doing, central government agencies could save energy and concentrate more upon public policy planning and formulation.
- **Outsourcing.** The outsourcing strategy means delegating public services to private providers if they can offer better quality than public agencies do, in order to cut down redundant costs of governments. Therefore, privatizations, incentive provisions for private investments in public construction, build–operate–transfer (BOT) initiatives, and outsourcing of public services (such as waste cleaning, road maintenance, and so on) and office maintenance are popularly utilized in public service deliveries and policy implementations.

Accordingly, it is obvious that Taiwan's central government has felt the impact of the “managing for results” doctrine for more than a decade and intends to demonstrate a performance-oriented government for citizens.

27.4.2 Service Quality Reforms

In addition to the organizational reforms mentioned before, the RDEC launched government project management, quality management of government services, and risk management as strategies with a service quality perspective for enhancing government performance:

- **Project management.** To ensure that projects emphasized by the cabinet can be carried out as expected, the RDEC, in association with the CEPD, the PCC, and the NSC, monitors the progress of these chief projects. All the monitored projects are categorized into three levels—controlled by the Executive Yuan, controlled by ministries, and controlled by the agency in charge—based upon their degree of importance. In addition, all projects are monitored via an Internet system called the GPMnet system. The effectiveness of this system has been highly recognized by the APEC government performance experts. Any project that is seriously behind schedule will be inspected by the ministry or agency in charge of monitoring the given project. The project implementation report is released once every two months.³

- Quality management of government services. To seek the excellence of government, the enhancement of service quality, and the pursuit of citizen satisfaction are the core issues in contemporary public management. The RDEC has promoted the concept of service quality since 1996. To date, the government service quality movement in Taiwan has gone through two stages. The first, from 1996 to 2007, was called the “service quality management” stage; the “total service quality promotion plan,” launched by the RDEC in 1996, emphasized introducing and establishing the concept of service quality in government, especially in first-line and service-oriented agencies. Meanwhile, the RDEC founded the “Executive Yuan service quality award” to inspire public agencies to keep offering better quality services. To date, 307 agencies have received the award, although the awarding rate has dropped from 64 to 20%.
 - To help agencies to improve their service quality, strategies employed include training programs, learning-circle workshops, printed handbooks, knowledge-sharing platforms and Web sites, expert consultants, and e-learning programs. Since 2008, these efforts have been followed by the “service quality creation” movement as the second stage. In this movement, government agencies are required to be transformed as innovative, creative, flexible, responsive, and agile. High-speed information flow, integrated resources, innovative and transparent services, open information accessibility, and excellent service quality are the requisites indicated in the “Proposal for Innovating Government Service,” which represents the guideline of the next-step program of the government service management program.
 - Evaluations mainly focus on two categories of agencies: one is first-line service agencies and the other is service-planning agencies. For the first-line service agencies, three criteria are stressed: standardized efficient services, informatized and transparent services, and creation-added services. Meanwhile, the evaluation criteria for service-planning agencies emphasize their facilitating effects on the first-line service agencies, such as deregulation of laws, integration and simplification of service processes, and utilization of information and communication technologies for integrating the service process effectively. Agencies that perform outstandingly will be recognized by the “government service quality award” as benchmarks for others.⁴
- Risk management. To maintain the quality of government services, reduce the uncertainty of government execution, and enhance the public’s trust in government, Taiwan’s central government has initiated a risk management program since 2005, and it has raised ministries’ and agencies’ awareness regarding the importance of risk management in government systems. In this regard, ministries and agencies in the central government are required to build up necessary procedures and mechanisms to address

unexpected events effectively and minimize the possible harm. Generally speaking, several steps are undertaken for establishing risk management procedures:

- Agencies have to identify three to five primary risk areas and possible risk scenarios that may severely crush operations of government services and policy implementations.
- Agencies have to develop a corporate risk profile.
- Agencies have to develop a risk management model that is specifically attainable regarding the features and environments that the agency is confronting.
- Agencies have to establish integrated risk management mechanisms and action plans in accordance with the risk management model that they develop.
- All of these steps were to have been completed by each agency by the end of 2007.⁵

Accordingly, the major efforts of government performance management reform in Taiwan can be depicted as a temple (shown in Figure 27.1). The government performance reforms are founded upon four organizational reforms (i.e., deregulation of rules and laws, corporatization of public organizations, decentralization of authorities, and outsourcing public services) in order to cut redundant and

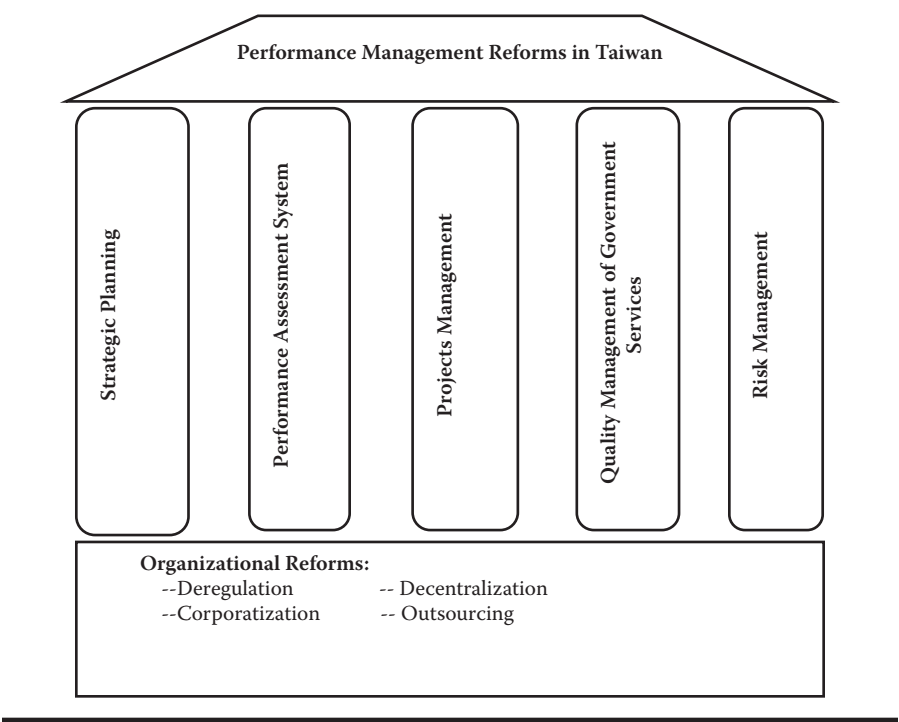


Figure 27.1 Pillars of performance management reforms in Taiwan.

inefficient service duties, as well as to vitalize and concentrate government energy on necessary responsibilities. In addition, five managerial strategies serve as the pillars of government performance improvements: connecting strategic planning with performance management, reforming performance assessment systems, strengthening the capacity of project management, enhancing the quality of public services, and establishing mechanisms of risk management.

In brief, there is a clear logic behind the performance management reform in Taiwan. That is, direction of government efforts should be determined by strategic planning upstream; next, concrete government productivity and performance should be monitored and evaluated by the assessment system and project progress monitoring system at midstream; finally, downstream, the quality of government services can be ensured by quality improvement techniques as well as the efforts mentioned previously. In the meantime, preventing possible unexpected risks in advance and adjusting agencies' organizational conditions and constitution to the changing environment are definitely imperatives for a government that intends to consolidate its performance.

27.5 Challenges of Conducting a Performance Management System in Taiwan

Despite the associated government performance improvement initiatives, the main focus of this chapter—the administrative performance assessment system mentioned previously—has five features (Lin 2004).⁶ First, it emphasizes conceptions of costing less money, managing for results, and serving citizens. Second, it strengthens agencies' competence on strategic management and performance management by integrating medium-term and annual administrative plans and assessments. Third, the emphasis of performance assessment shifts from individual plans to the agencies' overall strategic performance. Fourth, it establishes an indicator-oriented administrative performance assessment system. Fifth, it requires that all agencies publish annual performance reports on the RDEC's Web site and make performance results open for public comments and accountability.

However, the operation of the performance management system is not without shortcomings. Challenges for the system include the following (Lee and Yih 2007; Lin 2004):

- *Performance indicators do not comprise all important tasks.* Even though the performance targets and standards should be in accordance with the medium-term plan of the agency, some agencies incorporate routine tasks and neglect some important tasks in the indicator system.
- *Strategic performance goals and indicators are not tightly connected.* Most indicators in the system are oriented to efficiency- and output-oriented rather than outcome- or impact-oriented measurements. As a result, the real achievements of a given agency may not be thoroughly reflected in the final report.

- *Agencies tend to set the bar too low.* Agencies are required to set a challenging performance standard. However, employees in charge are more likely to avoid the risk of failing to reach the target and are apt to set the bar lower than necessary and make it easier to be reached.
- *Output and outcome measures are replaced by process indicators.* Due to the difficulties of measuring substantial outcome of an agency's efforts, employees in charge tend to use process or activity measures instead of outputs or outcomes.
- *There is information asymmetry between evaluators and performers.* Agencies may hinder or resist providing deficient performance information for final evaluations. There is also a huge cost of searching for exact information for the evaluators. In this regard, effective mechanisms or incentives are needed in order to motivate agencies to provide faithful performance information.
- *Using global competitiveness indexes can be difficult.* Incorporating international competitiveness indexes into the system is one of the features of the performance assessment institution in Taiwan. However, agencies may find it difficult to incorporate these indexes. The main emphasis of global competitiveness indexes, such as WEF Global Competitiveness or IMD World Competitiveness, is on economies' overall prosperity and productivity, which differs from performance at the agency or department level. Moreover, achievement of some indicators in competitiveness indexes, such as growth of GDP, depends upon collaboration across agencies rather than from a single effort. This situation causes the application of these indexes in the administrative performance assessment system by individual agencies to be difficult. Wu (2004) further points out that partial sources of competitiveness indexes come from survey data. This also causes questions about the objectivity and appropriateness of incorporating the indexes into the performance assessment system as the comparison base. Some agencies are therefore likely to resist adoption of indexes as performance indicators.

In addition to these challenges, Huang (2006) examined three agencies at the central government level in which strategic planning had been implemented. It was found that the implementation had not been a simple or straightforward process for the central government agencies. Based on the agency planning experience as well as the political environment surrounding them, each of the agencies used a somewhat different approach to planning.

Agencies' efforts to implement strategic planning systems could be influenced by the ways in which agency leaders define planning function and the chronology of other management initiatives under way. Further, none of the government agencies appeared to have engaged in substantive strategic planning regularly. One reason is that the agencies generally do not have the motivation to conduct strategic planning. Most senior managers believed that they have their own way of planning. Hence, line managers undertook strategic planning because their superiors or the RDEC had requested or mandated it.

On the other hand, Huang (2006) also found that the three agencies chose to give responsibility for the development of strategic planning to the offices responsible for planning. Although some of the offices may have been involved in the budget process, more often they operated separately from the budget staff. In other words, strategic planning was separate from organizational budgeting. The strategic planning function remains the work of centralized planning or secretarial units. In order to facilitate the vertical and horizontal integration of strategic planning, related control mechanisms should be designed to coordinate across the unit boundaries.

Further, Hu (2007) conducted an empirical study and examined the seriousness of the “setting the bar too low” syndrome. It was found that the syndrome really exists in agencies’ performance reports of FY 2004 and FY 2005. That study proved that there might be an irrational and unwelcome phenomenon where some agencies intend to gain dramatic performance evaluation results by setting easy and lower performance standards. In this regard, a mechanism designed to review the rationality and difficulty of performance targets set by agencies is needed.

27.6 Conclusions

This chapter reviewed the development of performance management reforms in Taiwan’s central government. In conclusion, we adapt the framework proposed by Moynihan (2006) and intend to map the process of performance management reforms in Taiwan with a results–autonomy dichotomy.⁷ Regarding this dichotomy, the results dimension denotes whether the reform initiative is results-oriented thinking or merely control- or efficiency-oriented thinking. On the other hand, the autonomy dimension is concerned whether an agency at the central government level is granted a certain level of autonomy in the performance assessment process and allowed to leverage the performance assessment as a managerial tool to assist with the agency’s master tasks.

Performance management in Taiwanese central government still needs improvement. It seems that there is an evolving path regarding performance management reform—from taking it as an internal mechanized instrument for managerial efficiency to making it a tracking tool for results of executive priorities and, recently, to making it a facilitator for approaching the agency’s strategic objectives and devolving the agency’s partial authority to select proper indicators for agency-specific master tasks. We see that the present performance assessment system is high in the results-oriented dimension, but is only medium in the managerial autonomy dimension (see Table 27.2).

The recent performance assessment systems in Taiwan have both advantages and disadvantages. Several unique features and advantages can be highlighted, such as connecting performance targets with medium-term and annual plans, incorporating global competitiveness indexes into the indicator system, and building the

Table 27.2 State of Performance Reforms in Taiwan

	<i>Low Managerial Autonomy</i>	<i>Medium Managerial Autonomy</i>	<i>High Managerial Autonomy</i>
High result orientation	Pursuing a comprehensive framework Concentrating on executive priorities	Aiming at achieving high performance at both agency and program levels → Connecting performance assessment with medium-term and annual strategic planning	
Low result orientation	Emphasizing internal management	↑	

Source: Adapted from Moynihan, D. P. 2006. *Public Administration Review* 66 (1): 84.

GPMnet with advantages of ICTs. A strong ambition of aggressively enhancing government’s performance and productivity can be seen.

However, weaknesses in running the performance assessment systems do exist and need more effort to be overcome, including strategic performance goals and indicators that are not tightly connected, agencies that tend to set the bar too low, output and outcome measures that are replaced by process indicators, information asymmetry in the evaluation process, and difficulties of associating global competitiveness indexes.

Put together, Taiwan’s government agencies still have a long way to go to improve the result of “managing for results” strategy. It is probably too early to judge whether these practices are successful or not. This is an ongoing matter for agencies at all levels. It is hoped that agencies’ recent experiences in performance improvement would serve as a basis for improving future implementation of public strategic planning as well as the other performance management reforms in the public sector in general. Nevertheless, the public sector’s strategic performance management is still in its infancy in Taiwan. Six years after enactment, the jury is still out on the various components of its success.

Notes

- 1. For related information, please see <http://www.rdec.gov.tw/ct.asp?xItem=13625&ctNode=8820>
- 2. Please also refer to the RDEC Web page at <http://reform.rdec.gov.tw/ct.asp?xItem=302&CtNode=29>

3. Please also refer to the RDEC Web page at <http://www.rdec.gov.tw/ct.asp?xItem=4088083&ctNode=10096&mp=110>
4. Please also refer to the RDEC Web page at <http://www.rdec.gov.tw/ct.asp?xItem=4088092&CtNode=10101&mp=110>
5. Please also refer to the RDEC Web page at <http://www.rdec.gov.tw/ct.asp?xItem=4088087&CtNode=10097&mp=110>
6. Please also refer to the RDEC Web page at <http://www.rdec.gov.tw/ct.asp?xItem=27187&ctNode=8819>
7. Moynihan (2006) used a results–authority dichotomy to illustrate public management reforms in U.S. state governments. He found that U.S. state governments have a high focus on results but a low managerial authority phenomenon. In this chapter, we use this, but adapt it as a results–autonomy dichotomy framework.

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Chapter 28

Civil Service Reforms in Taiwan

Tsai-Tsu Su

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28.1 Introduction

Most people agree that the civil service in Taiwan, which was staffed by qualified and experienced bureaucrats, played a vital role in the country's social and economic development for many years (Wade 1990; Clark 2000; Cheung 2005). However, this bureaucracy-led model seemed to become progressively less effective after Taiwan transformed itself from decades of authoritarian rule to a democratic society in the late 1980s. It is evident that the complex process of democratization has put immense pressure upon Taiwanese civil servants. With the lifting of

long-imposed martial law in 1986, the Taiwanese people expected civil servants to transform themselves quickly from being the dictator's servants to being the public's servants. Moreover, two major regime changes taking place in the 2000 and 2008 presidential elections and the ensuing governmental restructuring all created additional anxiety among civil servants about their job security and policy continuity.

The Taiwanese civil service has had to face the harsh challenges of globalization and accompanying worldwide economic uncertainties as well. In general, the centralized personnel administration system for Taiwanese civil service has long been criticized for its extreme rigidity and uniformity, which has prevented it from coping with the increased pace of global changes. Hence, Taiwanese society at large wants to have a more responsive and efficient civil service; this is a goal consistent with many OECD (Organization for Economic Cooperation and Development) nations' efforts to adopt the new public management (NPM) model in creating a competent workforce in the public sector since the 1980s.

28.2 Civil Service Personnel

According to official statistics (see Table 28.1), by the end of September 2009, there were 339,521 civil servants in Taiwan. Among them, 221,696 persons (65.30%) were serving in administrative offices, 72,107 (21.24%) in public enterprise, 20,753 (6.11%) in hygiene and medical service, 24,965 (7.35%) as public school staff, with 54.96% employed by the central government and the remaining 45.04% by the local governments. Compared to the peak of 442,972 persons in 1996, a total of 339,521 civil servants in 2009 amounted to about three-quarters (76.65%) of its peak size. The shrinkage of 23.35% has resulted mostly from downsizing and the privatization of public organizations in recent years.

As displayed in Table 28.1, the average age of civil servants was 43.3 years in 2009, up from 39.5 years in 1995. The fact that this workforce is growing older reflects a general aging phenomenon in Taiwanese society. Also, high job security and lucrative retirement benefits have been very helpful in retaining people in the public sector. The civil service workforce has not only grown older, but the average term of service has also risen from 12.6 years in 1995 to 16.9 years in 2009.

Generally speaking, members of the civil service are well educated, with more than 80% holding college degrees or higher in September 2009. Due to a policy encouraging public employees to continue lifelong learning and to enroll in extension education, this percentage is expected to climb even higher in the future.

The majority of civil servants in Taiwan have always been male, and the proportion of male civil servants from 1991 to 2009 was kept between 62 and 72%. Although an increasing number of women have passed the civil service examinations and entered the civil service in recent years (the proportion of female civil servants has gone up from 28.1 to 37.7% during the period of 1991–2009), they usually take up lower level positions and are underrepresented in the more senior

Table 28.1 Taiwanese Civil Service, 1991–2009

<i>Year End</i>	<i>Total Personnel</i>	<i>Male (%)</i>	<i>Female (%)</i>	<i>College Degree or Higher (%)</i>	<i>Average Age (Years)</i>	<i>Average Seniority (Years)</i>
1991	410,822	71.9	28.1	NA	NA	NA
1992	424,588	71.1	28.9	NA	NA	NA
1993	434,763	70.5	29.6	NA	NA	NA
1994	437,430	70.2	29.8	NA	NA	NA
1995	440,366	69.2	30.8	57.5	39.5	12.6
1996	442,972	68.7	31.3	58.9	40.0	12.8
1997	441,716	67.0	33.0	60.6	40.3	13.2
1998	417,381	67.4	32.6	62.0	40.8	15.0
1999	409,995	67.4	32.6	63.3	41.3	15.5
2000	408,515	66.7	33.3	67.3	41.8	16.1
2001	395,523	66.1	33.9	66.6	42.1	16.3
2002	389,957	65.5	34.5	68.9	42.0	16.2
2003	376,128	64.3	35.7	71.7	42.2	16.3
2004	368,899	63.8	36.2	72.8	42.5	16.6
2005	337,261	63.4	36.6	75.0	42.6	16.5
2006	335,274	63.1	37.0	76.5	42.9	16.7
2007	336,842	62.9	37.3	77.7	43.1	16.9
2008	338,305	62.3	37.7	79.3	43.2	16.9
2009	339,521	61.9	38.1	80.2	43.3	16.9

Source: Data bank maintained by the Ministry of Civil Service (available at www.mocs.gov.tw/index.htm). Web site visited on January 10, 2010.

Notes: NA indicates data not available. Data for 2009 were updated at the end of September 2009. Total civil service personnel include civil servants employed in the administrative offices, public enterprise organizations, hygiene and medical service organizations, and staffs in public schools. Public school teachers are not included.

parts of the civil service. For example, 8.9% of all male ranking servants serving in administrative offices had reached the highest rank (senior rank) by the end of 2008 versus 2.8%

for female ranking servants. However, with the shrinking gender gap in educational achievement and the awakening of awareness of women's rights, the problem with gender inequality in the civil service has been gradually diminishing.

Ethnic minorities and people with disabilities are underrepresented in the civil service as a whole—especially among middle and senior managers. The legislature passed two affirmative action programs to improve the representation of indigenous peoples and disadvantaged groups, reflecting continuing efforts by the government to promote inclusion and diversity of its workforce. These two programs require that the government hold special examinations specifically designed for indigenous peoples and the disabled and set a minimum quota of indigenous and disabled individuals to be employed in public organizations. However, even with two special examinations specifically reserved for these groups, progress has been slow. The number of indigenous and disadvantaged people employed in the civil service system at the end of September 2009 was only 11,760. Without additional measures, it may take years before the situation is greatly improved.

28.3 Public Personnel Organization and Authority

As noted in an earlier chapter, the Taiwan government consists of five branches, or *yuan*: the Executive Yuan, Legislative Yuan, Judicial Yuan, Examination Yuan, and Control Yuan. Of these, both the Examination Yuan and the Central Personnel Administration (CPA) of the Executive Yuan are in charge of making and implementing personnel policy. Because the Executive Yuan is the largest in all five branches of government, the CPA controls more than 90% of civil servants in the nation. However, activities relating to examination and personnel institutions remain under the aegis of the Examination Yuan.⁴

This dual supervision (or overlapping authority) has sometimes created confusion and delays in personnel policy. In addition to this dual-track feature, Taiwan is unique in its centralized personnel management system. Under the system, the central government has dominant power over public servants at all levels of government. It exercises its top-down control through the appointment of all personnel managers in local jurisdictions. These managers have the power and the obligation to implement and oversee matters related to recruiting, training, evaluation, promotion, and retirement of public employees in the local organizations. In some sense, the ultimate authority for formulating and enforcing personnel policies is concentrated in the hands of the central government; thus, county executives and mayors of local governments are partially deprived of their personnel power under this centralized personnel management system.

Nevertheless, central control over personnel management has not remained as effective as it used to be since the breakdown of the authoritarian regime in the 1980s. The centralized system is still in place and the central government still dispatches personnel managers to public organizations all over Taiwan, but this model has encountered growing resistance and challenges from local governments in recent years. Today, the CPA usually has to consult with county executives or mayors to seek their approval before assigning high-ranking personnel managers to local jurisdictions. The old practice of dispatching personnel managers to local governments assertively and arbitrarily has become less frequent. It is widely believed that, with the continuous spread of the ideologies of local autonomy and the new public management school, sooner or later this centralized system will be modified or abolished entirely. Then, personnel authority will devolve from the central government to local jurisdictions.

28.4 Recruiting and Selection

By constitutional authority, the independent Examination Yuan is responsible for administering all civil service examinations in Taiwan. Those who want to serve as bureaucrats must first pass a civil service examination and then be assigned to a public organization based on their exam scores and preferences.

The main personnel system adopted is the “rank and position combined system,” which consists of 14 grades and three ranks—namely, elementary, junior, and senior ranks. Grade 1 is the lowest level and grade 14 the highest. Accordingly, the elementary rank ranges from grades 1 to 5, junior rank from grades 6 to 9, and senior rank from grades 10 to 14. Each grade is then subdivided into roughly a dozen steps, and each step represents a different designated base salary.

Corresponding to the personnel ranking system, civil service examinations are classified as elementary, junior, or senior level. The elementary examination is open to everyone and has no education prerequisites. The junior examination requires at least high school education, and the senior examination is limited to those with college education or above. In addition to these three types of annual examinations, various special examinations are held regularly to recruit manpower for government agencies that require civil servants with specific characteristics or specialized capacity, such as indigenous people, diplomats, judges, custom officials, police officers, etc.

The Examination Yuan usually schedules more than 30 national civil service examinations each year. Because of job permanency and relatively decent pay with benefits, appointments in the civil service are prestigious and highly sought after in Taiwan. Consequently, the civil service examinations are highly competitive, with around half a million people competing each year as they seek an opportunity to work for the government. Many of those who hope to pass the examinations rely on “cram schools” to help them fulfill their dreams.

In general, the public perceives the civil service examinations administered by the independent Examination Yuan as fair and impartial, which has helped the government recruit many talented people. It is known that the historical evolution of the civil service examination has in fact been a struggle for open access and open competition (Shih 1996). During the authoritarian era, some special examinations were reserved for military officers or otherwise privileged people.⁵ These closed examinations were relatively easy to pass and had the impact of allowing loyal members of the political party in power to occupy key positions in the civil service—a common practice among many developing countries and regions to keep firm control of the government. However, with the advent of democratization, such “back door” practices have disappeared to a great extent. Civil service examinations today are, by and large, open to the public and considered fair competitions.

Nevertheless, the selection process is not without criticism, and the sources of dissatisfaction include low test validities, time lag in meeting organizational workforce needs, existence of unnecessary qualification restrictions, and the closed employment system for senior-ranked civil servants.

Regarding design and administration of civil service examinations, the Examination Yuan has been criticized for placing too much weight on procedural justice (such as anonymous grading procedures and the right to appeal) and too little on substantive justice (Shih 2003). For instance, except for a few, most civil service examinations employ written tests only. These tests often involve memorizing tedious facts and abstract theories, and little effort is made to link tests to job content. Consequently, both content validity and predictive validity of civil service examinations are low and unsatisfactory.

The lengthy centralized recruiting process often fails to meet the public organization's human resource planning needs in time. With so many civil service examinations under its purview, the Examination Yuan holds each type of civil service examination only once a year. Thus, no matter how early an organization applies to have a vacancy filled, it has no choice but to wait for months until the annual recruiting process is completed. With little chance to escape from this cumbersome recruiting process, some public organizations would rather keep an incompetent employee than dismiss him or her and apply for a replacement.

Despite the existence of an equal employment opportunity policy, we still find some cases where age, gender, or physical appearance is used as a minimum qualification for selection; this clearly violates the spirit of the policy. For instance, it was found that some special examinations set restrictions on body height for candidates or that the number of women who passed the examination was set in advance. It was also not unusual for public organizations to require exam takers to meet minimum physical and mental qualifications, which effectively eliminated the disabled candidates.

Fortunately, under much pressure from both the mass media and the public, these discriminative requirements have gradually vanished. Today, only when the recruiting organizations are able to demonstrate convincingly that the restrictions are essential for a good job performance can they apply age, gender, or physical

appearance restrictions; otherwise, practices that were once common will be challenged immediately.

Finally, the current recruiting system is not flexible enough to encourage outsiders from the private sector to enter the public service at the senior level. As mentioned earlier, the civil service contains 14 grades divided among three ranks, with grade 1 the lowest level and grade 14 the highest. Depending on the type of civil service examination passed, new entrants to the public sector generally enter at grades 1, 3, 6, 7, or 9. Except for a few cases,⁶ positions above grade 9, which are senior-ranked jobs, are not open to individuals outside the civil service and can be reached only through promotion of incumbent civil servants.

In other words, the employment of senior-ranked officials is confined to the internal labor market in the public sector. This closed employment system has been criticized as being too conservative and can be detrimental to a civil service in need of innovative and versatile leadership. It has therefore been suggested that the civil service diversify its employment channels to attract the best and brightest from an expanded pool of talent that includes both internal and external markets.

28.5 Pay and Pensions

Pay for civil servants includes basic pay and statutory allowance, and it is received on a monthly basis. The amount of basic pay is determined by the position rank. Public personnel who occupy positions of the same rank receive the same amount of basic pay. As for the statutory allowance, it is divided into three broad categories: (1) duty allowance, (2) technical or professional allowance, and (3) locality allowance. Not all civil servants receive a statutory allowance, and how much they receive depends on the nature of their job classification. For instance, bureaucrats in supervisory positions are granted a duty allowance, but nonsupervisory position holders are not; also, bureaucrats of the same rank may receive different amounts of professional allowance if their positions are classified differently—for example, if one is a judicial official and the other an accounting official.

In comparison, the government pays significantly more on average for elementary-ranked civil servants than the private sector pays for similar work. But employees with senior-ranked capability and job responsibility would receive a much higher salary in the private sector than in the government. As for pay scales for the junior-ranked civil servants, they are similar to those of middle-level employees in the private sector.

Both basic pay and statutory allowance are fixed-pay schemes. Theoretically speaking, a fixed-pay scheme does not meet the needs of a performance management system, which is essential for effectively motivating organizational members. Although the Taiwanese government adopted a performance management system (PMS) years ago, without a pay-for-performance scheme in place, the impact of PMS has been quite limited.

Recently, in an effort to move PMS forward and fully wield its power, the government has considered a redesign of the pay structure for the civil service. The Ministry of Civil Service of the Examination Yuan has suggested that, in the future, the civil servant's pay be composed of two categories: base pay and variable pay.⁷ The variable pay is an application of "pay for results," a concept fashionable in the new public management school. But the proposal has yet to be discussed by the Examination and Executive yuans.

In addition to monthly pay, fringe benefits are influential factors in attracting and retaining public employees. According to the research, fringe benefits are often substantially greater in the public sector than among comparably salaried employees in the private sector (Rosenbloom and Kravchuk 2005, 231). It is known that civil servants were paid poorly in the 1950s and 1960s, but the average compensation for them today has exceeded that of private employees if fringe benefits are taken into consideration. Among all the fringe benefits provided to civil servants, the lucrative retirement pension deserves special discussion.

Until 1995, the civil service retirement pension in Taiwan was fully financed by the government. But with the growing number of retirees and a widening fiscal deficit, the old pension system was replaced with a new system characterized by a defined-benefit plan and requiring joint contributions by the government and civil servants. Under the new arrangements, the contribution rate to the civil service pension fund is now 12% of twice the base salary; the government is responsible for 65% of the total contribution and individual civil servants contribute the remaining 35%.

The design of this new pension system is complex, but in general it pays civil service retirees fairly well. The average income-replacement ratio of the new pension system is greater than 80%, which is high by international standards (Su and Peng 2008, 88). The generosity of retirement benefits was acceptable to taxpayers when civil servants' monthly salary was low compared to that of private employees. But as civil servants' average earnings increased and pay disparities between the public and private sectors were eliminated, the overly generous retirement pension for the civil service has exacerbated wage differentials and impeded labor mobility between the public and private sectors.

According to the current Civil Service Retirement Act, an incumbent civil servant who has been employed by the government for more than 25 years—or at the age of 60 with 5 or more years of service—may apply for voluntary retirement. Civil servants may be subject to compulsory retirement if they have been employed for over 5 years and are older than 65 or if they have served for more than 5 years and cannot perform their duties properly due to a physical or mental illness. The Civil Service Retirement Act also stipulates that, after 25 years in service, a civil servant who is more than 50 years old is entitled to a monthly pension for the rest of his or her life.

Figure 28.1 reveals that the proportion of voluntary retirement in Taiwan's civil service has increased dramatically—from 40.6% in 1996 to 84.2% in 2008. The rapid increase in the proportion of voluntary retirees is alarming, and the growing phenomenon of early retirement has also caused a great deal of concern. During

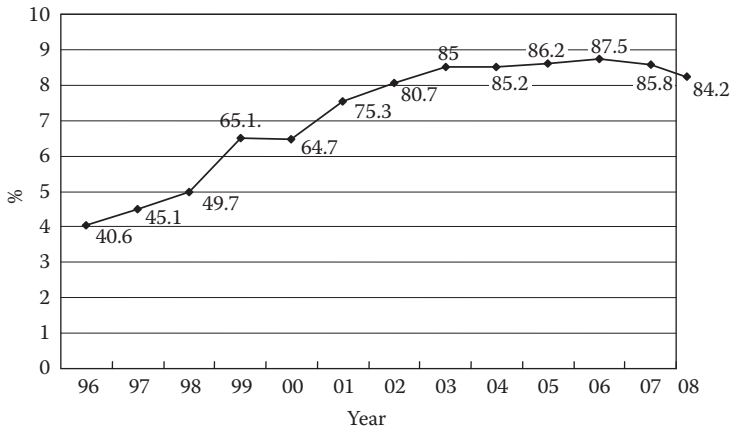


Figure 28.1 Proportion of voluntary retirees, 1996–2008.

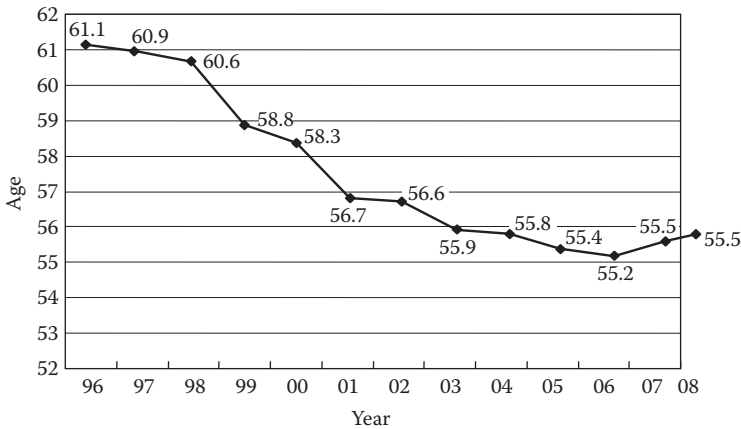


Figure 28.2 Average retirement age, 1996–2008.

the period of 1996–2008, the average retirement age of civil servants decreased by more than 5 years, sliding from 61.1 to 55.5 years old (see Figure 28.2). Although early retirement is the reward for hard work and good planning, it is also a sign that the civil service is losing mature and experienced bureaucrats, which may seriously weaken the governance capacity of the public sector.

Hence, the crisis involved is twofold. First, how can the government maintain a sustainable pension fund for civil servants, especially if, by design, it offers a high displacement ratio and a fiscally costly system? Second, how does the government

avoid a shortage of experienced civil servants during a period of harsh challenges as it moves from an authoritarian regime to political liberalization? To cope with these crises, various pension reform proposals have been discussed in the government. Among them, increasing the eligibility criteria for receiving a monthly pension or lowering retirement benefit levels seems inevitable in the near future.

28.6 Performance Appraisal System

There is a general consensus that an effective performance evaluation system is vital in inspiring the morality and work potential of public employees. Nevertheless, numerous studies have shown that performance appraisal in public organizations is usually not very effective and that Taiwan is no exception.

At the present time, in accordance with the Civil Service Performance Evaluation Act and its enforcement rules, Taiwanese civil servants should be evaluated at the end of each year on the basis of four aspects: work, conduct, academic attainment, and ability; the grade for work makes up 50% of the total score, conduct accounts for 20%, and the other two aspects each make up 15%. The act also prescribes that civil servants should be rated into grades A, B, C, or D. If civil servants are rated grade A or B, then the base pay of such employees will be raised one level higher. In addition, they will receive a bonus equivalent to 1 month's pay if rated A and a bonus equivalent to one-half a month's pay if rated B. Employees who are rated grade C get nothing, and those who rate grade D are to be dismissed from the civil service. If persons rated grade D choose to contest the evaluation result, they may submit an appeal to the Civil Service Protection and Training Commission, which is a ministerial-level organization under the Examination Yuan.

To ensure the objectivity of the evaluation process for civil servants, public organizations are legally required to establish an impartial performance evaluation committee. Nevertheless, despite its rich theoretical promise and all the delicate rules that have been formulated over the past years, most civil servants consider the appraisal process a nuisance and have little faith in it. This so-called "attitude problem," which is often blamed for ineffective performance evaluation systems in Western societies, is also applicable in Taiwan (Cozzetto, Pedeliski, and Tipple 1996, 76). Few public personnel like the concept of being evaluated, for they perceive the evaluation process as subjective and arbitrary and believe that people are actually rated on their seniority or some other superficial criteria, such as reporting for duty on time or obedience to supervisors.

Although the current system allows public organizations to set their own evaluation criteria according to the distinct nature of their work, very few organizations in Taiwan actually do so. Most organizations simply apply the same criteria to all employees, without taking into consideration the individual employee's rank or the nature of his or her work (Chu 2003, 116–117).

Even supervisors show little enthusiasm for this performance evaluation system. Because of a long-standing organizational culture that discourages supervisors from taking performance evaluation seriously, most supervisors in the public sector have little motivation to evaluate subordinates objectively. The current appraisal system sets an upper limit for the percentage of personnel who can receive grade A in each organization, and it is found that common practices include assigning grade B to newcomers or to people taking long-term leave for maternity, sickness, or training, or simply arranging for employees to take turns receiving a grade of B. The practice obviously undermines the fairness of the performance appraisal system, yet it successfully reduces the possibility of interpersonal conflict in the public organization.

Supervisors not only lack incentives to evaluate employees in accordance with their real job performance, but also avoid giving their subordinates grade C or D unless they have misbehaved very badly or are in violation of law. The most recent official data indicate that, in 2007, only 4 people in the entire civil service received a grade D and only 406 people received a grade of C; combined together, these account for approximately 0.16% of the civil servants evaluated in 2007.⁸ It is reasonable to assume that unless there is some extraordinary pressure for supervisors to increase productivity in their agencies, there will be little incentive for them to change these attitudes and behavior and start taking hard action to fight against the passive bureaucratic culture.

28.7 Political Neutrality of Civil Service

In a democratic society, the civil service is not supposed to serve any one political party but instead serve the public interest, and all civil servants are required to be politically neutral and protected from political interference. But in Taiwan, under the rule of martial law from the late 1940s to the 1980s, the intertwined relationship between patronage appointees and civil service painted a different picture. When a single political party monopolizes political power, concepts such as political neutrality or protection from political interference are not very useful.

At that time, there appeared to be a limited number of political appointees in the government, but in practice there was never a clear distinction between political appointees and senior civil servants. Many political appointees, such as ministers and deputy ministers, came directly from the senior ranks of the civil service. In addition, the promotion to higher level positions was often based on the interests of the ruling party, even though most people had an equal opportunity to enter civil service if they could pass the civil service examination. The result was a mix of political and administrative appointments in the civil service, causing confusion between governmental accountability and party responsibility (Ngo 2007, 8).

When the Democratic Progressive Party (DPP) replaced the long-serving Kuomintang Party (KMT) in Taiwan's first peaceful transfer of political power

in 2000, the citizens naturally expected the new regime to uphold firmly the value of political neutrality and to avoid partisan bias in the effort to transform the old bureaucratic machine into a more accountable workforce. However, the transformation process did not go as smoothly as hoped. The tension that had developed between the patronage appointees and incumbent civil servants intensified shortly after the regime change. Ngo noted:

Government ministers and elected legislators accused incumbent administrators of partisan bias and for bureaucratic red tape, resistance to policy change, and sabotaging the new government. The latter criticized the government for using the civil service as a scapegoat for its failure. The war of words was accompanied by resignation, removal, and dismissal...In the first year of its rule, several hundred high ranking positions changed hands. [The] DPP party has also been actively recruiting bureau heads and government officials as party members. (2007, 8)

It was clear that the DPP government had some doubt about the loyalty of the incumbent civil service when it first came to power in 2000. After all, the entire civil service in the central government had no experience working for any political party except KMT. As a result, friction existed between the DPP administration and the civil service system during its first term in power. It remained controversial whether the personnel reshuffle witnessed at that time was simply a normal practice during a regime turnover or was purposely intended to replace KMT domination in the civil service with DPP personnel (Ngo 2007, 8).

In March 2008, the KMT won a decisive victory in the presidential election and returned to power after being the opposition party for 8 years. This was Taiwan's second democratic transition of a ruling party in the central government, and most civil servants had experienced working under two different political regimes. Therefore, it was supposed to be less chaotic and less uncertain for the civil service to move to a new regime and successfully build up a healthy relationship with new political appointees.

Nevertheless, there were still accusations that the new administration improperly questioned the mind-sets and political impartiality of civil servants and lacked respect for the civil service system. For example, the then deputy secretary-general of the cabinet, feeling that she was no longer trusted by the new ruling party, refused an unexpected transfer to another civil post and chose to retire early (Tsai 2008).

It is somewhat disappointing that even though Taiwan has twice undergone a peaceful transfer of power between political parties, political neutrality of civil service is not guaranteed. Though not frequently, we still spot instances where civil servants are actively engaged in election campaigns or even employ administrative resources and personnel to support election campaigns—actions clearly contrary to the principle of political neutrality.

The democratization process in Taiwan has inevitably exposed the once insulated civil service to wider influences from both the external environment and internal forces. How does Taiwan secure political impartiality in a transitional political system characterized by uncertainty and the unknown? How do civil servants serve ministers of any government in office with nonpartisan loyalty? This is a brand-new challenge facing the current civil service. Of course, we know that it is impossible to expect the civil service system to change overnight. The move to a new system that takes full account of the demands of the society at large with care and sensitivity must and will be incremental. Hence, taking a positive attitude and looking on the optimistic side, the high turnover rate of senior executives in the beginning, as well as mutual accusations between the new regime and the old bureaucracy, apparently is the necessary price to pay for the democratic transformation.

In addition to letting political parties and civil servants learn from experience, the government enacted the Civil Service Administrative Neutrality Act in 2009. It is hoped that the implementation of act can guide civil servants to carry out their administrative duties fairly and to ensure political neutrality in a quickly changing environment.

28.8 Civil Service Reform

Starting from the early 1990s through to the present day, civil service reform has been influenced by the global fashion of new public management. The reform can be divided into four phases. The first was launched in 1993, when the central government started a program to cut personnel and thereby boost administrative efficiency. Comprehensive reviews were carried out on the personnel ranking structure and functions of government agencies. Another area of high priority at this phase was anticorruption actions, and one notable accomplishment was the revision of the Public Service Act in 1995. It prohibited public officials from engaging in related private businesses immediately after leaving their government positions.

The second phase began in 1997 when the central government launched a reengineering project that was much wider in scope than the previous phase. It included, among other things, streamlining of the Taiwan provincial government (TPG). This had a significant impact on incumbent civil servants, many of whom were forced to transfer to other governmental agencies or to retire early.

By streamlining the TPG, the government aimed to increase Taiwan's administrative efficiency, as well as to reach a reasonable distribution of central and local powers. Prior to the streamlining, Taiwan had adopted a four-layered governmental structure: central, provincial, city and county, and township governments. But, because TPG and the central government overlapped to a great extent in their geographical jurisdictions, the majority of citizens believed that a downsizing or trimming of TPG could bring in greater administrative efficiency.

The streamlining was launched in 1998, and the post of provincial governor and the provincial assembly were both abolished and replaced with a nine-member provincial council. The members of the council are all appointed by the president. The major operations of the provincial government, such as managing provincial highways and the Bank of Taiwan, have been transferred to the central government. Yet, it remains unclear whether the government has become more efficient after the streamlining, or whether political powers have been more reasonably distributed between the central and local governments.

The third phase took place in 2001 when the government set up a National Reform Commission. Its members were selected from different governmental ministries, academia, and the private sector. During this phase, the reform measures adopted were similar to those of OECD nations, and one of the objectives was to downsize the civil service and promote a more flexible personnel structure for bureaucratic organizations. After numerous discussions and public hearings, the Basic Organic Act of Central Administrative Agencies was passed in 2004. The act would be commonly applicable to all government agencies and allow more flexibility for the Executive Yuan to establish and adjust the organizational structure of agencies.

A related law is the Act for Total Staff Size of Central Government Agencies, which has been approved by the Legislative Yuan in 2010 and will be enacted in 2012. This act has two major mechanisms: total volume management and flexible adjustment of staffing levels. Specifically, it sets an upper limit on the total size of the civil service in the central government to prevent it from growing; at the same time, it gives the administration more room to adjust staffing levels to meet the changing needs of each agency.

The fourth phase took place in May 2008, when Ma Ying-jeou won the presidential election and brought the KMT back to power. So far, President Ma has mostly followed the same path of the past two decades to streamline the government so as to enhance its efficiency, flexibility, and competitiveness. In particular, he has made reforming the civil service system one of his top priorities and has urged the Executive Yuan to expedite reforms by bringing the recruitment, training, reward and punishment, and performance evaluation of civil servants more in line with current trends.

In addition to cultivating a competent civil service, President Ma has vowed to fight against corruption and to build a clean government. Researchers point out that Taiwan's democratic transformation has not improved but rather has blemished the integrity of the government (Yu et al. 2008). The corruption practices from the previous administration have jeopardized sound governance and ethics in the civil service.⁹ Thus, as a means to enhance Taiwan's competitiveness, a new reform agenda at this phase is to exert greater efforts to promote integrity, fight corruption, and rebuild public trust in public servants.

In general, the previously mentioned stages of civil service reform have made some progress in creating a more competent workforce, but they have not come up

to expectations (Shih 2007). Aside from the generic problems associated with the ideology of NPM itself, two reasons explain why civil service reform attempts until 2009 failed to achieve the expected results.

First, under the current legal system, personnel-related considerations are bounded by bureaucratic structures. As a consequence, civil service reform is often associated with a change of bureaucratic structure. However, any adjustment in the bureaucratic structure requires approval of the Legislative Yuan, which involves a lengthy process. Particularly during the period of 2000–2008, the presidency was in the hands of the DPP and the Legislative Yuan was controlled by the Pan-Blue Coalition, which is dominated by KMT members.

A divided government thus led to political stalemates from time to time. In addition, by constitutional authority, the Examination Yuan also has a say in personnel policy making. In other words, in order to formulate and implement civil service reform packages successfully, the Executive Yuan needs the support of the Legislative and the Examination yuans. This has greatly increased the degree of politicization and the transaction cost of civil service reform.

The second explanation lies in the fact that civil servants did not welcome many of the reform proposals. To them, many of these proposals were too dramatic, and many reform initiators failed to communicate with them properly or show them respect during the implementation process. The civil service reform packages usually included unpalatable measures such as workforce reductions, hiring freezes, elimination of civil service job security, and cuts in retirement pensions. The impact on civil servants of formulating and implementing these and many other related proposals was a growing perception that they were being slandered and were unappreciated. This perception has adversely affected morale and reduced cooperation among the workforce to implement the necessary reform measures (Huang 2004).

28.9 Prospects

This chapter depicts a formerly paternalistic and highly centralized civil service in transition. Under authoritarian rule, civil servants were a privileged group with high job security and substantial power. With the progress of democratization and globalization, increasing internal tensions and external pressures challenge previously unquestioned management practices and the old bureaucratic culture, including its bloated workforce, underrepresented minorities, centralized and dual supervisory structure, inflexible recruiting system, ineffective performance appraisal, and corruption and political neutrality. It is therefore understandable that civil servants feel frustrated or perplexed with regard to all these drastic changes.

It is also understandable that sometimes a new government and its political appointees, eager to move ahead with new initiatives, may resort to bureaucracy bashing, forgetting that to implement new civil service policies successfully requires

the expertise and cooperation of the civil service. Resistance to change is inevitable and is likely to be particularly strong when the policy initiatives include downsizing, reduction of fringe benefits, and greater use of market forces.

However, the mutual accusations and conflict between new political appointees and civil servants are temporary phenomena. Time and patience will lead to learning and mutual accommodation and adjustments, and the working relations between politicians and civil servants will improve gradually. That is, the improvement of political neutrality in civil service will be an ongoing process and a unique experience for Taiwan because it cannot directly or quickly imitate the actions of other regions and places.

In addition to working closely and impartially with politicians, the Taiwanese civil service has to increase its capacity by bringing in more talented people. The capacity of a civil service system is jointly determined by its personnel quantity and quality. When the size of the civil service is not growing or is expected to get leaner in the future, the quality of personnel must be upgraded in order to enhance its governance capacity effectively. In addition to encouraging incumbent civil servants to become involved in lifelong learning and continued education, it is time to act to attract a greater inflow of talented outsiders into the civil service system. Top priorities should include reconfiguring civil service examinations, enhancing the representation of minorities, diversifying the employment channels for senior positions, redesigning the reward system, and granting greater personnel autonomy to local jurisdictions.

Everyone knows that the civil service system is the backbone of administrative machinery. As the society becomes increasingly liberalized and pluralized, the civil service should aim at winning the trust and confidence of the people by enhancing its expertise and professionalism. In the past, the civil service contributed positively to postwar economic growth and social progress in Taiwan. We anticipate that it will continue to play an important role in the process of democratic and economic development.

Notes

1. See <http://www.mocs.gov.tw/index.htm> (visited on January 10, 2010).
2. Ibid.
3. Ibid.
4. Following the constitution adopted in 1946, the Examination Yuan, consisting of the Ministry of Examination and Ministry of Civil Service, was the nation's highest agency responsible for the employment and management of civil servants, and it was supposed to exercise its power separately from the Executive Yuan and free from partisan influence. However, because then President Chiang Kai-shek wanted to strengthen the dominance of executive power, the government established CPA under the Executive Yuan in 1967. The CPA has since been given charge of overall personnel administration in all the ministries and agencies under the Executive Yuan.

5. For details, see Tan (2000), Shih (2003), and Tang (2004).
6. The government sometimes holds special examinations to enable military personnel ranked colonel and above to become civil servants in military-related administrative agencies. If the examination is passed, depending on the position served, they may enter the agency at a grade higher than 9 and become a senior-ranked civil servant.
7. See <http://www.mocs.gov.tw/english/index.htm> (visited on January 10, 2010).
8. See <http://www.mocs.gov.tw/index.htm> (visited on January 10, 2010).
9. The indictment of Chen Shui-Bian on corruption charges in December 2008 has made him the first former president (2000–2008) of the island to face criminal prosecution.

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Chapter 29

E-government in Taiwan

Jing Shiang, Naiyi Hsiao, and Jin Lo

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29.1 Introduction

With a leading position in various international rankings, Taiwan utilized information and communication technologies (ICTs) and initiated its electronic government (e-government) programs as responses to the trend of government reinvention in the mid-1990s. The status quo of the computer and Internet penetration has provided a sound foundation for implementing various e-government programs since the mid-1990s. Although Taiwan has begun its journey into the realm of e-governance, emerging issues such as the “digital divide,” digital opportunity, privacy, and security have also received substantive attention and resources from its government to ensure that necessary legal, regulatory, and administrative measures are taken. It remains challenging to guarantee that information and communication technologies have transformed governments. In addition to introducing the e-government background, this chapter outlines the key programs, analyzes representative cases, and sheds light on the next generation of e-government programs and e-governance development in Taiwan.

29.2 Background and Stages of E-government Development in Taiwan

Central and local governments in Taiwan, as did many governments worldwide, have utilized information and communication technologies to support administrative services and democratic participation since the 1960s. The early stage for applying information technology (IT) in public sectors (RDEC 2008) resides in various business domains that require extensive computation and data storage. Among the domains are households, motor vehicles, and land registration, as well as taxation. Also notable is the establishment of IT task forces and IT units in these public sectors; this laid important foundations for tides of computerization in the 1970s, office automation in the 1980s, and electronic government in the 1990s.

Existing information systems or so-called legacy systems, as shown in the left column of Figure 29.1, involve fundamental governmental affairs such as household registration, land registration, and taxation, as mentioned before. Note that in the early 1990s, existing systems supported civil servants. These individuals eventually applied ICTs and delivered better public services to citizens and enterprises, as in the right column of Figure 29.1, although Internet and Web-based interfaces were not available then.

Emerging ICTs have evolved since the 1970s with various communication protocols, such as the Internet and wireless communication, as well as access devices such as personal computers, personal digital assistants (PDAs), and cellular phones, thus enabling the modern electronic/digital government (referred to as e-government hereafter) era. Based on the existing legacy systems, individual citizens and profit and nonprofit organizations equipped with various access

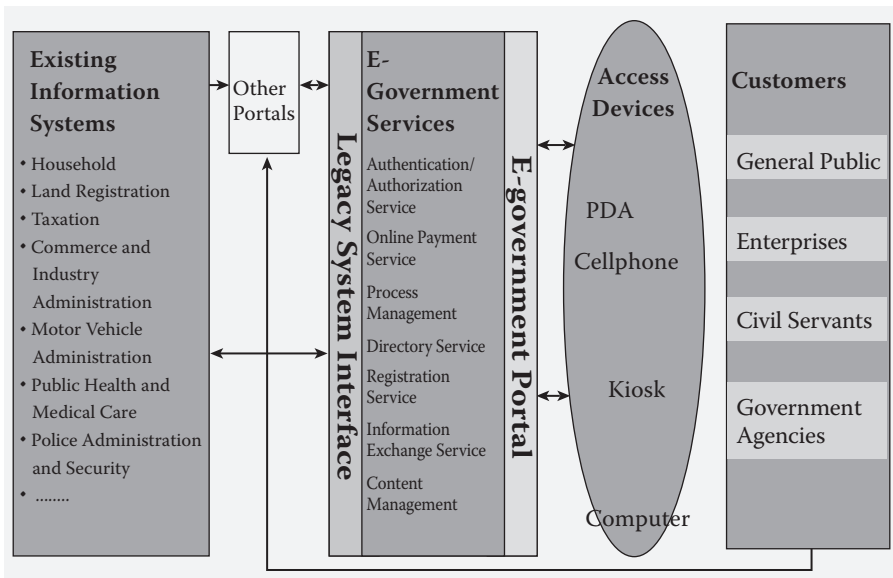


Figure 29.1 Structure of e-government services. (Source: RDEC. 2008. *Electronic government in Taiwan*. Available online at <http://www.rdec.gov.tw/lp.asp?ctNode=3702&CtUnit=605&BaseDSD=7>)

devices—including computers, kiosks, PDAs and mobile phones—may take advantage of e-government portals and online services. This includes tax-filing and complete transactions with public agencies directly without having to travel across agencies. One-stop e-government services are impossible until the back-office services, including authentication, payment, and process management, are established (as shown in the middle of Figure 29.1).

29.2.1 Internet Use in Taiwan

The international rankings of e-government published by Brown University in Table 29.1 show that Taiwan appears to be outstanding in e-government performance. The criteria adopted by Brown include availability of (1) multimedia online information, (2) security and privacy information, (3) e-transactions, (4) disability access, (5) Web pages with foreign languages, (6) ads and fees charged, (7) public outreach inviting citizen participation, and (8) online services (RDEC 2008).

Since 2001, the Research, Development, and Evaluation Commission (RDEC) of the Executive Yuan has conducted annual surveys measuring the digital divide and modern ICT penetration in Taiwan. As shown in Figure 29.2 and Table 29.2, about 71% of citizens over the age of 12 are able to operate computers, and 66% have access to the Internet. There are now about 14 million computer users and 13 million Internet users in Taiwan (over age 12). In

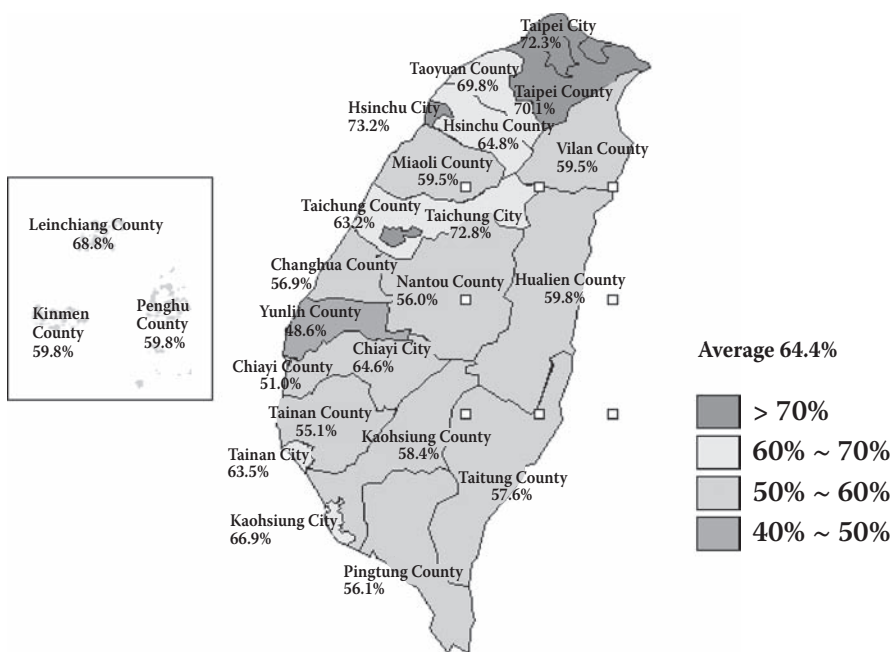


Figure 29.2 Internet penetration in Taiwan, 2008. (Source: RDEC. 2009b. Digital divide in Taiwan 2008. Available online at <http://www.rdec.gov.tw/public/Data/941414313171.pdf>)

Table 29.1 International E-government Rankings by Brown University

<i>Year Published</i>	<i>No. Countries and Regions Rated</i>	<i>No. Web Sites Rated</i>	<i>Taiwan Ranking</i>
2008	198	1,667	2
2007	198	1,687	3
2006	198	1,982	2
2005	198	1,979	1
2004	198	1,935	1
2003	198	2,166	5
2002	198	1,197	1
2001	196	2,288	2

Source: RDEC (Research, Development, and Evaluation Commission), Executive Yuan, Taiwan. 2008. Electronic government in Taiwan. Available online at <http://www.rdec.gov.tw/lp.asp?ctNode=3702&CtUnit=605&BaseDSD=7>

Table 29.2 Computer and Internet Access for Those over Age 12

	<i>Computer Usage</i>	<i>Internet Usage</i>
Percent of population (2004)	68.2	61.1
Percent of population (2005)	66.8	62.7
Percent of population (2006)	70.1	64.4
Percent of population (2007)	71.0	65.6
Percent of population (2008)	73.4	68.5

Source: RDEC (Research, Development, and Evaluation Commission), Executive Yuan, Taiwan. 2009a. 2008 Status report: Digital divide in Taiwan. Available online at <http://www.rdec.gov.tw/public/Data/96411113171.pdf>

addition, 25% of nonusers of computers report that they are connected by their ICT agents, mostly their families. The 2007 survey also showed that use of computers and the Internet has become increasingly popular in Taiwan over time (Table 29.2). The percentage of population over the age of 12 who have used the computer before increased from 66.8% in 2005 and 70.1% in 2006 to 71.0% in 2007. The percentage of those who have used the Internet has also increased from 61.1% in 2004 to 65.6% in 2007.

Table 29.3 presents no significant change in recent years, but usage to search for information and for recreational purposes has increased by about two or three percentage points in recent years. Instant messaging such as MSN has become popular over the years. Online banking and shopping have also grown, increasing approximately five percentage points from 2006. In addition, 51% of the respondents have visited Web sites of government agencies within a year. Among them, 66% agree that government Web sites are helpful in searching for and locating relevant information; 79% perceive satisfaction with online services provided by government Web sites; 81% confirm the ease of use for government Web sites; and 97% report that they would be willing to keep using government Web sites in the future.

29.2.2 Institutional Actors for E-government

Various task forces of the Executive Yuan have been in charge of coordinating e-government policies and programs among ministries, councils, and commissions under the cabinet. As shown in Figure 29.3, the National Information and Communication Initiative Committee (NICI) is the task force to coordinate the development of e-government, e-commerce, and e-society at the central government level. In effect, NICI, chaired by a minister without portfolio, plays the role of the CIO (chief information officer) in the central government. Under NICI, several steering groups (SGs) are established as well, such as the e-government SG,

Table 29.3 Usage of Internet Applications by Those over Age 12

<i>Percent of Population</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
E-mail	86.9	85.7	88.2	88.9
Recreation and entertainment	67.3	67.4	68.0	70.1
Information search	85.4	88.1	86.7	89.8
Instant messaging	56.2	67.6	73.0	76.4
E-banking	18.1	18.5	22.6	27.8
Online shopping	30.4	37.2	44.7	49.6

Source: RDEC (Research, Development, and Evaluation Commission), Executive Yuan, Taiwan. 2009b. Digital divide in Taiwan 2008. Available online at <http://www.rdec.gov.tw/public/Data/941414313171.pdf>

ICT infrastructure SG, and standardization SG. Also, under the Executive Yuan, the RDEC is a ministerial agency responsible for e-government development. The Department of Information Management in the RDEC is the administrative body for e-government-related affairs, including overall planning, program and budget review, and coordination among government agencies.

The RDEC has outsourced to and jointly worked with nongovernmental, non-profit, and academic institutions in planning and evaluating diverse e-government programs since the 1990s (e.g., conducting a survey on the digital divide). To achieve a more orchestrated program and policy development, the RDEC also funds an independent research center, the Taiwan E-governance Research Center (http://www.teg.org.tw/web_en/index.html), which began in 2007. It is composed of 10 research fellows whose major domains are related to public administration and policy, government ICT management, e-government, e-democracy, and e-governance.

A series of policy research projects in 2008–2012 has been designed and five projects have been implemented since 2008: (1) “The Vision of E-governance in 2020 Taiwan: An Application of Scenario Planning,” (2) “Evaluation and Analysis of E-governance in Taiwan,” (3) “Government IT Workforce and Budgeting Management—Status Quo, Challenges, and Solutions,” (4) “Adaptation of E-governance Relationships,” and (5) “Methods for Cost-Benefit Analysis on E-government Projects.”

29.2.3 E-government Programs

The RDEC, the core e-government agency in Taiwan’s central government, has officially announced three stages of e-government programs: (1) the e-government

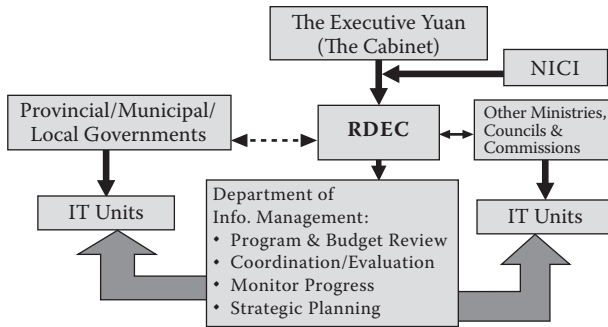


Figure 29.3 Institutional actors for e-government in Taiwan, 2007. (Source: RDEC. 2008. Electronic government in Taiwan. Available online at <http://www.rdec.gov.tw/lp.asp?ctNode=3702&CtUnit=605&BaseDSD=7>)

	<i>Improve Service Effectiveness</i>	<i>Enhance Clerical Efficiency</i>	<i>Improve Decision-making Quality</i>
On-line Services	<i>G2C, G2B On-line Services</i>	<i>G2G On-line Services</i>	<i>Public Safety</i>
Information Sharing	<i>Gateway System</i>	<i>Administration Information Sharing</i>	<i>Decision Support System</i>
Computerization	<i>MIS</i>	<i>OA</i>	<i>Policy Planning</i>
Infrastructure	<i>GSN Services CA Services</i>	<i>E-Training</i>	<i>Legal and Standards</i>

Figure 29.4 A general framework for E-Taiwan, M-Taiwan, and U-Taiwan programs. (Source: RDEC. 2008. Electronic government in Taiwan. Available online at <http://www.rdec.gov.tw/lp.asp?ctNode=3702&CtUnit=605&BaseDSD=7>)

action plan (1997–2000), (2) the electronic government program (2001–2004) coupled with the E-Taiwan and M-Taiwan (mobile-Taiwan) programs (2004–2007), and (3) the ubiquitous network government program (U-Taiwan, 2008–2011). Figure 29.4 presents a general framework for the E-Taiwan, M-Taiwan, and U-Taiwan programs in the past decade.

Establishing the infrastructure has always been fundamental. The technical infrastructure includes broadband and wireless technology, which integrates cellular and computer networking protocols and enables multimedia data to be transmitted smoothly. In addition to technological foundations, legal and human resources are also viewed as an important infrastructure that includes offline and online training programs for public servants and citizens, as well as laws and

regulations such as protection of online identification, digital signatures, computer security, etc.

The early IT applications and legacy information systems shown in Figure 29.1 have been incorporated into e-government programs since the 1990s (as shown in the second layer in Figure 29.4). Existing systems with a wide range of policy domains have been upgraded and customized to modern ICT protocols. More importantly, the internal systems built in the past now extend their functions to integrate front-end online service systems. Without these fundamental information systems, modern e-government Web sites function merely as front-end interfaces for users and thus ultimately fail to transform governmental service processes.

The upper two levels in Figure 29.4 show modern applications of ICT concerning information sharing, service delivery, payments, and citizen participation. The content involved in various G2C (government to individual citizens), G2B (government to businesses), G2N (government to nonprofit and nongovernmental organizations [NPOs and NGOs]), and G2G (between governments and agencies) applications has existed since the first stage of e-government programs in Taiwan in 1997.

In central and local governments, the ministries and departments in charge of diverse governmental services have been planning and implementing hundreds of projects related to information sharing, service delivery, and payment, as well as citizen participation. Typical G2C online services include online information search and transparency (detailed later), e-taxation (detailed later), e-vehicle registration and fine payment, and handling of e-complaints (detailed later). E-procurement (detailed later), including tendering and bidding, is one of the typical G2B online services. The NPOs and NGOs prevailing in most democratic societies also have access to various online services, such as registration and public forums on the policy issues of their interest.

Moreover, the current stage of e-government programs—namely, U-Taiwan—has upgraded and expanded the scope of online services, as shown in Figures 29.5 and 29.6. First, to facilitate more effective and convenient access, the one-stop e-government portal (<http://www.gov.tw>) has been continuously improved with search functions and catalogs for government Web sites. In addition, a more accessible and active user interface of e-government called e-housekeeper has been developed (see later discussion). With clearly specified and diverse target populations, including A–G (Figure 29.5), e-government users can now install the interface and subscribe to any online service.

Users of e-government are more deliberately identified and services customized. For instance, online services have been established for “new Taiwanese” (children of international spouses of native citizens in Taiwan), overseas Taiwanese, and international businessmen and travelers. Together with the existing Web sites customized for e-life events, the current stage of e-government Web sites is capable of providing more user-centric, one-stop, integrated services.

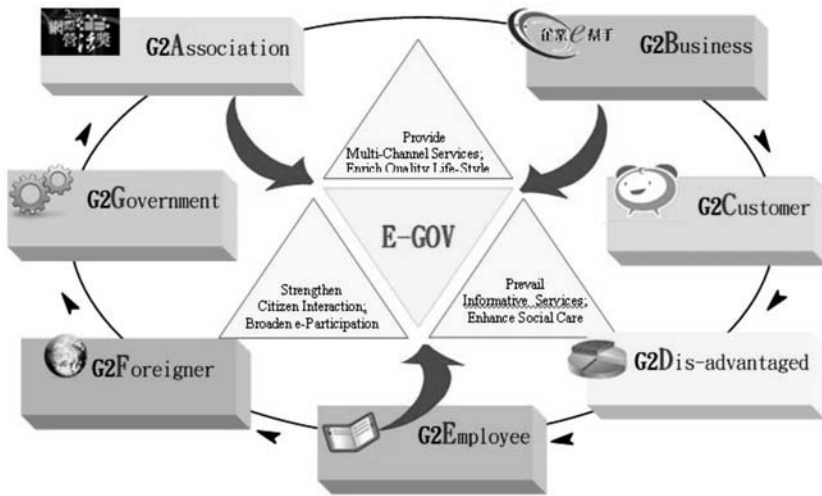


Figure 29.5 The expanded populations targeted by U-Taiwan programs. (Source: RDEC. 2008. Electronic government in Taiwan)

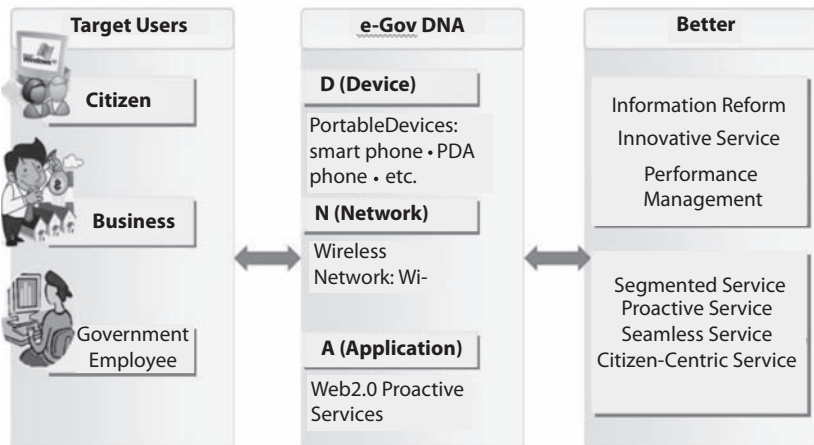


Figure 29.6 The expanded framework targeted by U-Taiwan programs. (Source: RDEC. 2008. Electronic government in Taiwan)

Technological protocols and media for the current e-government have become more comprehensive. Aside from desktop and notebook computers, cellular phones, PDAs, and digital appliances are now enabled with access to e-government services based on more available and cost-effective protocols such as WiFi and WiMAX (Figure 29.6).

29.3 E-government Applications for Citizen Services and Internal Efficiency

This section discusses some special applications of e-government in Taiwan: the e-government portal and the e-housekeeper, the integrated user interface, and some typical online governmental services such as e-taxation (G2C), e-procurement (G2B), and e-document exchange (G2G).

29.3.1 *E-government Portal and E-housekeeper: An Integrated User Interface*

The top two levels in Figure 29.4 involve modern ICT applications relating to information sharing, service delivery, and payment, as well as citizen participation. The e-housekeeper platform, shown in Figure 29.7, serves as an integrated online governmental services and active one-stop portal, in addition to the existing e-government portal (<http://www.gov.tw>) and Web sites for all central and local governments and agencies. The e-housekeeper platform can be installed in users' computers to provide citizen-centric services, and Web 2.0 technology is adopted to send subscribers notices for e-government services. The back office of the e-housekeeper, called government service platform, also serves as a gateway to information exchange among public agencies related to online services. The general public can pay water bills, electricity bills, parking fees, and telephone bills; obtain vehicle registration services, etc. online.

29.3.2 *E-taxation: Filing and Paying Taxes Online*

The development of the current electronic tax-filing and payment system (e-taxation, <http://tax.nat.gov.tw>) dates back to the 1970s, when legacy systems were planned and implemented by the national tax administration at the Ministry of Finance. The current version of the e-taxation system has been revised annually since 1998 to adopt state-of-the-art technology (e.g., digital certificates). Individual citizens and enterprises utilize the online taxation system to file their tax documents and complete payment in conjunction with the affiliated banks with credit card services. With the deployment of an online taxation environment, digitization and online deployment sharply lower operating costs, raise service quality and administrative efficiency of public tax agencies, and establish a faster taxation service environment with fewer barriers.

The functions of the e-taxation system have evolved to include the following:

- Queries and application services. The interfaces provide taxpayers with various tax form and booklet downloads and problem-troubleshooting databases.
- Tax filing and payment. The digital certificate and authentication mechanisms allow taxpayers to complete all their tax filing and payment online. The

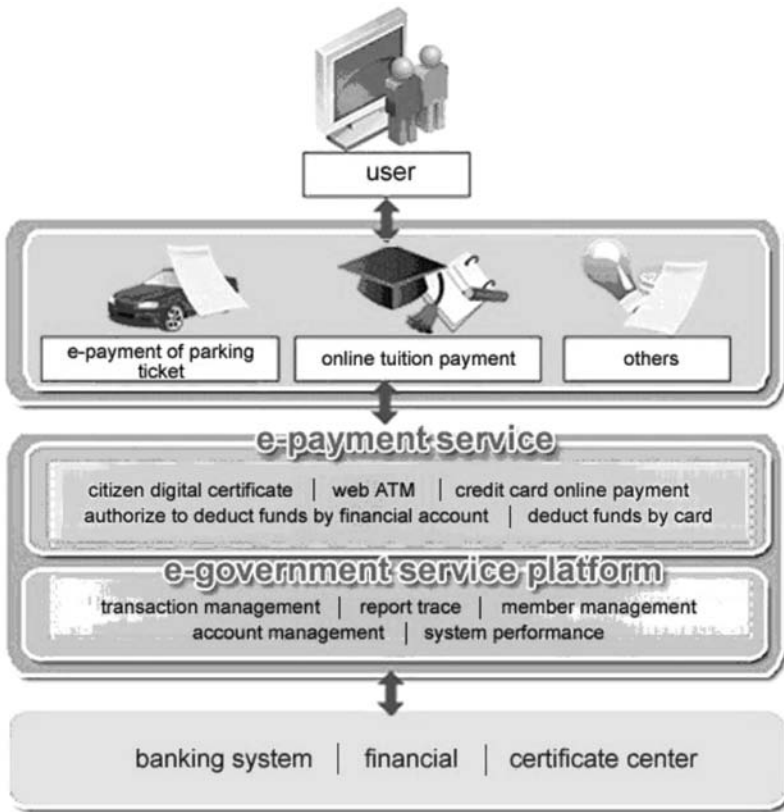


Figure 29.7 The e-housekeeper platform for integrated online governmental service. (Source: RDEC (2008)).

online spreadsheet and reports of various kinds include income tax exemption as well as filing and payment of general income tax, online filing and payment of business income tax, online payment of business tax, and online payment of taxes owed following a tax audit.

- General income tax bar-code filing. This alternative for online filing and traditional paper filing methods aims to be user-friendly and more convenient.
- Payment of taxes and rebates via account transfer. Both payments and rebates can be directly transferred to or from taxpayers' accounts at financial institutions via preset or automatic disbursement mechanisms, thereby shortening the rebate process and reducing need for rebate vouchers and checks.

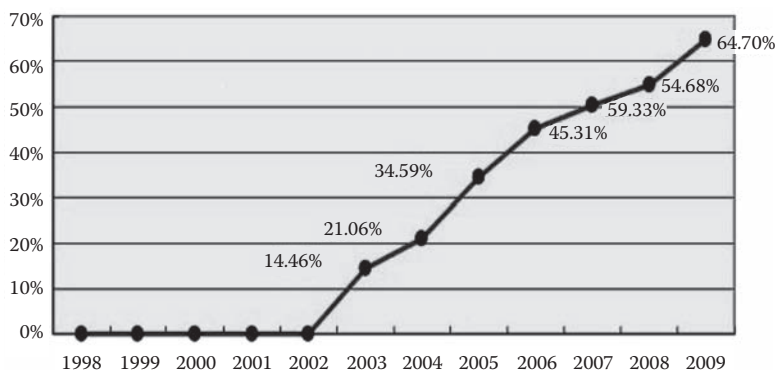


Figure 29.8 Penetration for the e-taxation. (Source: National Tax Administration (<http://tax.nat.gov.tw>)).

- Electronic invoices. Uniform invoice stubs from businesses will be directly stored and transmitted via the Internet in electronic formats.
- Transmission and utilization of tax data files. Online links between the National Tax Administration and various tax collection offices will facilitate the mutual sharing of resources and data, achieving one-stop tax service.

Figure 29.8 shows the trend of penetration for e-taxation in Taiwan from the 1998–2006 tax period. For example, around five million households or taxpayers had to file and pay their income tax in May 2007 for their income in 2006. Thus, around 2.25 million households or taxpayers (45.3%) adopted online tax filing provided by the e-taxation system, and about 400,000 household taxpayers (7.1%) utilized the more secured digital certificates. Others utilized either bar-code filing or simplified online tax filing with their personal and household identification numbers.

Improving the usage of secured tax filing has been challenging for the National Tax Administration. It is relatively easy for enterprises with professional employees to deal with tax transactions, but it is not always straightforward for ordinary households. Only 1.5 million citizens have digital certificates, and a low percentage of online taxpayers utilize digital certificates as well.

29.3.3 E-procurement: Transparent Procurement Information and Tendering

The e-procurement system (<http://web.pcc.gov.tw>) is established, maintained, and managed by the Public Construction Commission in Taiwan, which helps link up procurement staff in public agencies, firms currently and potentially providing

goods and services, and experts evaluating procurement quality. The procurement system aims to establish an open, transparent government procurement environment; improve government procurement efficiency; and prevent possible corruption in the procurement process.

Like the e-taxation system previously introduced, the functions of e-procurement have evolved since 1998 to include the following:

- Establishment of the "Government Procurement Bulletin." Firms can browse the bulletin to obtain bidding information from central and local government agencies. In addition, the Web site also contains relevant public procurement information such as announcements of surplus goods and materials, immediate sales and rentals, public requests for vendors' reference materials, and public requests for proposals or written price quotations.
- Implementation of online bid form issuance and bidding. Firms may pay fees online and download bidding documents (requests for proposals) via the Internet and send encrypted and electronically signed bid forms and relevant documentation to the network center any time before the bidding deadline. This effectively saves firms' transportation costs and reduces potential illicit manipulation in the traditional mode of tendering on paper.
- Promotion of joint supply contracts. Government agencies have signed joint supply contracts with vendors for common goods and services. This enhances government's price negotiating position and secures better discounts.
- Institution of online vendor catalogs and online price quotation requests. Government agencies can quickly obtain information about providers and price quotations.

Since the implementation of the e-procurement system, 603,800 tendering documents have been downloaded (about 67,000 annually) and the number has grown strongly since 2003. Savings include about US\$12.5 million on procurement documents and US\$25 million on firms' transportation costs (Public Construction Commission 2008). Nevertheless, much of the usage concerns information queries and tendering documents, even though the system provides full-range procurement facilitation from information queries, tendering document downloads, submission of firms' bids, and determination of bid winners.

One reason for this is that bidding submissions often involve expertise that firms are not willing to transmit via the Internet, even if the e-procurement system has been equipped with secured electronic certificates. Another reason is that procurement staff in public agencies remain worried about system stability and authenticity because any flaw in government procurement processes incurs intensive public scrutiny and even lawsuits. If these concerns stand, then more deliberate system quality, training, and regulation to reduce unintended consequences and controversies for adopting online bidding will be indispensable for promoting e-procurement in the future, though some upper limit of use may remain.

29.3.4 E-document: Interagency Electronic Document Exchange

Compared with the previous G2C and G2B applications on e-taxation and e-procurement, interagency document exchange has focused even more strongly on administrative efficiency. Promotion of electronic document exchange began with revisions of the existing Document and Program Statute in 1993 explicitly specifying that official documents may be circulated in an electronic format. More importantly, it regulates a standard format (crucial for documents with Chinese characters), production, transmission, preservation, confidentiality, and forgery prevention of electronic documents for public agencies. The statute laid a foundation for subsequent action project for e-document exchange via the Internet, which started in 1998. Implementation of e-document exchange has been extended to a wider range of administrative units in addition to government agencies, including schools and government-run business enterprises, since 2002. Meanwhile, the G2B and G2C e-document exchange has been seeking partnership with enterprises and nonprofit organizations since 2003.

In essence, e-document exchange relies on the Internet to transmit official documents among government agencies and business partners. The sending agency produces an official document that is converted into an XML document for transmission. Then front-end processing involving the agency's electronic certificate issued by the Government Certification Authority (GCA) is required before the document can be transmitted. After the electronic document encrypted with a digital signature is transmitted via the Internet to the receiving agency, the recipient has to be equipped with a digital certificate to open and print the document if necessary. In addition, the XML document can be converted to a format compatible with the recipient's internal document management system.

As of July 2006, 77% and 67% of official documents were exchanged electronically in central and local governments, respectively (RDEC 2008). Those not exchanged electronically are mostly due to uncommon attachments and requirements such as special sizes and materials. About 100,000 official documents are exchanged electronically every day, reducing annual postage expense of around US\$6.3 million. This project has not only drastically improved document transmission time and raised the level of office automation, but has also been regarded as a very important e-government killer application that effectively enhanced information literacy for internal customers of government (namely, civil servants).

29.4 E-government for Democratic Governance

29.4.1 E-government and Transparency

The Freedom of Information (FOI) Act in Taiwan was enacted into law and became effective at the end of 2006. In the law, the Internet is designated as one of the channels to post required public information, and the RDEC issued

executive orders for public agencies to follow in posting governmental information on their Web sites. The FOI also pertains to the evaluation of public agency Web sites.

However, there are problems with information posted on government Web sites in Taiwan that still need to be resolved. According to H. Chen (2003):

- Governmental Web sites lack clearly specified objectives.
- These sites lack adequate follow-up maintenance budget and staff.
- Departments or sections put information on their Web sites but not always with approval of or direction from higher or lower units.
- The head of each unit has the right to examine and verify the correctness and appropriateness of the information to be disseminated on agency Web sites.
- Information update responsibilities and rights are often confused between task units and IT units.
- It is difficult to put existing government paper publications online. Digitization of agency publications must be achieved before full-scale freedom of public information can be realized.

29.4.2 Online Citizen Participation

Taiwan has a tradition of citizen participation in local and public affairs. For example, traditionally, residential meetings of a certain jurisdiction or community, usually of smaller scale, are required to be held regularly to discuss and decide community affairs. E-government provides an additional, modern way to further such involvement.

Among large jurisdictions, the city of Taipei now provides an electronic channel for citizens to participate in its city management. Taipei's mayor's electronic mail box (TCME) is a public forum and offers access with ICTs of speed, directness, and boundlessness with which ordinary Taipei city residents can directly and efficiently contact city agencies without any mediation by parties, politicians, or the legislature. TCME is especially designed for accepting citizens' appeals and complaints.

Initially, such increased participation seemed to overload city government and breed unrealistic expectations by residents toward the government. Concerns also existed that TCME deepens the effects of the digital divide in which only "ICT-haves" can fully take advantage of the new channel (Huang, Hsiao, and Chen 2003). Today, almost all local governments in Taiwan have e-mail boxes to accept citizens' e-mails. Some of them even have online public forums on which residents can post opinions. Most of the agencies have designated units in charge of these channels and have declared how they are going to deal with the e-mails or postings. People can find governmental Web sites easily through the use of search engines. What is lacking is full online interactivity between citizens and public officials.

The RDEC also set up an Internet forum—National Policy Think Tank Online (NPTTO)—as a platform to implement electronic governance. The NPTTO

involves policy-related agencies, third-party research teams, and policy stakeholders to disseminate data, information, and knowledge. It also provides a place for questions for and comments on one another among these parties (Hsiao et al. 2007). It has been found that, while involving and linking diverse partners, which is a cross-boundary concept in governance, NPTTO is able to elevate capacity for democratic administration and to promote a communitarian spirit for policy deliberation (Hsiao et al. 2007).

Scholars in Taiwan (e.g., Huang and Chen 2004) have been trying to push the e-government frontier forward to online deliberative democracy or online democratic deliberation; however, e-voting plan development in Taiwan does not provide an environment that is secure enough and that ensures voters a safe and worry-free channel through which to cast their votes (Jan, Wang, and Hsu 2005). Some citizens do take part in politics through the Internet. Although Internet use is not related to their political attitudes and voting behavior, no more than 1/10 of the voters obtain election news through the Internet (Wang 2006). However, voters who read election news more on the Internet are found to be more likely to donate money to political candidates and to attend campaign rallies (Wang 2006).

Although the governments in Taiwan have made numerous efforts to promote e-democracy, obstacles and limits for implementing e-democracy in Taiwan still exist (Yeh 2004):

- the digital divide and information gaps among and between populations
- information overload and limited ability of government to respond
- control of information and monopolization of agenda setting
- improvement for participation quality and quantity

To further e-participation in Taiwan, it has been suggested that three approaches must be taken (Chen, Huang, and Hsiao 2004). First, in e-government programs, policy-related e-participation initiatives should be included. Second, in these initiatives, citizen participation should be in all stages of the policy process, and indicators of e-participation should be in program evaluation and monitoring. Third, policy-related e-participation initiatives must reduce negative impacts from the digital divide and various degrees of policy literacy.

29.4.3 Assessing E-democracy Needs and Performance

Huang (2005) finds that disclosure of government information, online consultation, and online decision making are seen as three critical dimensions of e-democracy in Taiwan. Among the three dimensions, citizens demand disclosure of governmental information the most. Online public consultation is second, and online public participation in policy making, such as video conferencing or e-voting, is seen as least in demand and feasibility among the three dimensions.

Yet, a large gap exists between legislative agency Web sites of the central and local governments (Huang 2005). Although a central-level legislative body maintains well-established Web sites, local legislative bodies have comparatively lower quality Web sites, and some do not have a site. Also, what both citizens and public officials want most is that governments proactively provide public information online and that the government update its Web sites, provide online FAQs (frequently asked questions), and respond online to questions. Online participation in policy making is demanded less frequently than the other two dimensions are.

A large-scale online survey of public officials and citizens in Taiwan was conducted to collect and compare their opinions on the desirability, necessity, and feasibility of a list of Web site content and functions that contribute to realizing democratic values (Shiang, Hsiao, and Lo 2007). Four groups of indicators were considered: agency profile, open government, interactivity/consultation, and policy-making constructs. Citizens and public officials often agreed with each other on the need for interactivity/consultation and policy making; however, with regard to agency profile, citizens ranked agency e-mail addresses and phone numbers as highly desirable, while public servants ranked them low in both feasibility and necessity. Furthermore, concerning open government, citizens ranked electronic newsletter subscription and multimedia documents relatively high, but public officials ranked these as low in necessity and feasibility.

Also, although local governments provide a variety of online services, little is currently known about the performance of their Web sites. In 2000, local government Web sites were evaluated, and their bulletin boards, promotion, service delivery, and citizen input were found to be lacking. The guiding within the Web site was bad, the Web sites did not have enough content of substance, and content was often outdated (Lee and Huang 2001). A 2005 study of Taipei's online service quality found that most residents emphasized one-stop service, cleanly laid out data and information, protection of personal privacy, and personalized information and services. Taipei residents were also satisfied with personnel taking care of questions and complaints and providing the most current postings and city news; however, services related to markets and finance, public administration, fire protection and safety, and education and culture were seen as needing improvement (Yang and Jan 2005).

29.5 Issues Concerning E-governance

29.5.1 Accessibility and the Digital Divide

The digital divide between urban and nonurban areas exists in Taiwan (Lin 2003). Although Taiwan's economic and other developments are based on ICTs such as computers and the Internet, many people are still left out of the new information era. As a result, information inequality—that is, the gap between the information rich and the information poor—has generated critical issues

and worries in civil rights and economic development. Although the emerging digital economy has become a major driving force of economic well-being, governments in Taiwan put in efforts to make sure that all people have the information tools and skills critical to their participation. Access to such tools is an important step to ensure that the economy grows strong and that, in the future, no one is left behind.

In governmental actions in bridging the gap, the RDEC (2008) has made significant efforts. In conjunction with the promotion of e-government, the RDEC has been promoting electronic participation and policy innovations that aim to make government information more accessible and transparent by encouraging establishment of government Web sites of all levels. In this regard, the RDEC pays special attention to offering disadvantaged people the resources and assistance required to avoid the digital divide when applying Internet and information technology. The RDEC has established indicators for evaluating the overall digital divide and conducts digital divide surveys on a yearly basis. It also combines resources from both the government and the private sector to provide the disadvantaged with information training programs and to establish Internet access centers in remote areas.

As of 2007 and as a result of the RDEC efforts, 140 locations in 35 remote townships in Taiwan have Internet access centers, and 281 Web sites dedicated to people living in remote areas have been established. The RDEC is now promoting fully accessible cyberspace by establishing the “Accessible Web Development Guidelines” and a Web site that offers Web accessibility examination.

29.5.2 *Legal Issues*

In Taiwan, there is no law that sets rules for electronic or online voting (Yeh 2004). There is also no law that sets rules for electronic government in general, with the exception of the Law of Electronic Signature. Legislated in 2001, this law aims to boost popular exercise of electronic transactions, assure security of electronic transactions, and encourage and promote development of e-commerce and e-government. It lays a critical foundation for e-government applications and e-democracy practices, including those for e-voting.

Also, no specific legal rules currently regulate or promote e-democracy in Taiwan. Tai and Liao (2004) suggest that, for e-democracy to be legalized in Taiwan, three aspects of legal issues must be dealt with. Whether or how fast these matters come to pass remains to be seen:

- To enhance e-participation, it must be made into law that governments must establish electronic public forums. Rules that all parts must follow in the forums should also be written into the law, including privacy protection. The efficacy of the forum discussion and the connection between discussion conclusion and related policy making must also be asserted in the law.

- In order to avoid abuse and related resource waste, the law must specify requirements of a citizen's petition submitted through electronic channels before a public agency may seriously take it into formal procedures.
- Regarding e-voting, principles for e-voting application in the public sphere must be established. At the same time, feasibility of various e-voting techniques must be analyzed in order to set up technical parameters that follow the principles. Then, legal aspects of the formats of e-voting, preparation procedures, avoidance of threats and temptation, and security issues can be considered (Tai and Liao 2004).

29.5.3 Security

In Taiwan, computer-related personal data protection and online privacy issues are primarily regulated by the 1995 Act of Computer Processing of Personal Data and Its Protection (Chuang 2003). However, from today's point of view, the act contains many loopholes. With many incidents of leakage of personal data, especially from public agencies, it is claimed that the act cannot fully protect personal online privacy (Chuang 2003). Furthermore, security issues are serious enough to draw attention of commentators. With the wide promotion of e-government, government agencies in Taiwan are relying more on information technologies.

However, incidents such as computer viruses, attacks of hackers, leakage of personal information, and cybercrimes are quite common among government agencies (Wu 2008). These incidents influence public security, social stability, and people's interests, and they have caused the loss of public confidence in e-government applications. It is suggested that government should strengthen its information security and protection management to establish a safe and reliable network environment, to enhance the application of information technology, and to provide secure and efficient services (Wu 2008).

The central government in Taiwan has made some efforts to enhance government information and communications security, protect privacy, and prevent computer security incidents resulting from computer viruses, hacker attacks, and other computer crimes. The RDEC adopted a "3E's" strategy (engineering, enforcement, and education) to promote a comprehensive management mechanism for e-government information and communications security (RDEC 2008). The adopted measures include:

- raising security awareness of the general public and increasing people's confidence in e-government services
- enhancing internal management and security auditing of government agencies and organizations to lower the risk of computer security incidents
- encouraging government agencies to follow relevant procedures and regulations of information and communications security management and establishing a report and response system for handling computer security incidents

- conducting security training continuously and enhancing the computer security handling capacity of government agencies
- enhancing the information sharing and alert system for information and communications security and minimizing the damage caused by computer security incidents
- promoting the establishment of backup systems for critical information systems and data files
- reviewing and strengthening the network security of government agencies and lowering the risk of computer intrusions
- operating the National Security Operation Center (NSOC) to provide 24-hour network system monitoring and incident handling services and to lower the risk of computer incidents

29.5.4 Toward E-governance

In good governance, the use of information and communications technologies is seen to increase the chance of reaching societal consensus and to ensure governmental accountability. Taiwan has begun its journey into the realm of e-governance, but the democratization of governmental Web sites is still at the “thin democracy” stage: Governments mainly focus on the transparency of government information (Lo 2008). E-consultation is quite lacking, and e-decision making has never appeared.

There is also an urgent need to evaluate social and political implications—for example, the changes in power relationships among citizens, politicians, and public administrators (Haque 2002; Snellen 2002); citizen access to governmental information that truly benefits them (Jaeger and Thompson 2003); the digital divide between the information rich and information poor (Thomas and Streib 2003; Malina and Macintosh 2004); and the realization of local digital democracy (Ho 2002).

As the primary agency for Taiwan’s e-government policies and programs, the RDEC of the Executive Yuan has led the effort to further e-government for many years. In late 2007, the RDEC established an affiliated think tank—the Taiwan e-Governance Research Center (TEG)—to explore issues and related activities further. TEG is developing policy guidelines to further Taiwan’s e-government program and to become an international center to share knowledge and databases of e-governance with academic researchers, public sector professionals, and global citizens.

Under the guidance of the RDEC, TEG has also sponsored the following new research projects. Through such projects, awareness and information about e-governance can help further e-governance in Taiwan:

“The Vision of E-governance in 2020 Taiwan: An Application of Scenario Planning” aims at building a vision for efforts in reinventing government

through e-governance schemes. This project uses relevant vision-building tools to lay out vision, mission, and action plans for e-governance policy formulation for Taiwanese central government in the next 10 years.

At the same time, "Evaluation and Analysis of E-governance in Taiwan" intends to construct a comprehensive e-governance framework and to develop indicators to track e-governance development in Taiwan.

"Adaptation of E-governance Relationships" investigates the interaction and interdependence among plural stakeholders in e-government, including not only individual citizens but also enterprises, providers, various levels of governmental agencies, public interest groups, communities, and information agents.

"A Study of Government IT Workforce and Budgeting Management—Status Quo, Challenges, and Solutions" researches personnel systems of IT members, such as recruitment, merit system, and training, that increasingly influence the efficacy of e-government programs. This research aims at exploring the status quo of IT manpower and budgets in central and local governments.

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6000 Broken Sound Parkway, NW
Suite 300, Boca Raton, FL 33487
270 Madison Avenue
New York, NY 10016
2 Park Square, Milton Park
Abingdon, Oxon OX14 4RN, UK

ISBN: 978-1-4200-5190-2



9 781420 051902