



ST/TCD/SER.E/55

ADMINISTRATIVE REFORMS

COUNTRY PROFILES
of five Asian countries

China
Japan
Republic of Korea
Philippines
Thailand

**United Nations Department
of Economic and Social Affairs**

**in cooperation with
The International Institute of Administrative Sciences
and The Institute of Administrative Management (Japan)**

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PREFACE

In recent years, many countries have undertaken administrative reform as a crucial step towards strengthening their economy and better management of their social development. The state is still playing a key role in the change management of nations. The United Nations Programme in Public Administration and Finance, established fifty years ago, has continuously supported developing countries and countries in economic transition in their efforts to reform their public administration structures.

Pursuant to the proposal of the United Nations General Assembly Resumed Session on Public Administration and Development held in 1996, the UN Programme in Public Administration and Finance has begun to act as an information clearing house to actively collect and disseminate information on recent practices and innovations in public administration in Member States. A pilot project on Country Profiles in Administrative Reform was initiated to serve this information exchange programme.

The International Institute of Administrative Sciences (IIAS) and the Institute of Administrative Management (IAM) of Japan co-sponsored the project, which was launched at a special brainstorming meeting held during the IIAS Third Annual Conference held in Beijing in October 1996. (See list of participants in annex 1.) Representatives of relevant inter-governmental bodies and regional NGOs participated in this first meeting in order to collaborate on the project, thus avoiding duplication and enhancing each organization's strength. The representatives of China, Japan, Korea, the Philippines and Thailand agreed to prepare profiles and selected their national focal points.* These countries have recently undergone administrative reforms which have led to substantial changes in their national economy, thus achieving high levels of economic growth. While each country has different needs and strategies for administrative reforms, the experience of these five countries may provide good reference points for other countries.

Two subsequent consultative meetings were organized to review and finalize the draft papers. The first meeting was held in New York during the 13th Meeting of Experts on the United Nations Programme in Public Administration and Finance in June 1997. The second meeting was a Special Panel held within the framework of the IIAS Annual Conference on Public Administration in Quebec City in July 1997. (The lists of participants of these two meetings are attached in annexes 2 and 3.)

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This report, containing the country profiles of China, Japan, Korea, the Philippines and Thailand, is being published in a binder format to facilitate its easy update in the future. It is also available through the UN's web site (www.un.org).

This pilot project, as a United Nations programme activity for the biennium 1996-1997, has been successfully implemented thanks to the support of the five governments concerned and to the harmonious collaboration of IIAS, IAM and the UN. The IIAS has not only provided venues for two panel meetings but also offered its expertise in this field. The United Nations therefore wishes to express thanks to the governments of China, Japan, Korea, the Philippines and Thailand for their active participation in this project through their national experts; to IIAS, especially Ms. Turkia Ould-Daddah, Director General, for its strong support to the project; and to the Institute of Administration Management of Japan, particularly Mr. I. Kurihara, Managing Director, for its generous contribution which has enabled this report to be published.

Finally, the United Nations acknowledges the excellent professional job performed by Dr. Ajit Banerjee, the key consultant of this pilot project, who provided guidelines for the national focal points and contributed the introduction and synthesis of country profiles for this publication.

In the second phase, it is planned to prepare country profiles on administrative reform in selected countries in Africa. In this regard, the United Nations would be grateful to receive comments on this pilot project, so that it could improve the work in the future.

ADMINISTRATIVE REFORM: A SYNTHESIS OF COUNTRY PROFILES

1. Introduction

The growing interest in administrative reform in developing countries has several origins. Important among these are three: one relates to the concern for improved performance in public bureaucracy through modernization of methods, techniques and procedures of work and more effective management of human resources. Another is the process of change required within the government sector to sustain efficient market-led economies in the emerging context of globalization. The third is the increasing concern for efficient and effective delivery of key public services through decentralization involving devolution and delegation of powers and authority to lower levels of administration by the modification of departmental functions, and the machinery of government for policy coordination.

While these three principal sources are the prime movers, administrative reform is characteristically focused on the capacity of government to make and implement public policy, the effectiveness of public programmes and strengthening of public institutions on a sustainable basis within the caveats of responsiveness, accountability and equity. In such a context there has been repeated emphasis on result-oriented public service in which outputs are measured, the responsible manager is held accountable and individual motivation and self-actualization are promoted.

To achieve this ideal system would call for a comprehensive approach in which several parallel initiatives are undertaken at different points in the administrative system. These various initiatives are interlinked and complementary, involving performance management, greater participation in decision-making throughout an organization, supportive organizational structures, information systems and financial management systems, definitive instruments for incentives and rewards for civil servants through proactive personnel management as well as strong executive leadership development.

2. Objectives of the country profiles

The 50th Resumed Session of the United Nations General Assembly in April 1996 emphasized that efficient public administration is the foundation for developing

strong civil society, market-friendly economies and guaranteeing of human rights. The Resumed Session recognized the importance of international cooperation in improving public administration through a deliberate programme of exchange of information on administrative reform so as to illustrate the variety of reform strategies which were being undertaken in diverse countries as well as to highlight organizational innovations to governments facing similar challenges. To this end, it was proposed that the UN Programme in Public Administration should act as an information clearing house of governmental actions and performance in terms of the extent and process by which administrative problems are diagnosed and responses deliberated, translated into policy, implemented and evaluated.

Based on the above premise, the UN Programme in Public Administration has launched a pilot country profiles project in administrative reform to collect and disseminate information that may be helpful to Member States and organizations. This pilot project focused on five newly industrialized economies in East Asia: China, Japan, Thailand, Korea and the Philippines. The preparation of the country profiles was undertaken through and with the support of high officials of these five governments, with IIAS acting as a major liaison, and with the financial assistance of the Japanese Government through the Institute of Administrative Management in Tokyo. In the second phase, it is planned to prepare country profiles on administrative reform in selected countries in Africa.

The Governance and Public Administration Branch of the UN Department of Economic and Social Affairs prepared a framework on the scope and content of issues to be reviewed, which was discussed at a meeting held in New York in April 1997. In July 1997 the draft chapters were presented for discussion in a special panel during an IIAS meeting in Quebec City, Canada. The case studies collected information and analyzed the responses of the governments in the five countries on changes in the national environments, specially with regard to the shifts in the role and scope of government, administrative reform or restructuring measures undertaken to support market-friendly economies, deregulation and privatization. The country profiles also tracked changes in contextual factors affecting the performance of public administrative systems such as mandates of democratization, public participation and decentralization and policies to reorient human resources management as integral parts of administrative reform strategy.

3. Overall factors

The countries chosen represent those that could be considered illustrative of the East Asia region which have achieved high levels of economic growth with social equity. Structural problems of administrative reform vary widely in these countries. However, there are some strands of commonality in the objectives for adopted reforms, if not in their actual processes and outcomes. The framework for the country

profiles was designed to assist the officials as a set of broad guidelines and to allow flexibility in the preparation of the profile, keeping in mind the unique and specific considerations and priorities in a given country situation.

The outline proposed for the case studies included the following:

1. overall factors, goals and strategies of reform;
2. substantive concerns for reform: administrative structure, human resources management, decentralization, economic management (deregulation, liberalization, privatization);
3. key directions.

With regard to institutional development and the overall environment in which the government operates, there was a surprising consistency to the responses, if not the experiences, of the countries over the recent past. Although the case studies underlined distinct dynamics and issues facing governments, there were key economic, political and administrative variables indicating more or less similar direction, with correspondingly similar government responses, barring indications of rapid change in the reform process in China due to institutional restructuring required to transform the command economic system to a market-friendly economy. Across the board, the governments are being strongly impacted by shifts in the international economic and political arenas.

The papers indicate that the content of administrative reform varies considerably in scope, focus and level among the countries. Administrative reform activities are very much a function of social-cultural environment, as indicated by China, Korea, Japan and the Philippines; they may have as narrow a focus as the introduction of compensation reform to enhance civil service in Thailand, the need for increasing resource pressure for social security in Japan and reconciling social and political stability with rapid economic transformation in China.

There is a universal agreement that administrative reform is a continuous process. Not all countries have the institutions and resources necessary to pursue such a systematic approach. Major constraints are the costs and practicability. The experience of China, Korea and Japan seem to be identical in that these countries planned for introducing administrative reform in various segments of government to enhance economy, efficiency and better management systems. Also, Japan and Korea have established a central agency for formulation, implementation and overseeing result of reforms.

A review of the studies indicates that the frequency with which administrative reform efforts did not fully succeed in the past demonstrated the difficulty of making them effective without good reform strategies and the importance of devising suitable

means to carry them out. The advantage of institutionalizing administrative reform and of setting up appropriate mechanisms for planning and effectuating changes in the systems and processes require considerable attention. The Chinese experience indicates that it had launched two major administrative reform efforts in two stages during 1982-92 focusing on government organization, which reduced state council working organs from 100 to 61. Departments of provincial governments were reduced from 60 to 40; city government organs were cut from 40 to 20 and county level organs from 40 to 25. There was a major reduction in the state council staffing, from 51,000 to 30,000, and there was a 20 percent cut from the staff at city and county levels. This reform concentrated restructuring of economic management departments, which resulted in reducing the practice of state planning as well as intervention in micro-economic activities and encouraged the market economy in various sectors. Other areas covered during this period included financial system reform and taxation system reform.

The reform strategy in Thailand was led by the pressure of competitiveness for international investment and economic growth and the pressure for improving administrative efficiency to cope with the demands of a rapidly growing economy, the expansion of the private sector and the demand for efficient public services. There was a rapid increase in the number of government employees, requiring budget allocation to almost 42 percent to meet personnel costs as well as inadequate compensation for public employees impacting on their effective performance. While there has been a long tradition of reform in Thailand, a major effort was undertaken in 1991 focusing on changes on the role and attitude of civil servants with the objectives of improving its efficiency, quality and ethical values. The civil reform initiated in 1991 set the foundation for subsequent reform programmes up to 1997. These seven years of reform strategies focused on performance improvement, compensation reform, downsizing of programmes as well as participation in decision-making and the people should be the focal point of development through decentralized and improved governance.

While formulating the framework for the country profile project, it was accepted that there existed certain fundamental characteristics common to the countries selected for study. It was assumed that there were diverse levels of development in the countries selected for study. It would therefore be important to refer to each national context and to take account of the specific needs of each country when reviewing objectives of administrative reform. By and large, it may be safe to infer that the five countries studies indicate that the impulse for reform originated from their interest in the issues of governmental efficiency, economy and effectiveness on the one hand, and greater participation in decision-making by the people by improving the process of governance on the other.

All five governments witnessed the accelerated process of change and therefore all of them were keen to take specific measures for capacity-building to be responsive to

the changing conditions of globalization and technological development, political processes and political development internally and externally. Competitiveness for international investment and economic growth increased external pressures for bureaucratic reform, as the traditional administrative mechanisms were no longer appropriate to the current national and global situation. Enabling the country to the stage to compete with others required supportive government policies and efficient bureaucratic services. All five country reports stated or implied that significant pressure was felt by governments to improve the administrative systems in order to cope with the demand of a rapidly growing economy, the expanding private sector and greater expectation by the people for efficient public services.

4. Goals

Although there are differences in the needs and pertinent strategies for administrative reforms between countries, there is a common view projected in the documents to transform the system into an efficient instrument for economic and social development.

Currently, the substantive goals of administrative reform are focussed on the following:

China	Establish a socialist market economic system through a separation of functions of government and enterprises, simpler administration, unified leadership and higher efficiency.
Japan	Reorganization of central ministries, review of public corporations for deregulation, fiscal structural reform, promote decentralization review of social security programmes.
Korea	Enhance democratization process, promote further liberalization measures in economic and political spheres, regional development, devolution of powers to local authorities, administrative transparency.
Philippines	Extend local governance and decentralization, promote privatization programme by divesting government-owned and controlled corporation, implementation of attrition law for downsizing civil service.
Thailand	Re-engineering government agencies involved in delivery of public services and international trade, public service performance improvement, management by result through planning and monitoring process.

The case studies underline the significance of goals of administrative reform in general. Difficulties are evident in defining operational objectives due mainly to pressure of events, multiplicity of demands and inadequacy of resources. The reports also indicate that administration is a long-term and continuing undertaking. A certain number of factors made planning of reforms difficult. Among those were mentioned unforeseen and changing nature of problems, shorter time-frame of reference by political leadership and conflicting demands/priorities. However, the studies confirm that planning for reform programmes is important to avoid perpetual crisis in government.

5. Strategy

All five case studies demonstrated that the frequent failure of administrative reform efforts was due to the lack of sound reform strategies to carry them out. The paper on China referred to the problem of a highly centralized planning system which controlled all aspects of social and economic life. Power was too centralized at the center; local government, enterprises, institutions and social organizations had no autonomy; there were too many departments with overlapping functions; and the bulk of revenues were spent to pay public officials. A well-defined reform strategy during 1980-92 helped to move the system to a socialist market economy by transforming government functions, rationalizing coordination arrangements and streamlining public administration.

In the Philippines, the governmental reform efforts of the past half century produced uneven results with an unwieldy structure and organization with overlapping functions, red tape, graft and demoralization in the economic and political system. The latest blueprint for reform in development administration as contained in the Medium-Term Philippine Development Plan (MTPDP) now seeks to reorient the bureaucracy, minimize overlaps in programme implementation by government agencies and check expansion of government activities, pending the legal framework to be enacted by the Congress.

The Korean experience, on the one hand, indicates that during 1963-88, the transformation of Korea was made possible by the quality of its bureaucracy within a centralized structure of government to implement the successive five-year plans that helped to generate an economic miracle. Contemporary reform confronts a different, newer problem of regime-level policies, public doubt about the legitimacy of the big bureaucratic state. Recent reforms have been mainly those of changes of government structures: consolidation of organizational functions and streamlining of inefficient operations while the centralized bureaucracy remains intact.

From the late 1950s to early 1970s Japan witnessed high economic growth resulting in rapid expansion of public administration structures and processes. In the 1980s the

country faced massive fiscal deficits, which lead to a substantial overhaul of the administrative system. Against this background, the government adopted a long-term administrative reform strategy in 1981 focussed on public finance reconstruction, which lead to a basic reconsideration of policies, systems and responsibilities. These efforts ultimately lead to a basic direction for public administration reform aimed at the 21st century.

Similarly, Thailand experienced the impact of continual expansion and extension of government activities leading to redundancy, overlap and rapid increase in the civil service. Since 1991, the government has developed an integrated strategy of reform focusing on changing the role of government to that of policy-making, facilitation and monitoring. The enactment of the Civil Service Act of 1992 laid the legal basis for these reforms; in 1993 emphasized streamlining of the structure and functions of agencies and measures to control the size of civil service work force; in 1994 focused on compensation reform; 1996 saw a focus on re-engineering agencies dealing with public service delivery and international trade; 1997 witnessed the emphasis on participation of the people as the focal point of development.

The review on strategy indicates that it is difficult to initiate administrative reform synoptically. Reform is frequently partial, sporadic and periodic, but it is also cumulative. A key strategic consideration is concerned with which sectors or subjects to consider first, second and third. Other issues are how comprehensive any given reform should be and what its boundaries should be. In a few of the cases, the selection and sequence of reform efforts were largely dictated by circumstances, e.g., China, Korea and Thailand. It is important to select the sectors that would precipitate action in others and provide a momentum of changes.

The case studies imply that a vital consideration in administrative reform is the timing of its initiation. Unfortunately, many reforms in the past, as shown in the papers, became feasible only after administrative performance was desperately inadequate, e.g., in China, Thailand, Japan and the Philippines.

In view of the differences between countries, however, it is not possible to identify one particular strategy or standard which should be adopted as a general model for all the five countries or for any sub-group. The experience based on the case studies affirms the best strategy would be dictated by special economic, administrative and political compulsions.

6. Leadership and expertise

The country papers indicate the presence of strong and sustained support of the political leaders as an essential condition for the success of reform strategy. Within the vantage point of administration, leadership is required to be within, in contrast

with the vantage point of external consultants or technical assistance experts. For administrative reform efforts in China, Japan, Thailand and Korea, the incidence of leadership included the head of government, cabinet ministers and directors of departments.

7. Substantive concerns

A. Administrative structure

The case studies emphasize that administrative structure of government is a strategic instrument for policy development and analysis, programme formulation and evaluation, implementation and overall coordination of results. The need for a strong institutional framework has been stressed in all the papers and the review indicated that in most cases institutional arrangements and processes were weak and the system is not fully geared to the new needs of development or to promoting modernization.

In almost all the countries represented, there appears to be a tendency to set up over-elaborate government structures, resulting in the establishment of numerous ministries and other public agencies clothed with various powers. Reform measures were able to, as pointed out in the case of China, reduce state council organs from 100 to 61. Departments of provincial governments as well as city government organs were considerably reduced as well, so that the government could respond to the requirements of a market-led economy without too much bureaucratic red tape and delay. Similarly, the staff of the state council was downsized from 51,000 to 30,000 and at the provincial level there was a staff reduction from 180,000 to 120,000. In the case of Thailand, considerable streamlining of the structure and responsibilities of government agencies were introduced and appropriate implementing measures aimed at controlling the size of the civil service were undertaken. In May 1995, the proposal to improve public service performance was launched in six departments by reviewing their systems and procedures for greater efficiency at reduced cost.

An overview of the structural issues raised in all the case studies highlight the following problems or organizational fragmentation due largely to extended government structure:

- duplication of functions and overlapping jurisdiction;
- dilatory and outdated procedures causing delays in handling of business at higher costs;
- loopholes in administrative procedures leading to difficulty in maintaining objectivity, accountability and transparency in decision-making.

The case studies of China, the Philippines and Korea demonstrate that weak policy and decision-making systems are essentially due to limited central capacity for policy analysis and strategic, long-range thinking, giving rise to:

- poor coordination;

- weak implementation and accountability;
- absence of corporate orientation in large central ministries, which results in blurring the distinction in policy making and policy implementation.

By implication, there appears to be hesitancy in decision-making leading to delays at senior administrative levels. Ministers are generally deeply involved in matters of detail and individual cases on the one hand, and senior administrators are reluctant to delegate responsibility to lower levels on the others. Such a tendency naturally gives rise to centralization, as in the case of Korea, and poor staff work as implied in the studies of China and Thailand. These bureau-pathological symptoms prohibit strategic thinking, as well as problem-solving capacity. Such weakness also provide avenues for ethical irresponsibility and corrupt practices.

The relevant sections in the case studies dealing with structural and organizational issues point to the dominant emphasis on the need to cut cost, a drive towards efficiency standards and reduction in the role of the state wherever practicable. However, there is a tendency in most governments to cite these as targets in themselves rather than means to achieve the central objectives of encouraging the flow of investment for trade and development, fostering people-centered development and organization of new forms of partnership between the state, the private sector and the civil society.

B. Human resources management

All the five countries have given high priority to human resources management in the civil service as a strategic element in administrative reform. The reviews emphasize measures taken by governments for reduction in the size and cost containment, downsizing and retrenchment measures, issues for improving performance and effective management of human resources. The reduction in the number of civil service personnel has been implemented in Japan through the enforcement of the law concerning fixed numbers of personnel of administrative organs and the personnel reduction plan. This law sets minimum limits and the personnel reduction plan cuts the targeted number of personnel by attrition. There is a detailed scheme for enforcing these requirements. Similarly, in the Philippines, there is an act of Congress which provides for optimum utilization of personnel through a system of attrition, providing penalties for violation, which is essentially aimed to reduce the size of the civil service by prohibiting the filling up of vacant positions. Since the reform measure was effected through law, compliance was a must, and it was a painless approach as no employee was laid off, as only plantilla positions which were vacated fall within the ambit of the attrition system. As a result, the upward trend in government manpower has been arrested. During the five-year implementation of this law, the government is estimated to have saved US\$240 million in personnel expenditure. It may be mentioned, however, that as of November 1996, 58 percent of the total number of filled positions were exempted from the attrition law.

Similarly, in China, reform measures reduced the administrative establishment by about 20 percent in the central government and about 52 million staff have been reduced in local governments across the country.

In Thailand, since February 1994, the government has implemented a policy of downsizing aimed at a smaller, but more efficient government. The measures included were: delaying increases in the number of public personnel, abolishing positions upon retirement, consideration of requests for new positions by a committee headed by the Prime Minister, redeploying/contracting out such work as maintenance, transportation, security, etc. To ensure sustainability of these measures, the agencies have been delegated greater autonomy and authority to review and make position determinations. In addition, flexibility in budget management has been provided to those agencies which have reduced the number of personnel to the targeted level.

The case studies indicate a number of measures for improving performance, such as in Thailand, as well as through a compensation reform by way of improving the internal equity of public sector compensation within the same and across various public organizations, as well as by bringing public sector compensation closer to that offered in the private sector for equivalent positions.

As a tool of effective management of human resources, the government of Japan has adopted a policy of promoting exchange of personnel among ministries/agencies so as to increase mobility of officials prior to promotion to division director level. In Japan most officials work in their parent ministry/agency for a long time under a lifetime employment system. This customary practice makes them pledge their loyalty to their parent organization, not to the public, and brings about strong departmentalism, which has major ill effects. In order to ensure greater trust in the administration and civil service, every ministry has established an internal structure to ensure discipline by civil servants as well as directives on ways and means of dealing with private sector and public officials from different organizations to reduce malpractice and corrupt behaviour.

C. Decentralization: the local autonomy

Administrative reform profiles of Korea, China, Japan and the Philippines have presented the status of local governments, including decentralization measures for local autonomy. All these countries are pursuing proactive policies for local autonomy as an important way of promoting a more efficient allocation of public resources and for delivery of public services at the local level through a process of democratization and participation. Strategies of decentralization has been applied in the Philippines through a local government code of 1991, a landmark legislation on

devolution. Through this code, local governments have been made responsible for the delivery of a number of services, such as health, agricultural extension, social services, public works and other services, such as investment support and enforcement of certain regulatory powers. The code has broadened the tax powers and has provided them with a share of the revenue drawn from mining, fishery and forestry charges, as well as internal revenue allotments to as much as 40 percent. The code has laid legal infrastructure for the participation of NGOs in the process of governance.

The Korean experience indicates that the local autonomy act of 1993 gave much greater prominence to provinces, municipalities and local entities. With the election of top local officials, Korea initiated a local autonomy system in the summer of 1995. Decentralization was conceived as a composite policy answer to the decreasing effectiveness of central control and intervention, economic and fiscal constraints and growing claims for local democracy and citizen rights. However, local government has been left to cope with the existing services without full resources being made available. The problem is compounded by the limited autonomy to raise revenues. In short, political transformation was not able to meet the need of rapid transfer of political as well as fiscal power of government.

In Japan a law was enacted in May 1995 to promote decentralization. A committee was established in the office of the Prime Minister to enforce the law in support of decentralization. It has been proposed that the new system governing the relationship between central and local government should be established, abolishing present overall control by the central government. As for regional development, welfare and education, it has been decided to have devolution of powers and reduction/abolition of control of the central government. A committee is now deliberating the strategies for subsidies and financial resources to support the decentralization programme.

China has introduced basic changes in the system of local governments at the provincial, city, county and township levels. The major task of reform at provincial/autonomous regional and municipal levels is to transform their functions and return to enterprises the rights belonging to them, so as to reinforce their role in the disposition of resources. The central government will be responsible for coordination and facilitation services so that the enterprises at these levels may augment their economic functions and support development of market systems.

The focus of local autonomy through decentralization and devolution of powers and authority seem to emphasize the effectiveness of functions by rearranging internal structure of an organization to attain efficiency and productivity; bringing decision-making processes close to the participants at the local level; reducing costs and burdens of central treasury and thereby delegating to local governments; bringing legal autonomy to lower administrative echelons; improving the capability of local

government and improving communications among administrative units of different levels and geographic locations.

D. Economic management (deregulation, privatization)

The case studies of China, Japan, Korea and the Philippines have touched upon efforts by these countries in public sector reform concentrating on state enterprise restructuring, including privatization, deregulation, financial and tax reform for improving overall economic management. There is apparently a growing importance of the private sector and a realization that the private rather than the public sector is the driving force of sustained economic growth. The move toward more democratic and therefore participatory modes of power, as well as abandonment of centralized economic management schemes, affects the orientation of public administration reform. Although these countries are making efforts to install or strengthen market mechanisms, the market is not an alternative to government because of specific roles to be played by both public and private sector.

In Japan, successive reports of provincial commission on administrative reform has laid the groundwork for the promotion of deregulation. Three recent cabinet decisions in Japan have led to decisions on over 1100 individual deregulatory measures and the government is in the process of preparing a deregulation programme for a period of 1995-1999. However, to cope with the sudden change in foreign exchange rate, the deregulation action programme is to be implemented by 1997. The deregulatory measures include the transportation sector, stock brokerage commissions and holding companies.

In Korea, the government is pursuing a wide-ranging policy of market liberalization and has hastened the denationalization of 58 state-owned enterprises out of a total of 133 state-owned operations during 1994-1998. The liberalization plan represents a radical departure from previous forms of economic management. A privatization implementation committee has been set up in each ministry for coordination and monitoring with the Ministry of Finance on privatization measures.

Similarly in the Philippines, the government has launched a major privatization programme and as a result it has divested itself of government owned and controlled corporations down from 301 in 1986 to 79 at the end of June 1994. These include the largest privatization transactions of some of the major entities, including the National Bank, shipyards, Petroleum Corporation and the like.

8. Key directions

The case studies underscore the fact that, notwithstanding the differences in administrative structures, reforms carried out in recent years have been similar in many respects. The principal theme is one of improving the performance of the

public service, as administrative services are facing significant challenges given the increase in global competitiveness, changing political climate, environmental concerns, the rise of civil society and paradigm shifts in the role of the government from control and regulation to facilitation and flexibility. Among the functional concerns of public administration, it is in the areas of decentralization and local autonomy, economic liberalization, privatization and human resources management where results of reform efforts are being followed with increasing interest.

The wide range of explorations of administrative reform under the rubric of decentralization has stimulated considerable innovation in administrative systems and practices. Demands for improved service delivery and customer orientation have also prompted governments to explore better practices with a view to extend services in a cost-effective manner as well as to customize services for the particular needs of the citizens in those areas. There is increasing pressure for maintaining a minimum standard of service and therefore governments are experimenting with an administrative framework which will be more efficient and effective. There is a positive trend for greater participation of people's organizations and the private sector in planning, decision-making and implementation, increased local government revenues and revenue generating capability. These gains are increasing, benefitting the local communities not only in economic terms, but also with respect to enhancing their abilities to govern themselves through local government elections.

There is an increasing shift away from government intervention and the control of the economy through a major move towards liberalization, deregulation and privatization. These measures have compelled governments to introduce new policies, simplification of systems and procedures and greater involvement of private sector for a new regime of economic transformation to promote greater flow of local and foreign investment, joint ventures and direct technical assistance from industrialized economies. Considerable initiatives are being taken to evolve updated regulatory frameworks as well as policies to broaden ownership base, develop capital markets and mobilize revenues for priority government expenditures. Fundamentally, these steps have contributed substantially in enhancing private sector growth in the economy.

As regards human resources management, the major directions seem to be on the size and cost of public service, reduction in the manning table, issues of improved performance and more effective methods of managing human resources. The studies seem to indicate that while cutting back on the size is an important initiative, its sustainability requires more effective legal and executive instruments to maintain tight control on recruitment practices. Alongside these issues there is a continuing need for addressing problems of performance, discipline, personnel management procedures and insufficient incentives as well as adequate remuneration and conditions of service for the majority of public officials. Some attempts are being made to introduce strategic planning, performance-oriented incentives and rigorous

disciplinary sanctions for poor performance and corrupt practices. On longer-term issues of civil service reform, such as the erosion of merit concept, excessive political patronage in recruitment and promotion, and entry methods from armed forces, police and party cadres have impacted on the values of professionalism in the career structure causing problems of morale in the overall service structure. There is also an apparent absence in some instances of a central human resources management agency to develop policies and monitor personnel management functions on a government-wide basis. The responsibility over human resources management issues needs concerted effort to avoid fragmentation of strategic functions in order to give direction to personnel management on a long-term basis. The significance of an effective performance review function intertwined with the process of accountability is a critical issue. The reward structures which are central to performance motivation need far greater attention that has been provided in some countries.

The success of administrative reform programmes depends upon their acceptance not only by the political authorities, but by the various affected entities. Even on the assumption that they are accepted by all concerned, there is still a need for a plan in operational terms to implement them. The task of implementation should not be left to chance. Serious consideration needs to be given to an implementation strategy, to coordinating and monitoring reforms, to receiving feedback, and to providing corrective measures at midpoint through evaluative exercises. While perpetual administrative reform exercises may be avoided, some of the country reviews indicated the importance of setting up a central organization to deal with administrative reform on a continuing basis, as in the case of Japan. This would involve capacity-building strategy as part of the measures of a major administrative reform programme.

ADMINISTRATIVE REFORM AND DEVELOPMENT IN CHINA SINCE THE 1980s*

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ADMINISTRATIVE REFORM AND DEVELOPMENT IN CHINA SINCE THE 1980s

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

1. Background of administrative reform

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

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

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

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

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

2. Two major reforms in the 1980s

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

A. The 1982 Government organization reform

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

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

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

government's organs were cut from 40 to 20 and the number of county organs and agencies was reduced from 40 to 25.

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

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

B. The 1988 State Council organizational reform

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

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

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

3. Chinese government administrative reform since 1992

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

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

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

A. Guiding ideology and principles of reform

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

A primary goal of the reforms was to separate the functions of government and state run enterprises and facilitate the transition from direct management of enterprises to macro-control and management. This would require restructuring the Government's macro-regulation capabilities and policies. The major government administrative functions are to provide overall planning, formulate policies, provide information and guidance, take charge of organization and co-ordination, provide services, exercise

oversight and supervision, adjust the performance of enterprises by employing economic, legal and administrative means, and strengthen government's role in a developing market.

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

B. Administrative reform in the central government

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

(1) The reform of comprehensive economic departments

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

(a) Reform of specialized economic departments

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

The second category consists of some departments organized into industrial councils which function directly under the State Council, retaining their responsibilities as

managers of their respective industries. For example, following the elimination of the former Ministry of Light Industry and Ministry of Textile Industry, the China National Council of Light Industry and China National Textile Council were respectively established.

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

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

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

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

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

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

(2) Reform of local governments

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

(a) Reform of provincial level organizations

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

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

(b) Reform of city government

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

(c) Reform of county governments

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

(d) Reform of township governments

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

(3) Administrative simplification and redeployment of personnel

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

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

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

C. Results of the Chinese administrative reforms

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

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

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

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

D. Financial system reform

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

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

E. Finance and taxation system reform

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

F. Results of the transformation of government functions

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

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

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

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

At the same time, a consolidation of the relationships between ministries and commissions is being carried out. For example, at the central level, in terms of construction funds management, relationships between planning, finance and banking are completely rationalized. The functions between SPC and SSTC have been consolidated in terms of science and technology project planning and funds management. Local government has made much progress in institutionalising relationships between departments.

The number of organizations and staff have been reduced. The number of ministries, commissions, organs directly under the central government, and working organs of

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

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

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

4. Successful experiences of Chinese administrative reform

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

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

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

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

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

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

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

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

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

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

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

Reform is the only road for China to build a modernized country. To maintain political and social stability is the basic precondition for promoting reform and development. Major reform of the administrative system is a policy with great risks and therefore close attention should be paid to political and social stability. In the past 10 years of reform, the Chinese Government has paid close attention to controlling the relationships among the three from an overall point of view. During the process of reforming the administrative system, the Chinese Government adopted vibrant but responsive policies. Operating under the constraint of maintaining the continuity of government work and social stability, the Government has created conditions for both "crossing the river by touching the bottom": while at the same time boldly pushing forward reforms to promote development and progress.

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

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

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

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

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

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

5. Prospects for China's administrative reform

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

1. *Transformation of functions of government*

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

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

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

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

3. *Advance the reform of public institutions*

A system of management, operation and self-restraint, full of vitality and vigour, should be established to conform with the requirements of the socialist market economic system, and the institution's self-development law, according to the principle of dividing the government and institutions, and promoting the socialization of institutions.

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

**ADMINISTRATIVE REFORM
EFFORTS IN JAPAN:
CURRENT EXPERIENCES
AND SUCCESSES***

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ADMINISTRATIVE REFORM EFFORTS IN JAPAN: CURRENT EXPERIENCES AND SUCCESSES

At the outset of the 1980s, Japan was subjected to increased public demand to eliminate the massive fiscal deficits of the country. This was the result of a long period of slow economic which began in 1973 when the country was hit by an unexpected oil crisis. The administrative system had expanded rapidly during the high-growth periods from late 1950s to early 1970s and an increasing proportion of Japanese citizens wanted the Government to undertake a substantial overhaul of public administration from an integrated and long term perspective as a critical measure to alleviate the problem.

Against this background, the Second Provisional Commission on Administrative Reform (PCAR) was established in 1981. PCAR tried to implement administrative reform while conforming to a basic posture of “public finance reconstruction without a tax hike.” In resolving the issue, PCAR proposed several measures for administrative reform, including basic reconsideration of systems, policies and spheres of administrative responsibility.

As a concrete follow-up to PCAR’s report, the Provisional Council for the Promotion of Administrative Reform (PCPAR) was convened during three different periods over the next several years. Each meeting resulted in proposals to create systems which would promote future administrative reform. These programmes delineated a basic direction for administrative system reform into the 21st century.

Since this time the Government has considered administrative reform one of the most important issues facing the nation’s public administration. It has put the utmost priority on the PCPAR reports. It has determined specific policies (the *Fundamental Principles of Administrative Reform*, decided in advance of the preparation of a draft budget at the end of each year) to guide implementation of reforms. Moreover, the Government has submitted necessary legislation to the Diet (the Japanese legislature) and revised administrative ordinances based on these policies.

Some of the major results since the establishment of PCAR (from 1981 to 1997) include: (1) privatizing three major public corporations such as the Japanese National Railways; (2) eliminating 45,388 positions in the national government; (3)

strengthening of overall co-ordination mechanisms (e.g., establishing the Management and Coordination Agency in 1984); (4) reforming the public pension system and other such systems; (5) ending the reliance on deficit-financing bonds in fiscal 1990; and (6) enacting and implementing the *Administrative Procedures Law*.

In recent years, the Government has also been steadily and systematically implementing administrative reform in the midst of foreign and domestic environmental changes such as the shift to stable economic growth, a rapidly aging society, and the increasingly international prominence of Japan.

The second Hashimoto Cabinet, formed on 8 November 1996, has pledged to carry out a series of reforms including administrative, restructuring of the economic system, monetary management, social security, public finance and educational policy, and has made administrative reform its top priority. The Hashimoto administration hopes to initiate administrative reform at the earliest possible date.

The Administrative Reform Council, headed by the Prime Minister, was established on 21 November, to examine how the central ministries and agencies should be reorganized and make a concrete proposal for the reorganization. On 25 December 1996, the Cabinet decided on an administrative reform programme to be enacted between Fiscal 1997 and Fiscal 2000. In the past, the government had adopted only one-year administrative reform plans each year. The *Administrative Reform Programme* ranges from reorganizing central ministries, to reviewing public corporations, to deregulation. In the Diet, administrative reform issues are the most controversial agenda items. The ruling party and the opposition parties are making various proposals to reform the government.

Since the total value of national bonds outstanding reached approximately -241 trillion at the end of fiscal 1996, the Government of Japan now faces an extremely difficult financial situation. Specific measures are being examined by the Fiscal Structural Reform Conference, an informal body organized by the Prime Minister, to achieve the fiscal consolidation target. After the Conference prepared a set of guidelines the Cabinet approved a plan for fiscal structural reform on 3 June 1997.

1. Administrative reform: context, goals and priorities

A. Basic guidelines for administrative reform in Japan

(1) Four basic guidelines

The Second Provisional Commission on Administrative Reform (PCAR) offered four basic parameters for administrative reform: (1) coping with the changing domestic and international environment; (2) ensuring comprehensiveness; (3) achieving greater efficiency and simplification; and (4) assuring the trust of the people. Recent administrative reform measures have taken these guidelines into account.

The Management and Coordination Agency was established to ensure comprehensiveness, that is to say to strengthen the comprehensive co-ordination functions of the government. Reducing the number of government personnel and improving management of public services have been the measures implemented to achieve greater efficiency and simplification. To assure the people's trust in public administration, an "open government" through disclosure of government information and "due process" based on a system of administrative procedures should be realized soon.

(2) The Administrative reform programme

On 25 December 1996, the Cabinet decided on an *Administrative Reform Programme* to be enacted between fiscal 1997 and fiscal 2000, with a target date for each specific administrative reform issue. At the same time, the Programme was designed to explain to people in laymen's terms the purpose and types of intended reforms, thereby facilitating understanding about when the reforms will be implemented and how they will be carried out.

The Programme declared four objectives focusing on the relationship between the people and public administration. These four objectives were:

1. to create a simple and efficient public administration that is able to respond to a new age;
2. to realize a public administration which allows people to act on their own initiatives;
3. to establish a public administration that is open to and trusted by the people; and
4. to provide people with high-quality public services.

In the past, the Government adopted one-year administrative reform plans each year. The new *Administrative Reform Programme* ranges from reorganizing central ministries, to reviewing public corporations, to deregulation while addressing the overall goals of the Programme.

Administrative reform activities included in the Programme are:

1. reforming central ministries and agencies;
2. rationalizing administrative organizations;
3. reducing and rationalizing public corporations and the like;
4. inspecting administrative units;
5. managing personnel;
6. rationalizing subsidies;
7. promoting deregulation;
8. promoting decentralization;
9. reviewing the division of responsibility for the public and private sectors;
10. promoting disclosure of government information;
11. recovering trust in the administration and in civil service;
12. reducing the burden on the people related to applications and other procedures;
13. promoting the use of advanced information technologies in public administration.

(3) The fiscal structural reform plan

The Government of Japan had to issue -21 trillion in national bonds,¹ including massive issues of special deficit-financing bonds, in its fiscal 1996 initial budget² and the total values of national bonds outstanding reached approximately -241 trillion³ at the end of fiscal 1996. Japan's fiscal situation has deteriorated to the point of crisis and has been termed the worst of any leading industrial country.

To project the medium-term picture of the Japanese economy and society, the rapid and serious change in the demographic composition will significantly affect the fiscal situation. A simulation conducted last December by the Economic Council, a government advisory body, showed that the potential national burden rate would exceed 70% if the country maintained the current fiscal and social security systems.

¹ 28% of 1996 general account revenues was financed by national bonds.

² The size of 1996 general expenditures is approximately 43 trillion. General expenditures are general accounting expenditures minus national debt service, local allocation tax grants and a few other items. This figure is basically policy expenditures.

³ The ratio of outstanding government bonds to GDP is approximately 0.48.

In this simulation, the social security fund would touch bottom before 2025, when the general government would have a fiscal deficit reaching 15 percent of GDP and the balance of debt would amount to 153 percent of GDP.

On 19 December 1996, the Cabinet approved the fiscal consolidation target. It stipulated that:

- the national and local public-debt-to GDP ratio should be brought down to three percent or less and a structure achieved in which the ratio of public debt outstanding to GDP does not increase;
- these targets should be achieved as soon as possible and no later than fiscal 2005; and
- the Government should break its dependence on special deficit-financing bonds and seek to reduce its dependence on national bond issues as soon as possible and no later than fiscal 2005.

Since January 1997, specific measures have been examined by the Fiscal Structural Reform Conference to achieve the fiscal consolidation target. The Conference approved five principles of fiscal structural reform at its fourth meeting in March. The main content of the five principles are:

- the current target date for the fiscal structural reform is the year 2003;
- the remaining three years of this century are designated as a period of concentrated reform, during which reform and reduction of spending are made with no sanctuary and specific quantitative targets are to be set for major expenditure programmes;
- for the projected fiscal 1998 budget general expenditures are to be lower than those of fiscal 1997;
- all the long-term programmes are to be reduced; no new long-term expenditure programme is to be set up; and
- the rate of national burden should not exceed 50%.

After intensive deliberation based on these principles, the Conference prepared a set of guidelines for fiscal structural reform. Based on these guidelines, the Cabinet approved a plan for fiscal structural reform on 3 June 1997. The items included in the Cabinet decision are:

- *Social security programmes*: reduction of more than -500 billion in the fiscal 1998 budget; fundamental review of social security systems to achieve an appropriate and equitable balance between entitlements and obligations.
- *Public works*: three-year-extension of the planning period for the *Basic Plan on Public Investment*, reduction of -130 trillion during ten-year-period, more than seven percent reduction of public investment spending in fiscal 1998 budget.
- *Defence*: 1998 defence spending should be less than the 1997 budget level.

- *Official Development Assistance*: more than ten percent reduction in the fiscal 1998 budget.
- *Subsidies*: abolishment and rationalization of subsidies.

Moreover, the government will prepare a bill for fiscal structural reform in accordance with this Cabinet decision and submit it to the Diet at its next session. Thus, the Government of Japan will take a new legislative approach to cutting down government spending.

(4) The basic plan for computerization of the government

Administrative needs have diversified progressively in recent years and people are increasingly seeking administrative measures that are responsive to these needs, resulting in a steadily rising demand for better public services. At the same time, the public finance situation continues to be serious, with strong demands for rationalisation and greater administrative efficiency coupled with responsiveness to change and maintenance of a comprehensive public administration.

In this circumstance, administrative information systems, focused mainly on utilizing computers and communication technologies, have become progressively more widespread and advanced in recent years, playing an important role in promoting greater rationalization and efficiency in administration. Information systems have also helped provide support for determining, planning and drafting public policies. In fact, the Provisional Council on the Promotion of Administrative Reform stated in its final report (October 1993) that it is necessary to establish a plan to introduce rapidly advancing computer and communication technologies into government to improve the efficiency and economy of the public administration and at the same time provide the public with better service.

Taking this suggestion into consideration, the Cabinet decided in February 1994 to establish a plan to introduce computer and communication technologies. The *Basic Plan for Computerization of the Government* was adopted subsequently at a Cabinet meeting in December 1994. It is a five-year plan with its first year set in fiscal 1995. Under the Plan, a joint action programme was established with the approval of every ministry and agency. Based on the joint action programme, ministries and agencies designed their own programmes.

At the end of fiscal 1996, the number of personal computers (PCs) newly in use during fiscal 1995 and 1996 was 29,459 with the allocation rate of PCs per person at 1.20 in the head offices. Head offices of 24 ministries and agencies out of 25 had constructed LANs (local area networks). The Inter-Ministerial Council on Government Information Systems, composed of heads of the secretariats of ministries and agencies, approved in June 1996 a development plan for a wide area network (the Kasumigaseki WAN) which connects ministries and agencies to facilitate

information exchange. After necessary preparatory work, the Kasumigaseki WAN went on-line in January 1997. Thus, the government is now constructing the physical infrastructure to utilize advanced information technologies, such as equipping civil servants with PCs and establishing LANs.

The final objective of the *Basic Plan for Computerization of the Government* is the active use of this equipment to improve the quality of public service and to make the public administration more efficient and effective. In this context, it may be said that computerization of the government has just begun.

B. The Government of Japan

(1) Fundamental Structure

The principle of separation of powers underlies the organization principles of Japan's central government. National power, based on the concept of sovereignty in the people, is separated into the legislative, judicial and executive branches. The Constitution of Japan stipulates that legislative power is vested in the Diet, which is the highest organ of national power.

Executive power vested in the Prime Minister's Cabinet is separately maintained by each minister. Responsibility for administrative affairs is divided among the ministers. A minister who is responsible for given affairs holds ultimate decision-making power for those affairs. The Prime Minister doesn't have a legal right to reverse the decision made by a minister. If the Prime Minister wants to reverse the decision, he/she can do so by dismissing the minister and appointing a new one. But in reality, such an event seldom happens. Even in a one-party Cabinet the Prime Minister depends on the power balance among internal factions of the ruling party. Thus, it is not an easy thing to dismiss a minister. Only 3 ministers have been dismissed since 1945.

(2) Role and status of public corporations

At the state level, public corporations include state enterprises and special corporations. State enterprises are directly operated by the Government. Examples of state enterprises are the Postal, Savings and Insurance Services by the Ministry of Posts and Telecommunication, National Forestry Services by the Ministry of Agriculture, Forestry and Fisheries, and Printing and Mintage Services by the Ministry of Finance. On the other hand, special corporations are independent entities established either directly by law or by committees of government appointment. A public corporation is established primarily when particular activities are better managed as a profit-making enterprise, when efficient performance is more likely to be achieved than it would be under direct operation by a national government agency, or when more flexibility in financial or personnel management is required than is normally possible under the

laws and regulations pertaining to government agencies. There are 87 special corporations at present because of current rationalization efforts.

At the local level, public corporations include local government enterprises, local special corporations and third sector enterprises. Local government enterprises are local versions of state enterprises. Water services, railroad services, gas supply services and hospital services are typical local government enterprises. Local special corporations are established by law like special corporations at the national level. Typical services of these corporations are housing supply, land development and road construction. The third sector enterprises are in nature private organizations with capital contributed by local governments. These entities are in charge of various activities such as urban development, development of the tourist industry, supply of social services and protection of the environment.

Many public corporations were established after the World War II, particularly in the period of rapid economic growth from the late 1950s to early 1970s. The historical development of public corporations at the state level is particularly instructive.

From 1945 to 1955, some state enterprises were reorganized to become special corporations. Examples of this are the Japanese National Railways and Nippon Telegraph and Telephone Public Corporation. During this period, major public finance institutions were established: People's Finance Corporation, Japan Development Bank, Export-Import Bank of Japan, Housing Loan Corporation, Agriculture Forestry and Fisheries Finance Corporation, and the Small Business Credit Insurance Corporation. The following comparatively big corporations were also established during this period: Japan Raising Association, Electric Power Development Co. Ltd., Kokusai Denshin Denwa Co. Ltd., and Nippon Hoso Kyokai

The next decade saw expansion of government activities to cope with increasing demands from the people. Many corporations were created based on a wide range of objectives: installing social capital, developing science and technologies, promoting domestic industries, ensuring employment, promoting social welfare, promoting welfare of employees, and promoting international co-operation. For example, the major corporations established during this period were Japan Highway Public Corporation, Japan Housing Corporation, Japan Atomic Energy Research Institute, Japan External Trade Organization, Employment Promotion Corporation, Labour Welfare Corporation, and the Overseas Economic Co-operation Fund.

As a result, the total number of special corporations reached 99 by the end of fiscal 1964. The rapid increase in the number of special corporations forced the government not only to review the necessity and adaptability of these corporations and their function but also to try to consolidate and rationalize the corporations as part of the effort to simplify and streamline public administration. For this reason, the Government began in 1963 to examine requests for new special corporations as a part of the budget preparation process.

During the period from 1965 to 1975, social problems such as environment pollution and population concentration in major cities occurred because of rapid economic growth. To cope with this situation, the Japan Environment Corporation, Japan International Co-operation Agency, National Space Development Agency of Japan, New Tokyo International Airport Authority and other entities were established. In addition to the budget scrutiny mentioned above, the Government moved toward using a “scrap-and-build” principle in the establishment of new corporations.

Since 1975 Japanese economic growth has been slow and the Government has suffered huge budget deficits. The Government attempted to reconstruct public finance without a tax hike. It moved toward privatization, consolidation and abolishment of public corporations, taking account of the reports and recommendations of governmental advisory bodies on administrative reform, especially those of the Second Provisional Commission on Administrative Reform.

Since 1985, three public corporations (the so-called “Big Three”), Nippon Telegraph and Telephone Public Corporation, Japan Tobacco and Salt Public Corporation and Japanese National Railways have been privatized. Others such as Japan Air Line, the Tohoku District Development Co. and Okinawa Electric Power Co. Ltd. in which the Government owned most or controlling shares have also been privatized completely. Privatization of the three major public corporations has rationalized their business operations and made them more efficient. The process has also seen the initiative of both management and labour brought into full play.

The total number of special corporations remained constant from fiscal 1967 on, and during the decade from 1975 to 1985 began to fall. From the peak of 113 special corporations in fiscal 1975, the net total of such corporations decreased by 26 to 87 by the end of fiscal 1996.

There is in Japan a long-term shift from state enterprise to special corporation and from special corporation to state-owned private enterprise or purely private enterprise. This is not like the case of the United Kingdom where the industries are privatized when the Conservative Party has ruling power and they become state-owned when the Labour Party forms the government.

(3) Public-private relations

With the development of the national economy and society, the people came to demand that government carry out many functions under the concept of a welfare state. To cope with these demands the scope of government activities was greatly broadened. For example, it began to shoulder activities that had been abandoned by the private sector because they generated little of no-profit, or it began to regulate the activities of the private sector to foster/protect a certain industry/business, ensure the sound growth of industries and consumers’ interest, or secure the safety and health of groups like consumers and workers.

It should be noted that in Japan during the post-World War II period of development government regulations contributed greatly to achieving various policy targets such as ensuring the supply of indispensable consumer goods, stabilizing commodity prices and rearing domestic industries.

Most of the government rules which regulate the present system and framework of the Japanese economy were established soon after World War II or during the period of high economic growth from late 1950s to early 1970s.

Now, Japan has climbed into the highest rank of nations. There is a need to re-examine the existing regulations which prevent individuals from gaining wealth, which limit choice for no reason and which obstruct the entrepreneurial spirit. The new world order has developed since the Cold War ended and it has driven the international community into intense global competition following market principles. With corporations becoming increasingly free to choose the country in which they operate, national governments are scrambling to reform their systems to maintain growth and secure employment. If Japan fails to change its high-cost structure and establish new open and more transparent systems, its industries and markets will inevitably lose their competitive edge. In this context, deregulation measures have been inserted into the nation's major policy agenda.

(4) Inter-governmental relations

After the Meiji Restoration of 1868, the Meiji Government established a highly centralized government system with central government at its summit. Prefecture governors¹ were appointed by the State. At the same time it entrusted the management of miscellaneous local affairs to local governments to lighten the burden of the State. The municipal governments could dispose of any local matters occurring in their areas on their own initiative as far as their activities were within the limits of supervision of the State and did not contradict existing laws, rules and procedures. In most of the legislation concerning local matters, important functions and powers were retained by the State.

The local government system in Japan was restructured greatly under the political, economic and social reforms which followed World War II. The main changes can be summarized into three points: (1) prefecture governments were changed from the agents of the State to completely self-governing local governments, (2) a direct election system of chief executives was adopted for both prefectures and municipalities and (3) the Ministry of Interior, which supervised local governments in the pre-war period, was reorganized into several agencies.

¹ In Japan, there are two layers of local governments, prefecture governments (the first layer) and municipal governments (the second layer).

Thus, the system was democratized and decentralized significantly. However, the post-war reform did not completely convert the local government system into the decentralized type found in Anglo-Saxon countries. It has continuously borne the responsibility of ambiguously melding the duties and authorities of central government and those of local governments. The following facts demonstrate this point.

- Authorizations to local governments are still made by the general exemplification method, not a limited enumeration method.
- Heads of local governments are entrusted to implement central government functions under the control of competent Ministers of State. To the extent that governors or mayors act as agents of the central government, they are part of the central government, not the heads of their own local governments.
- A hierarchical structure of command has been maintained between prefectures and municipalities.

Under the present system, the executing functions of a very wide range of administrative duties are delegated to local governments. Thus, local governments in Japan have considerable importance in the government system as a whole. The number of civil servants of local governments represents 75 % of all civil servants and expenditures by local governments accounts for 70 % or more of the all public expenditures.

While they have a great deal of political independence, local governments do not enjoy as much financial independence. There is a great difference between their annual independent revenue and annual expenditures. This difference is covered by the transfer of financial resources from the central government by such means as local allocation taxes, local transfer taxes and subsidies from the national treasury.

The means used to execute most administrative duties are regulated in detail by laws, orders and notifications of the central government so that the discretionary powers of local governments are severely restricted.

It can not be disputed that the centralized government system, which places importance on national unity and equality, has been effective in the process of the modernisation since the Meiji Era and the post-World War II rehabilitation and economic development.

Japan has reached a certain level of economic growth and is now approaching the stage of a “matured society.” The level of public services have been uniformly raised to reasonable level throughout the country under the strict control of the central government. As a population ages and family structure and local communities change, its people demand more responsive, more flexible and more user-friendly public services, based on actual needs and individual circumstances. The central

government has not been able to fully respond to these demands. In this context, the powers and functions of local governments must be strengthened to deliver indispensable public services on their own, in co-operation with local citizens. In particular, municipal governments, which are the closest to local people and which function as general caretakers of local communities, should be fully empowered and have sufficient authority, capacity and resources to deliver more responsive, more effective and more efficient services. Therefore, decentralization has surfaced as a political issue in Japan.

(5) Institutional arrangements for administrative reform

The Third Provisional Council for the Promotion of Administrative Reform, in its final report in October 1993, was concerned with the future prospects for administrative reform. It proposed the establishment of a strong monitoring structure within the Cabinet. This body would oversee the progress of reforms in consort with another authoritative third party organ.

Based on this proposal, on 21 January 1994 the Administrative Reform Promotion Headquarters was established within the Cabinet with a mandate to aggressively promote administrative reform. This headquarters is composed of all Cabinet members. The Prime Minister is Chief, the Chief Cabinet Secretary and the Director-General of the Management and Coordination Agency are Deputies, and the attendance of the Chairman of the Fair Trade Commission is also required. The Chief Cabinet Secretary manages the general affairs of the headquarters with the co-operation of the Management and Coordination Agency.

Further, in order to establish a third party organ to promote administrative reform, the Government established the Administrative Reform Committee on 19 December 1994. This five-member committee has a three-year mandate. It is located under the umbrella of the Prime Minister's Office and is empowered to monitor the implementation status of a wide-range of administrative reform issues, including deregulation. It also investigates and deliberates laws and systems related to access to government information and has the authority to submit its opinions directly to the Prime Minister. The members are selected from among knowledgeable people from a variety of fields to reflect the views of the Japanese people in administrative reform measures.

Several sub-committees have been established under this Committee, namely the Expert Committee on Access to Government Information, the Deregulation Sub-committee and the Sub-committee for Demarcation of Public and Private Activities. The purpose of these sub-committees is to study specific administrative reform issues. When the Prime Minister receives the opinions of the Administrative Reform Committee, they must be respected. Furthermore, this committee is able, when

necessary, to make recommendations concerning deregulation to the Prime Minister or the heads of related administrative organs through the Prime Minister.

On 3 July 1995, the Decentralization Promotion Committee was established in the Prime Minister's Office with a five-year mandate. This committee has been charged to conduct investigations and deliberations concerning basic matters related to promoting decentralization, and to advise the Prime Minister about specific guidelines in creating a Decentralization Promotion Programme. The Prime Minister must give serious respect to the opinions and advice of this committee. This Committee is composed of seven members who are selected from among knowledgeable people from local government, business, academic and other sectors.

On 21 November 1996, the Administrative Reform Council, headed by the Prime Minister, was established to (1) study what the functions of the government should be in the 21st century, (2) examine how the central ministries and agencies should be reorganized and (3) make a concrete proposals to strengthen the functions of the Cabinet Office. At the first meeting of the 15-member Council, the Prime Minister pledged to have a plan for the reorganization of central government ready within a year. The members of the Council, except for the Prime Minister, the head of the Management and Coordination Agency and a senior adviser of the Prime Minister, are chosen from among knowledgeable people in business, labour unions, journalism and academia.

Under the Prime Minister, the Administrative Reform Committee, the Decentralization Promotion Committee and the Administrative Reform Council form a think-tank for drafting administrative reform measures.

The Fiscal Structural Reform Conference, an informal body organized by the Prime Minister, has held meetings intermittently since last January to examine specific measures for cutting down government spending and reducing budget deficits. The Conference, chaired by the Prime Minister, is comprised of ex-premiers, representatives of ruling parties, relevant Ministers of State and Cabinet Vice-Secretaries. The Conference discusses any policy alternatives for government spending reduction which might place additional burdens on the people.

(6) Government organizations responsible for administrative reform

There are three Ministers of State who are responsible for promoting administrative reform. They are the Head of the Management and Coordination Agency, the Finance Minister and the Minister of Home Affairs.

The Management and Coordination Agency (MCA), which was established within the Prime Minister's Office and is headed by a Minister of State, is responsible for planning, co-ordinating and implementing administrative reform measures throughout central government. For example, when the Government is to begin a

given programme for reform, the MCA first sends a directive to the other ministries and agencies to prepare concrete measures in accordance with the purpose of the reform programme. The other ministries and agencies submit their views to the MCA (usually objections). The MCA makes every effort to prevail on the other ministries and agencies to develop an effective and practical reform programme. The MCA also has responsibility to review and manage organizational structures and staff size of the central government and therefore has a close relationship with the other ministries and agencies. In persuading the other ministries and agencies, the MCA takes advantage of these relationships.

In the MCA, administrative reform responsibilities are mainly born by the Administrative Management Bureau. The Administrative Inspection Bureau carries out fact-finding surveys/investigations of specific administrative reform measures to evaluate the effectiveness of the measures and supply basic data for planning further reforms. At the end of fiscal 1995 the number of personnel in the Administrative Management Bureau was 91 and in the Administrative Inspection Bureau was 157. The MCA has local branch offices which are located in all the capitals of the prefectures. The local branch offices carry out field surveys/investigations all over Japan. The number of personnel in the local branch offices was 1003 at the end of fiscal 1995.

MCA personnel are career officials who enter government service after passing recruitment examinations administered by the National Personnel Authority. They typically work for many years in the government until retirement, as is true of officials in the other ministries. Their field of expertise is mainly law. MCA personnel may be transferred to the secretariats of the previously mentioned committees and councils and provide support for preparing opinions of the committees and the councils.

In one important sense the Ministry of Finance (MOF) is an organization which promotes administrative reform. The MOF is responsible for preparing the central government draft budget. The pressure to reduce the budget deficit, which now totals -241 trillion (about US \$ 200 billion), forces the MOF to co-operation with the MCA to prepare effective administrative reform programmes.

The Ministry of Home Affairs (MHA) is responsible for planning, designing and guiding the system of local governments and their operation in general. The MHA takes charge of preparing administrative reforms concerning decentralization in co-operation with the MCA.

C. Performance review and programme evaluation function

(1) Administrative inspection

Administrative inspections scrutinize the operation of government programmes and evaluate them based on the facts or evidence gained through the investigations. As mentioned above, the Management and Coordination Agency (MCA) is responsible for carrying out administrative inspections. The agency institutionalizes a nationwide inspection network B there are seven Regional Administrative Inspection Bureaux and 43 Prefectural Administrative Inspection Offices B to investigate operations and problems in the nation's overall administration.

When the MCA conducts administrative inspections, it is entitled by law to all documents and other materials as well as testimony by ministries, agencies and other organizations subject to inspection or investigation. After completing an analysis and evaluation of a government programme based on the results of surveys/investigations, the Head of the MCA (the Minister of State) recommends areas for improvement to the relevant ministries or agencies and provides necessary information for planning administrative reform in association with authoritative committees such as the Administrative Reform Committee.

The MCA holds press conferences to explain the results of administrative inspections and the nature of the recommendations. The public learns how government programmes are operated and about the problems of these programmes through mass media. In addition, they can access information via personal computer networks via the Internet. The MCA has set up an Internet Home Page to improve public access to government information. In this manner, administrative inspection ensures administrative accountability to the public.

The MCA published 30 recommendations between April 1995 and June 1996. The titles of major recommendations are:

- *On Economic Co-operation Projects (Official Development Assistance)*
- *On Telecommunications Policies*
- *On Life-Time Education Programme*
- *On the Acquisition of Public Building Sites*
- *On Urban Redevelopment Projects*
- *On Female Labour Promotion Programme*
- *On Disclosure of Financial Information of Public Corporations*
- *On Postal Service Administration*
- *On Air Pollution Prevention Countermeasures*
- *On Employment of Handicapped Persons*

On 1 April 1997, the first day of a new fiscal year, the MCA approved an *Administrative Inspection Programme* based on the *Administrative Reform Programme* (see The Administrative Reform Programme, below). The Programme stipulates issues for administrative inspection to be carried out from fiscal 1997 to 1999. It aims to systematically include important issues in administration from a

medium-term perspective and to implement administrative inspections with respect to an established priority system. The Programme is to be reviewed and revised every fiscal year.

During the period covered by the Programme, the higher priority issues for administrative inspection are:

1. Government enterprises, public corporations and designated non-profit private corporations
Reviews of public corporations should be done with a view to rationalizing their operations. Designated non-profit private corporations should be investigated with a view to ensuring their proper management.
2. State measures and projects
Review of state measures and projects ¹ should be implemented with a view to reducing budgetary outlays and ensuring more efficient use of funds.
3. Promoting deregulation
Trans-ministerial investigations are to be carried out to follow up deregulation measures and to collect opinions and requests for the private sector.
4. New government programmes and public services
Evaluation surveys should be carried out for government programmes more than five years old when needed. The “Polite and Sincere Public Services Campaign” (see below) should be continued and follow-up surveys should be implemented to evaluate the Campaign results.

(2) Use of the administrative inspection function

Several Cabinet decisions on administrative reform and some Cabinet decisions on specific government programmes stipulate that the administrative inspection function should be used not only to formulate concrete reform policies but also to monitor the results of specific government measures, including administrative reform. Based on these decisions, the Management and Coordination Agency (MCA) has been conducting administrative inspections to collect data on actual conditions in given administrative areas. They have also used inspections to follow up on the progress of given government programmes.

¹ Examples of the measures and projects are; state subsidies, sewer management programme, national pension systems, drug regulation administration, railroad administration, rice production and distribution programme and overseas public relations administration.

A typical example is the use of administrative inspections for regulatory reform. The Administrative Reform Committee requested the MCA to conduct fact-finding investigations before preparing its report on regulatory reform measures. Based on this request, the MCA investigated how government regulations were administered at the street level, collecting views and opinions from concerned people. The MCA then submitted analytical reports to the Committee. The Committee used these reports as background data in completing its report on future deregulatory policies.

In the first stage of the process for deregulation policy making the realities of government regulations and people's views and suggestions are surveyed through administrative inspection. Then the Committee formulates regulatory reform policies to submit to the Prime Minister. In the third stage, the Cabinet decides which regulatory reform measures are to be carried out. In the fourth stage, administrative inspections are conducted to ensure that policies are being enforced.

(3) "Polite and Considerate Public Services" Campaign

For public administration to win the continued trust of the public, it is necessary to boost the awareness of each public servant of his need to improve public services and to practice kind, considerate public administration. For this reason, the Government has been conducting a nation-wide, ongoing Polite and Considerate Public Services Campaign in co-operation with public corporations and local public entities.

Each ministry, agency, and public corporation, has established public facility usage services and other public services in their reception areas, where they come into contact with the public. They are working to improve public services by making them (1) easily understandable, (2) convenient, (3) speedy, (4) clean, (5) polite, (6) safe and (7) more concerned about human beings.

In addition, the Polite and Considerate Public Services Promotion Council, which is composed of directors responsible for efficiency from each ministry and agency, stipulates the campaign policies for each fiscal year to promote a unified campaign across the entire Government.

In order to measure the results of this movement, the Management and Coordination Agency conducts a systematic Public Services Evaluation Survey every year. The results of the 1995 survey were reported at the Cabinet meeting of 22 March 1996.

D. Six reforms advocated by Prime Minister Hashimoto

In his policy speech at the opening of the 140th Session of the Diet (January 1997), Prime Minister Hashimoto described the society he would like to create. In this society, every person can fully realize his or her creativity and spirit of challenge and people come to have values in common with the entire world. To create such a society, he advocated reforms in six areas; administrative, fiscal, social security, economic structure, monetary system and educational policy. He said a keyword of his cabinet would be “achievement of reform and creation”.

(1) Administrative reform (in a narrow sense)

The objective of administrative reform is to build a public administration which can provide the services at the level desired by the public at the minimum cost, and an administration which can respond flexibly to the dynamic changes in the economic environment.

To meet these objectives, a comprehensive review of administration must be carried out from the following three viewpoints.

- Whether or not the country can eliminate interference in private-sector practices by government regulators.
 - Whether or not services offered by the public-sector can be left to the private sector.
 - Whether or not the country can shift the major administrative role from the central government to local governments.

(2) Fiscal structural reform

The Government of Japan is now suffering from huge budget deficits. At present, the Fiscal Structural Reform Conference comprised of the Prime Minister, relevant Ministers of State and representatives of the ruling parties is examining how to cut down government spending and reduce budget deficits. The Conference will also examine an outline of a bill for fiscal reconstruction.

(3) Restructuring of the economic system

The Cabinet approved the *Economic Structural Reform Stimulating Programme* last December in order to accelerate restructuring the Japanese economic system. The Programme includes concrete measures to develop new industries and build an attractive business environment through bold deregulation, reform of the corporate tax system and so on. More recently, the *Action Programme for Economic Restructuring* was approved at the Cabinet Meeting on 16 May. Fifteen business areas which are expected to flourish are identified in the Action Programme and concentrated promotion measures are set out for them. In addition, the target date for making the cost and quality of services for energy, transportation, telecommunication and financial services equivalent to international standards is set as 2001.

(4) Reform of monetary management

A bill to reorganize current monetary management passed out of the Diet on 17 June 1997. To summarise the contents of the bill, the monetary management functions of the Ministry of Finance are to be transferred to a new organ to be established under the Prime Minister's Office. Another bill to reform the Bank of Japan, the central bank, into an open and independent body also passed the Diet on 11 June 1997.

The Prime Minister pledged to implement reforms such as facilitating market entry into the banking, securities and insurance sectors by the year 2001

(5) Reform of social security system

Creating a social security system which balances benefits with costs is a grave problem related to the level of the public burden borne by the people. First, reducing cost and improving the efficiency of the system should be tackled under the present framework. Second, promoting further market entry by the private sector will reduce costs and improve efficiency, and at the same time respond more flexibly to people's needs. Ultimately, the system must face the inevitable challenge of a choice between levying additional taxes and reducing the level of public services. This choice should be made by the people who are both taxpayers and beneficiaries of public services.

(6) Reform of educational policy

Globalization of the economic system and emphasis on information technologies are both advancing rapidly. Under such circumstances, it is increasingly important to nurture people who have diverse capacities and challenging and creative spirits. The Prime Minister emphasized the need to broaden the options available in the Japanese education system. The Ministry of Education has organized learned people from various fields and they are studying how to reform current educational policy.

(7) Ultimate objective

The ultimate objective of the six reforms is to realize a mature society based on the principles of free competition and self-responsibility. This mature society will also have to guarantee security in the daily lives of all people, from children to aged citizens.

2. Main areas of reform

A. Focus areas for comparative study

(1) Reform of public corporations

The most successful reform of public corporations has been the privatization of the Japanese National Railways (JNR), the Nippon Telegraph and Telephone Public Corporation (NTTPC) and Japan Tobacco and Salt Public Corporation (JTSPC). These initiatives were based on a recommendation of the Second Provisional Commission on Administrative Reform (PCAR).

To carry out the JNR transfer to the private sector the Government established the JNR Reconstruction Supervision Committee in 1983, on the recommendation of PCAR, to prepare plans to divide and privatize JNR. After two years of studies and deliberation, the Committee submitted a report to the Prime Minister in 1985, proposing to establish six regional passenger railway companies and one freight railway company. On the basis of this report the Government submitted necessary legislation to the Diet in 1986 and the laws were passed after exhaustive debate. In April 1987, JNR was dissolved and reorganized into seven railway companies, the “Shinkansen” Holding Corporation and the JNR Settlement Corporation.

The Ministry of Posts and Telecommunication, the oversight agency for NTTPC, drew up a specific reform plan and prepared the necessary bills to be submitted to the Diet in 1984. The bills were duly passed through the Diet and NTTPC was reorganized into a new company, NTT, in April 1985. At the same time, the Telecommunication Business Act was considerably amended to relax regulations in the industry, resulting in NTT being shifted into a competitive market from its previous monopoly setting.

JTSPC was reorganized into Japan Tobacco, Inc. (JT) in April 1985. The Ministry of Finance, the oversight agency of JTSPC, was responsible for the necessary work to reorganize and privatize the corporation and draft the necessary bills.

The major results of these reforms in terms of business performance and financial position are shown in the following tables.

JNR and JR Companies

(100 million yen)

	FY 1986	FY 1987	FY 1995
Total revenue	39,442	38,227	47,971
Total costs	53,053	36,661	45,780
Profits before tax	-13,611	1,561	2,197
Profits for the year		502	1,066
Deficits		23,151	9,933
Number of personnel	276,774	202,671	190,372

Notes

1. Figures since 1987 are the aggregate totals of the six passenger railway companies and the freight company.
2. Total revenue and total costs include incidental revenues and expenditures.
3. The number of personnel is actual as of March 31.
4. The deficits are those of the JNR Settlement Corporation.

NTTPC and NTT

(100 million yen)

	FY 1984	FY 1985	FY 1995
Total revenue	47,562	50,914	63,583
Business expenses	44,285	44,071	59,819
Business profits		6,843	3,289
Profits before tax	3,276	3,161	3,764
Profits for the year		1,406	2,175
Number of personnel	313,627	303,951	185,458

Notes:

1. Total revenue includes incidental revenue.
2. The number of personnel is actual as of March 31.

JTS PC and JT

(100 million yen)

	FY 1984	FY 1985	FY 1995
Total revenue	28,858	27,994	27,508
Total costs	28,364	26,968	26,267
Profits before tax	495	1,025	1,241
Profits for the year		335	693
Number of personnel	35,323	33,327	22,625

Notes

1. Total revenue and total cost include incidental revenues and expenditures.
2. The number of personnel is actual as of March 31.

The Management and Coordination Agency is currently examining the public corporation regulations. They are looking closely at laws regarding establishment, change of purpose and amendment, and abolition of the corporations. The total number of public corporations remained constant from fiscal 1967, but during the decade from 1975 to 1985 began to fall. From the peak of 113 public corporations in fiscal 1975, the number of such corporations decreased by 21 to 92 in fiscal 1995.

A December 1995 Cabinet decision on policy for compiling the budget included a stipulation that overall review and restructuring of existing public corporations would be carried out in fiscal 1996. As a result of co-operation between the Government and the ruling parties, the Cabinet decided on a consolidation and rationalization plan. This plan stipulated that (1) the efficiency of the work of all of the corporations would be increased, (2) 14 corporations would be consolidated into seven, and (3) another five corporations would be abolished or privatized.

Besides these measures other reforms which were incorporated in the plan, included (1) the disclosure of financial details; (2) the rationalization of personnel; (3) the establishment of a supervisory system; (4) the implementation of measures to deal with employment problems; and (5) the restriction of subsidies. Another Cabinet decision on 31 March 1995 provided for two additional corporations to be consolidated into one.

Based on these Cabinet decisions, the consolidation and rationalization of public corporations will steadfastly continue. The consolidation, abolition and privatization of the above-mentioned public corporations should be, in principle, implemented within three years. Draft legislation was submitted and subsequently enacted by the 136th Session of the Diet to consolidate, abolish, or privatize 9 of the 21 targeted corporations.

Moreover, the Cabinet issued a decision *Regarding Disclosure by Public Corporations* on 19 December 1995. In addition to clarifying the principles of disclosure by public corporations, this document specified several concrete measures. The first was to continue to prepare regulations on disclosure and implement disclosure measures already required by law. The second was to require carrying out disclosure activities aggressively by providing project reports at a unified service counter, adding auxiliary explanatory appendices to financial statements, and notifying the public by the end of each September, through publication in the Government "Gazette," of the organisational outline, subsidiaries, summarized project plans and financial statements of public corporations. The third measure was to promote further disclosure in light of the results of administrative inspections of subsidiaries, etc. The fourth was to disclose financial details of public corporations beginning in December 1995.

To promote the disclosure of financial information, the Management and Coordination Agency prepared legislation on preparing, publishing and inspecting the finance related documents of public corporations. The bill, submitted to the Diet in March, was approved in June 1997.

Currently, the ruling parties' task force on administrative reform is examining how to streamline 88 public corporations. After the task force submitted a report on reform of six public corporations to the Prime Minister, the Cabinet approved a statement *On Streamlining and Rationalization Public Corporations* on 6 June 1997. The decision stipulated abolishment of five and privatization of one corporation.

(2) Promoting deregulation

Various Cabinet decisions and the successive reports of the Provisional Commission on Administrative Reform have laid the groundwork for promoting deregulation. Three recent Cabinet policy statements in particular have led to decisions on over 1,100 individual deregulatory measures.

The Final Report of the Third Provisional Council for the Promotion of Administrative Reform stated, "The Government, based on the results of the ongoing reduction of permissions and approvals, should decide in 1994 on a medium-term and comprehensive Deregulation Action Programme." Following this, the Cabinet decision (*Fundamental Principles of Administrative Reform*) of February 1994 stipulated that a five-year Deregulation Action Programme must be formulated by the end of 1994. Furthermore, the Cabinet decision (*Deregulation Promotion Outline*) of July 1994 stipulated that as part of this process, each ministry and agency had to review all government regulations pertaining to their jurisdictions by the end of 1994.

As a result of the ensuing studies the Government approved, in the Cabinet meeting of 31 March 1995, the *Deregulation Action Programme* for the five-year period from 1995 through 1999. In order to cope with the sudden change in the foreign exchange rate, *Emergency Measures to Cope with Yen Appreciation* (approved in the 14 April 1995 Cabinet Meeting on Economic Countermeasures) stipulated that the *Deregulation Action Programme* should be advanced and implemented as a three-year programme, to be concluded by 1997.

The *Deregulation Action Programme* stipulates that it should ". . . be reviewed and revised during each fiscal year." In revising the Action Programme, each ministry and agency first gives consideration to the opinion of the Administrative Reform Committee. By thoroughly reviewing the Action Programme as it stands, while taking foreign and domestic opinions and requirements into account, ministries and agencies can also advance and clarify the implementation schedule. They may also specify in as much detail as possible the contents of the implementation measures in the original Programme, and incorporate new deregulatory measures.

The *Deregulation Action Programme* was first revised by a 29 March 1996 Cabinet decision and for second time at the Cabinet meeting on 28 March 1997. In these revisions the opinions of the Administrative Reform Committee were considered, along with foreign and domestic opinions and suggestions. The process was characterized by the greatest possible transparency.

Altogether, the current revised Action Programme covers 2,823 specific deregulatory measures in 12 sectors, including 1,005 new points not covered in last year's Action Programme. Policies in the existing programme that have been promoted in the current revision include (1) advancing the schedule of implementation, (2) clarifying the implementation schedule and (3) specifying the content of deregulatory measures to be implemented.

Examples of deregulatory measures included in the current Action Programme are:

- abolishing the supply-and-demand adjustment system in the transportation sector;
- liberalizing stock brokerage commissions;
- abolishing regulations on holding companies and total amount of stockholding by giant non-financial companies; and
- abolishing regulations banning females from overtime, holiday and night work.

(3) Promoting decentralization

After considering the opinions of a wide spectrum of interested parties, the Government prepared a directive *Regarding the Policy on Fundamental Principles for Promoting Decentralization* (hereafter called the “*Fundamental Principles of Decentralization*”) at the 25 December 1994 Cabinet meeting. The Principles emphasized a policy to “rapidly advance studies on drafting a law to promote decentralization, including establishing a committee, formulating a concrete plan, and submitting a plan to the next regular session of the Diet.” Based on this decision, the Cabinet then approved a draft *Law To Promote Decentralization* on 28 February 1995, and submitted it to the Diet on the same day. After partial revisions, the law was enacted on 19 May 1995 and took effect on 3 July 1995.

The Government regards the formulation of a *Decentralization Action Programme* as essential to comprehensively and systematically promote decentralization,. This Action Programme is to be prepared in accordance with basic policies,¹ while giving serious consideration to the advice of the Decentralization Promotion Committee.

¹ This refers to policies the national Government should primarily fulfil, such as implementing policies and projects that must be carried out on a national scale or from a national perspective. Local public entities are primarily responsible for the

The Decentralization Promotion Committee, composed of seven members, was established within the Prime Minister's Office in October 1995, in tandem with the enforcement of the *Law to Promote Decentralization*. This Committee has been charged to conduct investigations and deliberate on basic matters to promote decentralization. In addition to advising the Prime Minister about specific guidelines for formulating a *Decentralization Action Programme*, it monitors the implementation status of policies based on the Action Programme and reports its assessment of the results to the Prime Minister.

The Decentralization Promotion Committee set up two working groups to undertake its work. The first of these is the Regional Development Working Group and the second is the Living Development Working Group. On 29 March 1996, the Committee submitted an *Interim Report on the Creation of a Decentralized Society* to the Prime Minister.

Following the interim report, the Committee established two additional working groups, the Inter-governmental (Central-Local) Relationship Working Group and the Subsidies and Financial Resources Working Group. On 20 December 1996, the Committee submitted its first recommendations to the Prime Minister. The highlights of these recommendation are:

independent and comprehensive implementation of regional administration.

- The present system of having governors and mayors of local governments as extensions of the central government¹ should be abolished in order to transform the relationship between central and local governments from a command-obedience one to an equal-co-operative one. The public affairs to be administered by local governments should be those belonging to their own jurisdictions, except for those to be delegated by the legislative process.
- A new system governing the relationship between central and local governments should be established, abolishing present overall control of local governments by the central government.
- In the fields related to regional development, welfare and education, devolution of authority and reduction/abolishment of control by the central government should be carried out as soon as possible.

The Committee is now deliberating its second set of recommendations, which will be submitted during the first half of 1997.

B. Human resources management

(1) Management of administrative organizations

It has long been the policy of the Government of Japan to curb the expansion of administrative organizations while simplifying and streamlining the existing administrative machinery. It has also maintained the so-called “scrap-and-build” principle when creating new organization units.

Recent reorganization efforts saw the establishment of the Management and Coordination Agency in July 1984 and the consolidation of the Central Labour Relations Commission and the Government Enterprise Labour Relations Commission in October 1988. Today, the central government consists of one office, twelve ministries, and 31 commissions and agencies. Of the latter two, one commission and eight agencies are headed by the Ministers of State.

¹ Under this system, public affairs which originally came under the jurisdiction of the central government are delegated to the governors or mayors who then administer those affairs as executing agents. The central government has the power to control the delegated affairs and retains final authority concerning these affairs.

Secretariats and bureaux are key internal subdivisions primarily responsible for public services performed by each ministry or agency. The total number of secretariats and bureaux (128) has not changed since 1979 because of the rigorously maintained restraint policy on organizational expansion.

Every year the Management and Coordination Agency conducts rigorous review of organization requests for the following fiscal year, as a part of the budget compilation process. Organization needs are evaluated with an eye to strictly restraining expansion of the overall organization and reorganizing existing organizations to make them capable of responding to diverse needs.

(2) Management of staff size

For some time the Government has engaged in practices to reduce the number of national civil service personnel by implementing the *Law Concerning the Fixed Numbers of Personnel of Administrative Organs* (No. 33, 1969) and the *Personnel Reduction Plan*.

This law sets maximum limits on the total number of regularly working personnel where constant placements are needed to carry out the responsibilities of the ministries and agencies. Therefore, it goes by the name of *Total Staff Number Law*. This law enables the Government to reduce personnel in a given ministry and at the same time increase the number of those in another Ministry.

The *Personnel Reduction Plan* is a prescribed set of personnel reduction targets set for several years in advance, for the purpose of reducing personnel levels of the ministries and agencies. The Plan is approved by the Cabinet.

Under the *Personnel Reduction Plan*, ministries and agencies reduce their positions to the targeted number by attrition. The number of personnel cut is then “pooled” in a staff size account maintained by the Management and Coordination Agency. Every year the MCA rigorously scrutinizes additional personnel requests for the next fiscal year as a part of budget compilation process. The MCA redistributes the “pooled” personnel numbers when it identifies a need to increase personnel. What remains in the staff number account becomes the total number of personnel cut each fiscal year.

In fiscal 1996 personnel reductions continued to be implemented based on the *Eighth Personnel Reduction Plan* (approved by a Cabinet decision on 5 July 1991), while the addition of new personnel was severely restrained. A net reduction of 2108 positions is expected.

The total number of national civil service personnel in all ministries and agencies at the end of fiscal 1996, including both clerical and operations personnel, was expected to be about 855,000 people (excluding Self-Defence Forces personnel). This

represents a low level of restraint, only about 44,000 people fewer than the number at the end of fiscal 1967, the base year under the *Total Staff Number Law*.

The *Ninth Personnel Reduction Plan*, approved in July 1996, sets reduction targets of 35,000 from 1997 to 2001.

(3) Promoting exchange of personnel among ministries and agencies

Today, against the backdrop of an increasing need to develop comprehensive policy, the Management and Coordination Agency is aggressively promoting inter-agency personnel exchange based on a Cabinet decision on December 1994, *Regarding the Promotion of Inter-agency Personnel Exchanges*.

The aim of this Cabinet decision is to increase the mobility of government officials by promoting personnel exchanges among the 12 Ministries and the National Police Agency. In Japan, most officials work in their home ministries/agencies for a long time under a life-time employment system. They are employed by each ministry or agency and gradually promoted within it. This customary practice encourages their loyalty to their home organizations, not to the public, and brings about fierce departmentalism.

The main purpose of the programme is to let government officials have working experiences in at least two organizations outside their home organization prior to being promoted to the level of division director. Before the decision, there was some exchange between different ministries and agencies., but broader personnel exchanges were regarded as indispensable to change the parochial mindset of many government officials.

As of 15 August 1996, among about 5,500 managerial positions, 616 positions are occupied by those from the other organizations. This is 17.6% increase above the figure of December 1994. Among the government officials who were promoted to the division director level between 16 August 1995 and 15 August 1996 (303 persons), 85.5% of them (259 persons) had working experiences in organizations other than their home organization. Moreover, 65% had worked in more than two outside organizations.

From now on, the MCA will strive to encourage ministries and agencies to promote exchanges of government officials to decrease the ill effects of departmentalism.

(4) Ensuring trust in the administration and civil service

Strict maintenance of official discipline is fundamental to ensuring the fair administrative practices and maintaining the trust of the public. For a long time, the Government dealt with this issue unilaterally through Cabinet decisions.

The Cabinet decision on December 1988, *Regarding the Enforcement of Official Discipline*, states that government officials should refrain from acts which could invite public suspicion, such as having contact with business people who have a vested interest in one's official duties. The Chief Cabinet Secretary notified each ministry and agency in this regard. Furthermore, in April 1989 the Administrative Vice-Ministers' Council approved an *Agreement Concerning Official Disciplinary Inspections*. This agreement aims to maintain official discipline and prevent the recurrence of scandalous incidents such as bribery, and thereby recover the public's trust in administration. Based on this agreement (1) an official discipline inspection committee was established and (2) inspections of the status of enforcement of official discipline were implemented in each ministry and agency.

The Management and Coordination Agency calls on each ministry and agency to submit an annual report on the results of these inspections by the end of March. The Agency then compiles these reports and submits them to the Administrative Vice-Ministers' Council. In 1995, the Administrative Vice-Ministers' Council arrived at an understanding concerning stock transactions of government officials. The Council also agreed to enforce strict official discipline.

During 1996, a series of corruption allegations among high ranking government officials and wine-and-dine incidents involving central government officials financed by local government public funds were disclosed one after another and the people's trust of the public administration was greatly damaged. In order to recover trust in public administration and in the civil service, the Administrative Vice-Ministers' Council established an internal structure in every ministry and agency to ensure discipline among civil servants. Based on this agreement, ministries and agencies prepared internal directives on how to deal with the private sector and public officials from different organizations.

C. Accountability and transparency

(1) Access to government information

The *Fifth Report of the Provisional Commission on Administrative Reform*, released in March 1983, proposed immediate development of measures to disclose information “. . . from the perspective of bringing about even fairer and more democratic administrative management, and ensuring people's confidence in the Government.” It stated the need to establish organizations to study ways to access government information that are congruent with Japan's current circumstances.

In February 1994, after enacting the *Administrative Procedures Law*, the Cabinet ratified the *Fundamental Principles of Administrative Reform*, in the course of which it called for serious research on systems to access government information. Based on this Cabinet decision, the Administrative Reform Committee, launched in December

1994, was to report to the Prime Minister on laws and systems related to access to government information by December 1996.

In March 1995, the Expert Committee on Access to Government Information was established for expert study of items concerning access to government information. A progress report was presented to the Administrative Reform Committee in April 1996. After several public hearings the final report of the Expert Committee was given to the Committee in November 1996. The Committee held extensive discussions based on this technical report and submitted its own report to the Prime Minister in December 1996.

An office to prepare legislation on access to government information was set up at the Management and Coordination Agency at the end of 1996. The government currently is preparing bills on access to government information as quickly as possible. The Prime Minister pledged recently that the government would submit the necessary legislation by the end of fiscal 1997.

The core contents of legislation on access to government information, as stated in the report of the Committee, would be:

[Goals of the Law]

The objectives of the information access initiatives would be to improve the openness of the public administration, to secure the accountability of public administration to the people, and to strengthen the control of public administration by the people as well as to promote the participation of people in the administrative process.

[Government Organizations Subject to the Law]

All administrative organizations in the executive branch of the Government, including the Board of Audit and the National Personnel Authority but excluding the public corporations would fall under the law.

[Documents Subject to the Law]

Any form of documents such as paper, magnetic tape, floppy disk etc., prepared or obtained by any official of any administrative organization as well as those kept in that organization for collective use would be considered "information" under the law.

[Establishment of Right to Claim Disclosure]

Any person shall have the right to claim disclosure of administrative documents.

[Procedures for Claiming Disclosure]

The law would include procedures for claiming disclosure, those for the protection of third parties, transfers of cases, methods of disclosure, fees and delegation of authority etc.

[Undisclosed Information]

The following six types of government information are identified as those not to be disclosed: (For more detailed information, see the Appendix.)

- information about individuals;
 - information about corporations that may endanger the legal interests of corporations if disclosed, such as property rights, as well as information which is submitted to an administrative organization on the condition that it be kept confidential;
 - information about diplomatic relations that may be detrimental to the interests the Government as a whole if disclosed;
 - information about public safety and maintenance of public order that might provoke public disorder if disclosed;
 - information concerning the process of policy formation within public administration;
 - information on inspection, examination, survey, personnel management etc., which may cause difficulties in managing public administration if disclosed.

However, the report allows disclosure of such “undisclosed” information when it is clearly in the public interest that it be made available. In addition, the report includes measures for disclosing information about the existence of specific government documents.

[Items About Complaint Applications]

The law would include procedures for registering complaints, establishing complaint review commissions, and appointing the members of such commissions, etc.

[Other Items]

The report includes some rules for managing government documents, promoting of comprehensive publication of government information and disclosing information held by public corporations

(2) *The Administrative Procedures Law*

Preparation of a unified law for dispositions by government agencies was a pending question for 30 years after it was first brought up in 1964 at the First Provisional Commission on Administrative Reform. In response to the reports and opinions expressed at the Second Provisional Commission on Administrative Reform (PCAR), and at the succeeding Provisional Council for the Promotion of Administrative Reform, the *Administrative Procedures Law* was enacted in November 1993 and implemented in October 1994.

The *Administrative Procedures Law* lays down common rules for procedures preliminary to dispositions and notifications, and for administrative guidance procedures, to protect the people's rights and interests. It stipulates establishment and publication of review standards, establishment and publication of typical processing time frames, preparation of hearing and justification procedures related to adverse dispositions, and general principles for administrative guidance.

Characteristics of the *Administrative Procedures Law* include:

- an independent chapter devoted to disposition in which relatively detailed rules are laid out.;
- an adverse disposition procedure divided into two parts; the first concerning the hearing and the second concerning providing opportunities for explanation and rebuttal;
- a guarantee of the right for parties in an adverse disposition to request access to the related documents during a procedural hearing;
- an independent chapter devoted to administrative guidance which clearly lays down all rules, the first such guide in the world;
- a statement of principle that all notifications are valid upon delivery (of documents).

The *Administrative Procedures Law* introduces uniform procedures to those areas that had been left to the discretion of government agencies, opening up the possibility of fundamental revolutionary changes to administrative management. The *Administrative Procedures Law* is expected to allow public administration to evolve from the previous power-laden administrative style to one that is based on mutual trust between the people and government agencies. The Government is working to implement the new law, with the Management and Coordination Agency actively engaged in the effort by conducting orientation meetings to provide information about the law, training seminars for public servants and precise guidance and advice for local public authorities.

According to the results of a survey conducted on the implementation status of the *Administrative Procedures Law* as of 31 March 1996, review standards were being applied to 90% of all possible cases, standard processing time-frames to 80% of all possible cases and disposition standards for adverse dispositions to 80% of all possible cases. Moreover, formal hearings, and explanation and rebuttal for adverse dispositions were being implemented on virtually all adverse dispositions. As can be seen, therefore, the *Administrative Procedures Law* is being appropriately implemented in virtually all circumstances.

3. Conclusion

The fundamental structure of the present Government was organized about 50 years ago, in the aftermath World War II. Soon after the Constitution of Japan came in effect, the government began its administrative reform efforts. In the early stages, the aim was to scrap some organizations and decrease the number of public servants. Around 1960, the direction of reform was modified. Effectiveness and efficiency of the government programme and operation became the focus of reform. After the oil crises of the mid-1970s, the Government was forced to reduce its spending and undertake a review of individual programmes in the context of re-examining the role of the public sector. At this point, the question of what activities the government should be responsible for was combined with the questions of effectiveness and efficiency. On the whole, administrative reform in Japan has been successful. This concluding section reviews the reasons for this success.

(1) A built-in mechanism for administrative reform

As mentioned above, the Government began the work on administrative reform in the mid-1940s. At this earlier time, a mechanism for administrative reform was built in. That mechanism was a governmental council to examine reform measures and submit its recommendations to the competent Minister of State. The Government conducted administrative reform by taking account of such recommendations. These councils were continuously organized, one after another, from the Provisional Council on Reform of Administrative Organizations set up in 1948 to the Administrative Reform Committee and the other advisory bodies mentioned in preceding sections.

(2) Annual review of government programmes during the budget preparation process

Japan has adopted a one-year budget system in which the expenditures for each fiscal year (the fiscal year starts 1 April and ends 31 March) must be covered by the revenue for that fiscal year. Each year around June, ministries and agencies start to estimate their expenditures for the coming fiscal year. In July, the Cabinet agrees to the guideline for budget requests prepared by the Ministry of Finance. The guideline contains ceiling on budget requests which must be followed by each spending entity in preparing its budget requests. The ceilings are announced in figures indicating the percentage increase each spending entity is allowed to request. In recent years during which the government has been suffering from huge budget deficits, a “zero-ceiling” or “minus ceiling” has been enforced. That means each spending entity must prepare its budget request at the same spending level or a lower level than that of the previous fiscal year. Under “zero-ceiling” or “minus ceiling”, each spending entity must review and reform its programmes in the process of drawing up its request. This

annual review and reformulation of government programmes by responsible government entities contributes to the Japanese success in administrative reform.

(3) Commitment of political leaders to administrative reform and strong leadership

Administrative reform could change the current balance of interests and sometimes force additional burdens to the people. Strong political commitment by the political leader, in the Japanese case the Prime Minister, promises success for administrative reform. The stronger the political commitment, the greater the success. Many Japanese scholars have emphasized this point.

(4) Accurate identification and understanding of existing policy issues

When one examines a given reform measure, the first step is to accurately identify what is to be reformed from among the existing systems and operations. Then one needs to develop a common understanding of the issues among the people concerned. Examination of reform measures would not be meaningful and persuasive without exact identification and common understanding of the issues among the persons interested.

(5) Importance of resource mobilization

However, it takes a lot of time and resources (human resources, operational costs etc.) to correctly identify what should be reformed, and gaining common understanding of the concerned persons is a very time-consuming work. For this reason, the importance of resource mobilization in conducting administrative reform cannot be underestimated.

The Second Provisional Commission on Administrative Reform is a case in point. In addition to nine Commission members, about 80 expert members and advisors who were scholars, businessmen, ex-civil servants, journalists etc. were involved in the work of the Commission. There established an executive office with more than 100 supporting staff.

(6) Involving the persons concerned and Interest groups

The reform process must closely involve front-line managers or staff or interest groups who can fully understand what should be reformed. Involving such people in developing the reform agenda and then implementing it will lead to successful reform. Hearing from them, exchanging views again and again and including their

suggestions in the reform agenda will contribute to smooth and effective implementation of a reform programme.

In Japan, members, expert members, advisors and supporting staff of government advisory bodies on administrative reform repeatedly contact the persons concerned, interest groups, specialists of specific fields and politicians to discuss the issues and to exchange views. These efforts help prepare easy-to-implement reform measures.

(7) Respect for feasibility

Even the most ideal reform plan is meaningless if it cannot be implemented. It is indispensable to make every reform measure as feasible as possible. Involving the persons concerned and conducting multi-dimensional review and examination of existing government programmes and operations are crucial conditions to ensure the feasibility of a reform programme.

(8) Public support

Public support is an essential factor for successful implementation of administrative reform. An administrative reform agenda may deeply affect the daily lives of the people. It is not easy to ensure people's interest and support over a long period. Therefore, public relations activities play an important role as a powerful means to get and retain the people's interest and concern in administrative reform efforts. In addition, wide press coverage is indispensable.

(9) Role of the legislature

Reform measures are translated into draft legislation and these bills on administrative reform are submitted to the legislative branch. After the legislative branch deliberates and approves the bills the government can carry out necessary reforms based on the legislation. Thus, the role of the legislative branch is critical in implementing reform measures.

In Japan, the Diet, the Japanese legislature, has established a special committee on administrative reform to intensively deliberate administrative reform issues. Each house spends enormous time examining and debating draft administrative measures prepared by the Cabinet. This arrangement allows the members of the Diet to participate in discussion and to understand the implications of administrative reform.

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Nishio, M. "Recent Trends of Decentralization Issue in Japan," September 1995, Keynote address at EROPA 16th General Assembly and Conference in Tokyo

Appendix

Undisclosed Information in the Report of the Administrative Reform Committee

1. Information relating to a private individual (excluding information relating to a business run by a private individual) whereby a specific private individual may be identified directly or through collation with other information, provided however that this shall not apply to the information set forth in the following.
 - a. Information that has been made public or is due to be made public through the provisions of laws and ordinances or as habitual practice.
 - b. Information that is deemed, even when disclosed, not to violate the interests of private individuals protected by this clause, by excluding names and other parts of the information that may identify a specific private individual.
 - c. Information relating to the work of public servants that is included in information pertaining to the performance of professional duties by the said public servants.
 - d. Information whose disclosure is deemed to be of greater necessity in order to protect human life, limb, health, property, or livelihoods.
2. Information set forth in the following relating to a corporation or other organization (excluding the national government and local authorities; hereinafter “Corporation etc.”) or information relating to a business run by a private individual, provided however that this shall not apply to information whose disclosure is deemed to be of greater necessity in order to protect human life, limb, or health from harm or property or livelihoods from violation caused by the business activities of the said Corporation etc. or said private individual.
 - a. Information that could harm the competitive status, property rights or other rightful interests of the said Corporation etc. or the said private individual.
 - b. Information that is supplied voluntarily on condition of a promise not to make it public following receipt of a request from a government body and that is assumed not to be made public as customary practice by a Corporation etc. or private individual, or other information for which the agreement of the said promise is deemed reasonable in view of the circumstances.

3. Information that gives sufficient grounds to deem that, if it were disclosed, the national security could be harmed, relationships of trust with other countries or international organizations could be lost, or disadvantage could be suffered in negotiations with other countries or international organizations.
4. Information that gives sufficient grounds to deem that, if it were disclosed, obstruction could be caused to the prevention and investigation of crime, the maintenance of public prosecution, the enforcement of penalties, policing, and other maintenance of public security and order.
5. Information relating to deliberations, studies, or discussions within a government body or between government bodies that, if it were disclosed, could cause wrongful impediment to frank exchange of opinions or the impartiality of the decision-making process, wrongful confusion among the people, or wrongful advantage or disadvantage to a specific party.
6. Information relating to the auditing, inspection, management, litigation, negotiations, contracts, tests, surveys, research, personnel management, current business management, or other operations or business of government organizations that, if it were disclosed, could cause obstruction to the proper execution of the said operations or business in view of the nature of the said operations or business.

ADMINISTRATIVE REFORM AND KOREAN TRANSFORMATION*

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ADMINISTRATIVE REFORM AND KOREAN TRANSFORMATION

Korea's dramatic improvement in economic fortunes and political democratization have placed many questions on the international agenda for discussion. This paper analyses the transformation of modern Korea with an emphasis on administrative reforms and political democratization. The first half of the study examines the salient aspects of the government reforms with a special focus on the Economic Planning Board (EPB), which played a vital role in the development of the Korean economy. The latter half discusses the issues of decentralization and deconcentration with respect to the implementation of local autonomy in Korea. Important questions addressed in this case study are: How did the Korean economy achieve its success? How did institutional reforms contribute to comprehensive planning and development? How did the policies in individual areas of the economy and the Local Autonomy Act (1993) enhance capabilities for democratization in Korean society?

1. The evolution of reform

The transformation of modern Korea was made possible in part by the quality of its bureaucracy. The centralized form of government which characterises Korean public administration was essential in implementing the successive five-year plans that generated the economic miracle. The economic development plan conceived under President Park Chung-Hee (1963-79) continued with Chun Do-Hwan's Government (1980-88). Thus a civil bureaucracy committed to high levels of national planning and resource mobilization characterised in a sense the political economy of the Republic of Korea from the 1960s through the 1980s.

Through much of the history of the Korean republic, executive reorganization had been a means of reform that was related to, and justified, an evolving mode of executive governance. However, current reform is disconnected from the problem of executive management and has become an instrument of presidential public politics. Contemporary reform confronts a different, newer problem of national-level politics, the widespread public doubt about the legitimacy of the big, bureaucratic state. Recent government reforms have been mainly directed toward changes in government structure. These changes have included consolidating organizational functions and streamlining inefficient operations while keeping the centralized bureaucracy intact. Within these structural constraints, the system oscillated within relatively narrow parameters without bringing about any lasting bureaucratic reform.

In May 1988, when popularly elected President Roh Tae-Woo (1988-93) announced the establishment of the Administrative Reform Commission, it was believed that administrative reform would be critical to the President's effort to democratize the governmental processes of the Sixth Republic. During the 1980s, the institutional settings upon which Korea had based its rapid economic growth began to change. Although the very success of the Government's initial industrialization efforts greatly altered the basic features of Korean society, it was the persistence of a surprisingly robust civil bureaucracy that rendered permanence to the Korean Governmental structure and its efficacy was. In spite of accommodating the military, political vicissitudes and the occasional emergence of competing policy-making centres which attend each change of government, the bureaucracy has remained remarkably unchanged.

It may be noted that the efficacy of the bureaucracy ultimately rests on its ability to integrate state and society; to mediate between the government and the private sector. However, Korea's highly centralized system of government could not simultaneously respond to the changing demands of a pluralistic society, to today's democratization and liberalization trends, and to economic and social globalization. Hence, political as well as economic liberalization became the agenda of the late 1980s and 1990s.

To confront these challenges, two administrative reform commissions were created; one under President Roh and the current one under Kim Young-Sam who was popularly elected in 1992 and inaugurated as the first civilian President in 1993. President Kim's reform (instituted in 1993) is intended to bring about administrative innovations, in sharp contrast to the earlier efforts that were aimed at structural reforms. The problem with the earlier attempts was the inclination to view corruption and inefficiency in the bureaucracy as an individualized phenomenon, rather than an institutional or systemic one. The initiatives were more or less regarded as efforts to legitimize unpopular regimes and, in the end, reform was short-lived.

The major tasks of the Kim Young-Sam Government is to root out the legacy of the authoritarian state and to realize the goals of democratization. This involves devolving power to the lower levels of government, coupled with deregulation. It also means a decentralization that moves specific responsibilities away from the national to the local levels of government.

A. Goals and strategies

There are three primary goals of the Presidential Commission for Administrative Innovation: (1) to establish a service/client-oriented government, (2) to accomplish democratic and efficient administration, and (3) to create a small, non-corrupt, professionally competent and effective government. In essence, the promise that better governance associated with decentralization will promote greater efficiency and effectiveness in delivering services and managing the public sector requires a

fundamental institutional transformation. The strategies for this transformation were set forth in three phases.

The first phase strategy (1993.4 - 1994.4) was to develop and cultivate a new civic culture which calls for shifting away from policy formulation which is dominated by the bureaucracy. The changed political culture requires citizen participation at the grass-roots level and people-oriented attitudes on the part of the government employees.

The second phase strategy (1994.5 - 1995.4) was to strengthen Korea's economic competitiveness in the global marketplace, improve living standards, and enhance the quality of life." The Government must continue to promote a more efficient allocation of public resources based on market signals. Deregulation and financial liberalization were necessary in order accomplish this.

Contemporary internationalization is different from the post-Korean war economic development efforts. The agendas of governments at all levels include economic development items, environmental agreements, and immigration issues that are partially created and solved by administrative actors in other countries. To meet this new challenge, the Kim Government's call for globalization is timely and relevant in the administrative context. It is incumbent upon the bureaucrats to adopt global perspectives to assess their environments (e.g., free trade agreements).

The third phase strategy (1995.5 - present) is to cope with the World Trade Organization framework and OECD membership requirements, along with the requisites of democratization. Further liberalization measures are called for in both the economic and political spheres. In particular, the Government of Kim Young-Sam wants to devolve certain national responsibilities to the local level. Thus the Local Autonomy Act was amended in 1993. Korea initiated a full-fledged local autonomy system in the summer of 1995 with the election of top local officials. Accordingly, legislative proposals focusing on regional economic development, administrative transparency (e.g., citizens' rights to public information), and the simplification of procedural rules and regulations have been submitted to the national assembly for its action. These are designed to pave the way to a viable decentralized, democratic system.

The two presidential reform commissions can be contrasted with respect to their processes as well as their objectives. The Administrative Reform Commission under Roh Tae-Woo may be characterized as having a batch system of reporting. As the reform proposals were percolated through the various reform committee networks, the outcome of these committee deliberations was then reviewed by the Commission (composed of representatives from academe, the press, labour, and civic groups) and its final decision was transmitted to the President as a comprehensive package of policy recommendations. The preparatory work was done by a small working group of government officials from the primarily Ministry of Government Administration

who were assigned special tasks to generate, initiate and develop various reform proposals. However, the more liberal political environment created new channels for diverse groups to provide input to the policy-making process.

In contrast, the Presidential Commission for Administrative Innovation under Kim Young-Sam has operated in a more open political context. From the outset the President has pursued new ways of working through organizational innovation. The task force for reform policy proposals was made up of officials from the Blue House and the Office of Prime Minister. In addition, the President wanted an on-line, routine reporting system to monitor the work of the Commission. If anything, the President's keen interest has kept the reform issue in prominence.

It is premature to assess the on-going work of President Kim's commission, his aspirations to a new form of management under the banner of administrative innovation appear to enjoy limited success in the areas of deregulation and financial reform. In this regard the creation of an Ombudsmen Office for direct citizen input is noteworthy. On the other hand, most of President Roh's reform commission work, i.e., proposing structural reform by reconfiguring government agencies, did not take root. The failure of these efforts is attributable to his weak leadership, which was much exploited by entrenched bureaucrats who were determined to protect their respective turf. This points up the fact that the outcome of intra-government conflict is often critical to successfully implementing reform measures.

The basic policy orientation of financial liberalization was to stimulate private investment and facilitate outward-oriented industrialization. This philosophy did not change even after political democratization. Because of the economic slowdown in the late 1980s and early 1990s and the need to improve Korea's economic performance in the face of a new global competition, top priority was given to restoring the sagging economy. In 1992 the Korean economy grew by 4.7 per cent, a healthy figure by many standards, but the lowest seen in Korea in a decade. The task confronting President Kim's new civilian Government was daunting. The President's overall reform package therefore contained some economic reform measures. The 100-day reform package was announced in March 1993. It provided measures to stimulate economic activity, including reducing regulated interest rates, and assisting small and medium industry to expand investment. There was also a freeze on public sector wages, and a government austerity drive which has curbed conspicuous consumption practices.

B. The role of the Economic Planning Board (EPB)

The successful impact of these comprehensive approaches on Korea's development and institutional structure are worthy of note here. The major functions of the secretariat unit in the Prime Minister's Office are to facilitate policy co-ordination between relevant government agencies and to analyse policy options for appropriate action by the president. Since 1994, Mr. Kim's Government has also solidified in the Prime Minister's Office the function of comprehensively reviewing national planning, by transferring the economic policy-making activities of the former Economic Planning Board. Correspondingly, the activities related to policy evaluation and performance review have also been placed under the purview of the Prime Minister, more specifically in his policy co-ordination unit.

The 1960s was a period of substantial institutional change, which is much discussed in the literature. Key measures taken during that time included actively involving Government in economic planning, and, most important, creating five-year economic development plans to be implemented by the Economic Planning Board (EPB), established in 1961. The EPB was succeeded by the current Ministry of Finance and the Economy as Korea's strategic policy shifted from a quasi-planned economy to a market-oriented one.

During the EPB's existence, it came to play a critical role in Korea's economic development. It was the main drive behind the Government's orchestration of the nation's outward-looking development strategies. The presidential decree in 1963 that the EPB's minister would also hold the position of Deputy Prime Minister, along with the title of Minister of Economic Planning, established the agency as a virtual super-ministry. The EPB not only created all long- and short-range development plans, but also had far-reaching budgetary, regulatory, and statistical functions, as well as responsibility for managing foreign capital. In this way, it was involved directly in implementing and controlling the means to mobilize resources. As Deputy Prime Minister, the head of the EPB co-ordinated the activities of all the ministries through the EPB's budgetary function. In addition, the Deputy Prime Minister chaired the weekly meetings of the Economic Ministers Council. Another responsibility of the EPB was to promote technical co-operation with industrialized countries to improve the level of technological advancement.

C. Financial liberalization

Drawing upon his popular mandate as the first civilian head of the Korean Government, Mr. Kim also managed to forge a political support base to institute a hotly debated 'Real-Name Deposit' system in concert with fundamental financial policy reform. On the whole however, the political and economic reform measures that the Government of Kim Young-Sam has instituted have had conflicting

implications for the Government's public finance policy. On the one hand, the growth of private capital, the Government's increasing reliance on market forces in managing the economy, its emphasis on international competitiveness for domestic firms, and the conservative trend in the electorate provided favourable conditions for the economic growth policy. On the other hand, the worsening distribution of income coupled with the growing demands for more equitable distribution of wealth and income were factors pushing to redirect the basic orientations of fiscal policy.

During the presidential election, the Real Name Deposit system became a salient political issue. Under this system, Korean citizens would be required to hold financial accounts under their true names. The former practice of holding financial accounts under false names would be banned. The false name financial system was a by-product of the development strategy set up by President Park Chung-Hee after he came into power in 1961. A central element in Park's economic plans was control of the financial sector. Its role was to support state sponsored goals for investment, production and export. Under Park's policy, the Government kept interest rates artificially low so that they supported the Government's targeted industries. However, the low interest rates led to lower domestic savings. As corporate demand for cheap bank credit at low interest rates exceeded available credit, the false name system was introduced to attract savings by inducing money from any source, even dubious ones, to be deposited in false name accounts.

While the Government's targeted industries grew in response to these special strategies, the growth was achieved at the expense of small and medium size enterprises which had to borrow their funds at much higher interest rates in the curb market. Thus government intervention in the financial sector contributed to the creation of a two-tiered financial system and distorting the financial market.

The Real Name Financial System, therefore, was implemented by President Kim Young-Sam as a Presidential Decree (*Presidential Financial and Economic Emergency Decree on Real Name Financial Transaction and Guarantee of Secrecy*, 1993) to specifically attack the underground economy. The President's plans for the new system's implementation were kept strictly confidential right up to the moment of his announcement. In order to ensure confidentiality, he entrusted the administrative preparations for implementation to a small working group of government officials under the direction of Deputy Prime Minister Lee Kyung-Shik. Because many government officials were opposed to a Real Name system (including the senior economic adviser to the President), they were kept in the dark about the impending plans.

D. Privatization effort

The Government has pursued a wide ranging policy to liberalize markets in conjunction with democratic reform measures. A variety of internal and external

reforms give more autonomy to the private sector and allow market principles to play a large role. In keeping with this policy, the Kim Young-Sam Government has hastened the denationalization process by setting a comprehensive time table for 58 of the 133 state-owned enterprises to become privatized during 1994-98. A privatization implementation committee has been set up in each of the relevant ministries to carry out the transition and the Privatization Promotion Committee in the Ministry of Finance and Economy has been entrusted with the overall tasks of coordination and monitoring. The Kim Government's liberalization plan represents a radical departure from the previous forms of economic management, which had been riddled with government intervention. Given the increased size and complexity of the Korean economy, the privatization program was a response to a changing international environment and the need to make necessary structural adjustments.

The concomitant effect of political democratization is that the loci of political and economic decision-making has been widened. As a result, it has become more difficult to co-ordinate policy measures among economic agents of the bureaucracy. Explicit or implicit resistance from other sectoral ministries poses a significant obstacle to the President's efforts to implement his economic reforms fully. The resistance has come in various forms, including vested-interest groups, bureaucratic inertia and institutional constraints. In addition, centrifugal tendencies in the policy-making process have undermined the Government's autonomy to formulate and implement consistent economic and fiscal policies. For example, the Government policy stance continually oscillates between growth-oriented and welfare-oriented policy measures. In fact, the most significant change in the policy-making process since democratization has been the growth of inter-ministerial conflict.

2. Decentralization: the local autonomy

The local autonomy system is an important way to promote a more efficient allocation of public resources since local governments are closer to the people and hence can be more responsive to local preferences for public services. Institutional reform is particularly needed in the public sector where the Government has led the growth of the economy. Although the public sector's overall level of efficiency appears to be generally good, it must operate more democratically and even more efficiently than it does.

Korea has fully recognized the contribution that local autonomy can make in achieving the goals of political democratization. The local autonomy system is an important way to promote a more efficient allocation of public resources since local governments can be more responsive to peoples' needs and preferences. Strengthening the administrative and fiscal capacities of lower levels of government is an essential process in decentralization.

The inauguration of President Kim Young-Sam in 1993 signalled the arrival of the decentralization era that culminated in the amendment of the Local Autonomy Act and gave much greater prominence to provinces, municipalities, and local entities. In particular, President Kim wanted to devolve certain national responsibilities to the local level. Korea initiated full-fledged independence in the summer of 1995 when the people elected their top local government officials for the first time. Decentralization was conceived of as a composite policy response to the decreasing effectiveness of central control and intervention, economic and fiscal constraints, and growing claims for local democracy and citizen rights.

However, local government has been left to cope with maintaining existing services and public infrastructure without adequate resources and at the same time deal with the displacement of national problems. The problem is compounded by the limited authority given to local government to raise the necessary revenues. In short, political transformations have been unable to meet the need for rapid and substantial transfer of both the political and the fiscal powers of government. Unless local governments are granted some degree of freedom with respect to local revenues and manpower, the development of responsible and responsive local government will remain a major problem.¹

Korea's economic success has been based on outward-looking policies that encourage companies to adapt to the opportunities in world markets. The policies were backed by a rapid increase in the size and quality of the labour force, a tax structure that encouraged saving and investment and sound fiscal policy. Moreover, industrial policy, which had favoured certain sectors of the economy in the 1960s and 1970s, has become less interventionist since the 1980s. Instead, the Government has concentrated on liberalizing the foreign trade and financial sectors and reducing the role of public enterprises.

This liberal policy stance appears to have hastened the growth of productivity and paved the way for further economic expansion. The shift to reduce government control and guidance and rely more on market forces has already had beneficial effects. Further deregulating the domestic financial system and opening of the capital market would enable Korea to utilise domestic saving more efficiently and benefit from lower borrowing costs, thereby promoting investment and growth. There is some cause for caution, however. Such opening could be accompanied by risk to Korea's sustained growth and its long track record of sound fiscal management.

During this transition, the Government has also taken appropriate financial reform measures with respect to monetary management (e.g., increasing foreign exchange rate flexibility and improving bank supervision). These measures were necessary in order to limit any instability that might result from opening the financial markets in

¹ Seoul Development Institute, 1994: 45-55

Korea. However, further measures to liberalize and open the Korean economy will be needed to fuel the growth engine and help prepare for the possible unification with North Korea.

A. Limits of local fiscal autonomy

Under local autonomy, Korea's local public finance has three significant problems that call for reform. The first issue is how to improve local governments' fiscal capacity. Without their own independent sources of revenue, local governments become nothing more than spending agents of the central government. Although intergovernmental grants from central to local governments play an important role in the fiscal system, an excessive reliance on intergovernmental transfer severely undermines local governments' fiscal autonomy and reduces their accountability for budgetary decisions.

The second issue concerns the level of fiscal independence enjoyed by local governments. Even if local governments have more taxing power and expenditure responsibilities, without a substantial degree of fiscal autonomy they cannot respond swiftly to the rapidly changing service needs of local residents.

The third issue is how to achieve balanced regional development while introducing the local autonomy system, given the fact that political cleavages based on regional conflicts have brought about severe regional disparities. This question of unbalanced regional development creates an intriguing problem for the Korean Government since regional disparities in income and wealth can be accentuated because the wealthiest jurisdictions benefit most from fiscal decentralization. Full-fledged local autonomy may worsen, rather than improve, the balance in development because of the differences in the capacities of local governments to redress regional income disparities.

B. Vertical and horizontal imbalances

The problem of vertical and horizontal imbalance is a serious issue to be addressed under local autonomy. The relative share of tax revenues exhibit serious disparities among levels of local government, and own-source revenues show a similar pattern. As of 1994, the ratios of own-source revenues to total revenues in Seoul and five metropolitan cities were as high as 98.4 percent and 87.4 percent respectively. But in provinces and counties, own-source revenues accounted for only 54.6 percent and 36.4 percent of total revenues.

The share of local tax revenues in total revenues also reveals serious imbalances among levels of government. While local tax revenues in Seoul and other metropolitan cities account for 85.6 percent and 58.3 percent of total revenues respectively, in the provinces and lower-level governments tax revenues generated

locally account for less than half of total revenues. The most critical shortfalls are found in county government. On average, local tax revenues account for only 12.1 percent of total revenues in counties. With tax rates fixed nation-wide, only major cities and affluent communities enjoy the advantages of having greater tax bases and hence collect more tax revenues. This suggests that county governments in particular have a limited capacity to rely on their own revenues because they have restricted taxing authority. The situation can be attributed to the central government's policy of reserving for itself the most lucrative tax bases. This further explains why most local governments have to rely heavily on transfers from higher-level governments.²

Horizontal fiscal imbalance among governments at the same level is also serious. The ratios of local tax revenues to total revenues range between 14.1 percent and 55.6 percent among self-governing districts in Seoul. In the case of provinces, the ratios range between 20.8 percent and 68.6 percent. The ratios of own-source revenues to total revenues also show wide variations among governments at the same level. For counties, the ratios ranged from 29.5 percent to 96.9 percent.³

Even those local jurisdictions in better financial positions find it difficult to respond to the growing service needs of local residents, so the transfer of revenue sources from the central government and local governments appears inevitable. As one element in its programme of fiscal reform, the Korean Government transferred the cigarette sales tax (now renamed the tobacco consumption tax) to local government in 1989. While it may reduce the vertical fiscal imbalance, this transfer of revenue sources will, in the long run, aggravate horizontal fiscal imbalance due to the highly uneven distribution of tax bases. The transfer will also shrink the pool of financial resources available to the central government that can be used to correct horizontal fiscal imbalance. Thus, in Korea, correcting vertical fiscal imbalance and enhancing local fiscal discretion directly contradict the objective of reducing horizontal fiscal imbalance.

For this reason, how to restructure the system of intergovernmental transfers becomes a prime issue in the reform of local public finance in Korea. Although the system of intergovernmental transfers alone cannot rectify all the problems of local public finance, it is essential to reinvent the local tax system and the system of non-tax revenues in order to improve the fiscal capacity of local government. In this respect, the mechanisms of both tax base and revenue sharing between different levels of government may redress vertical imbalances.

C. Local tax system

² Lee, 1992: 63-65.

³ Lee, 1992: 97.

The current Korean local tax system consists of fifteen different taxes. Among the seven major local taxes, the registration tax is the most productive, with a significant share (23.6%), followed by the acquisition tax (17.8%), tobacco consumption tax (15.7%), resident tax (10.4%), automobile tax (10%), aggregate land tax (7.9%), city planning tax (4.3%), and property tax (3.7%). These account for 93.4% of total local tax revenues. In addition, there are eight other miscellaneous taxes that account for less than 7.0% of total tax revenues.⁴

These taxes continue to exist because there has been no comprehensive local tax reform and because there are no other obvious options for revenue sources. Because the central government virtually monopolises all the buoyant income and consumption tax bases, the local governments are forced to rely on what is left. But these taxes result in considerable administrative and compliance costs because there are so many of them. These taxes should be consolidated into fewer major local taxes to the extent that this is feasible.

The Korean local tax system is also characterised by its heavy reliance on property-related taxes, which account for approximately three-fifths of total local tax revenue. Although property-related taxes constitute a major source of revenue in most countries, the Korean case is unique in that a very great emphasis is placed on taxing property transfers. The real property registration and acquisition taxes accounted for 41.4 percent of total local tax revenue in 1994. By contrast, taxes on property holdings – that is, the aggregate land tax and the property tax – contributed only 11.6 percent of total local tax revenues. Local governments rely heavily on property taxes mainly because it is administratively convenient to collect such taxes.

The problem with property transfer taxes is that they severely weaken the stability and predictability of local tax revenues since these taxes tend to fluctuate widely depending on real estate market conditions. For this reason alone, property transfer taxes should be replaced by more stable taxes on property ownership, which remain as an important untapped revenue source in Korea. With the property ownership tax the adequacy and stability of local tax revenues are guaranteed because the tax base is relatively evenly distributed across localities. Furthermore, property taxation satisfies the benefit principle of taxation since the present value of properties reflect not only the capital investment made by past and present owners but also the value of publicly provided goods.

Korea has a dual system of property taxation. Currently, it has an aggregate land tax levied on the total value of all land owned by a taxpayer nation-wide and a property tax levied on properties (mostly buildings) other than land. The aggregate land tax was introduced in 1990 in order to halt rapid increases in land prices and redress the unfair distribution of wealth. Despite these measures, property ownership taxes are

⁴ Ministry of Home Affairs, 1995: 16-20

hardly significant in terms of revenue yield. This is mainly due to the unreasonably low assessed value of real properties for tax purposes. The assessed value of land for taxes ranges between 22 percent and 25 percent of actual market prices. Strengthening the property tax system by improving assessment practices is an essential strategy to bolster local government's revenue-raising capacity.

Another problem of local public finance is that central government alone determines what activities are eligible for tax reductions and exemptions. This further undermines the local governments' powers to tax and limits their discretionary authority in financial management.

At the present time, local borrowing is the least important of all sources of local government revenue. Local governments have very little autonomy in issuing debt; the central government places undue⁵ restrictions and control over local government borrowing. This fact, combined with a relatively underdeveloped capital market, is responsible for the under-utilization of local government borrowing in Korea. The efficient management of local borrowing requires adopting a capital improvement program and institutionalizing capital budgeting in Korean local government. Since the demand for urban infrastructure and hence investment expenditures will likely increase for the foreseeable future, it will be necessary to specifically link local borrowing with long-term capital investment.

Finally, whereas national government transfers to sub-national governments include the local shared tax, national subsidies, and the local transfer tax, transfers from the upper-level local governments include subsidies and equalization grants. Equalization grants help local governments with weak fiscal capacities attain equity and efficiency goals. The local shared tax was designed to redress horizontal as well as vertical fiscal imbalance but it is effective only at correcting vertical imbalance. The correction of vertical and horizontal fiscal imbalance could be more effectively achieved by redesigning the local shared tax with a different distribution formula. This point will be addressed in the following section.

Reformulating the local revenue system should include not only reforming the local tax system but also restructuring the local tax administration system. It is very difficult to develop expertise in tax administration because of the decentralization and fragmentation of the tax administration system. The efficiency of the local tax system as a whole could be improved by strengthening the fiscal and administrative capacities of lower levels of government. These problems exist because the timing of Korean local autonomy was politically motivated. The system was hastily conceived without exploring some of the questionable assumptions of the decentralization model that persist in the background of the ideological motivation to decentralize.

⁵ Sewell, 1996: 148-50.

D. Intergovernmental relations

Reform is a reflection of time. Intergovernmental transfers remain an important part of the local government finance system. National government transfers (the local shared tax) amount to 73.3 percent of the total intergovernmental transfers while provincial government transfers to local government constitute only 26.7 percent of the total. This reflects the fact that the primary purpose of the local shared tax is to equalize local fiscal capacities. As was mentioned previously, although the local shared tax was designed to redress horizontal as well as vertical fiscal imbalance, it is ineffective at correcting horizontal fiscal imbalances. This is because of problems with the way it is currently allocated among local jurisdictions. Since the distribution formula includes such items as size of population, number of civil servants, and size of public buildings, those localities with greater population, tax bases and resources receive a higher proportion of the local shared tax, thus widening disparities in fiscal capacity among local jurisdictions. In fact, current distribution practices discourage local government tax efforts. Local governments have little incentive to improve the efficiency of their operation and reduce the costs of providing services because this would lead to a reduction in central government transfers.

In addition to the general local shared tax, there is also the special local shared tax which was designed to provide special assistance to localities with special fiscal needs. Since the Ministry of Home Affairs is in charge of distributing the local shared taxes, the central government enjoys a substantial degree of discretion in disbursing the special local shared tax, for it is not based on a formula. In practice the disbursement of the special local shared tax has been strongly influenced by political considerations. Therefore, the current system further undermines the fiscal autonomy of local governments.

Whereas the local shared taxes are unconditional grants, national subsidies are conditional grants. These grants are basically intended to support local spending that has spillover benefits or to encourage expansion of particular services. They are also allocated to local governments to cover the costs of providing centrally-mandated services which are often accompanied by matching requirements from the local jurisdiction. However, in allocating national subsidies, subsidized projects and the matching rates are determined by the Ministry of Home Affairs in a rather arbitrary manner, thereby resulting in an inefficient allocation of public resources. In order for the allocation system to operate fairly and efficiently, objective criteria for selecting projects for conditional grants and determining matching rates should be established.

E. Human resources management

The context of administrative reform has varied historically. There have been various attempts to improve the Korean civil service system. Every government since the founding of the republic in 1948 has devoted some time and effort to civil service reform.

The Korean Government successfully built up a solid, merit-based bureaucracy by the late 1970s to prepare highly motivated, competent bureaucrats for the role of government ministers and secretaries in the Presidential Office. In the 1960s, the Government exerted a massive recruitment effort through a highly competitive national examination system. As the Korean economy grew larger, more complex, and internationalized in the 1980s, macro-issues surfaced at the top of the presidential decision-making agenda. Macro-issues require systematic and theoretical knowledge from policy-makers. As the economy matures, macro-issues will be even more dominant. Since career bureaucrats dominated the important decision-making positions in the Korean Government historically, the narrowly defined experiences of career public servants were utilised only for detailed technical matters and not for policy-making at the macro-issue level. In the mid 1980s, however, the emergence of outside experts became quite evident. Many of them have officially taken over important positions from career bureaucrats and they have exerted their influence throughout the system. Moreover, the political democratization which has taken hold will likely encourage greater dependence on external expertise and on a fresh cadre of government workers to be recruited from all strata of Korean society.

The current Government (Kim Young Sam) started with high hopes for democratic reform. He established many commissions for civil service reform in such areas as administrative process and regulation, labour and trade union affairs, education, and anti-corruption. The first half of Kim's term was focused on government downsizing and deregulation. In spite of the clear direction of reform towards democracy and liberalization, the measures and instruments for reform have not been fully and successfully implemented (e.g., decentralization/local autonomy). Civil servants have shown widespread passive resistance and the mobilization of civic group support has not materialized.

The following section discusses two salient issues which have arisen since the period of increased local autonomy has been in effect. The changes in Korean society have been so rapid that the Korean civil service system now seems to be lagging behind the pace of democratic transformation. Once a leading force for industrialization and a guiding agent of national development, the Korean bureaucracy has been slow to adjust to democratic changes which focused on decentralizing and devolving authority.

Despite changes in the environment, the main framework of Korean bureaucracy - a highly centralized administrative system with a clear rank system and hierarchy - has remained intact. The Korean civil service system rests on a very rigid merit system which has maintained competitive examinations as the only legitimate recruiting mechanism. It does not yet have any independent civil service commission. The Ministry of Government Administration takes charge of civil service entrance examinations. The reward system in the bureaucracy also relies much more upon seniority than performance. The compounding effect of this myriad collection of traditions, the esprit de corps, and attitudes of these bureaucrats has made “reinventing” efforts in the public sector a much more daunting undertaking than it would likely be in the private sector.

For the upper-level public employees the new local government personnel system functions under strict guidelines and rules for eligibility requirements, appointment, promotion, discipline, etc. Under the Local Autonomy Act, all local jurisdictions (e.g., municipalities and counties) have established a personnel board chaired by the Vice Mayor/Deputy County Administrator. It is usually made up of five to seven members (the Vice Governor, the Mayor/Deputy County Administrator, and two or more external appointees) to provide leadership in local government-wide personnel management. The Vice Governors, Deputy County Administrators and Vice Mayors who chair the personnel boards are centrally appointed high ranking career civil servants.

While this mechanism (the local personnel board) may prevent the possibility of “politicization” of local public employees and may ensure a degree of fairness and equity in public sector employment, it is a questionable mechanism for it violates the principles of “unity of command” and “political accountability.” Policies and practices to manage local civil servants should be clearly aligned with overall strategies to ensure quality performance of public service and smooth transition to local autonomy.

In the early stages of the decentralization process there should be an impartial public service personnel board responsible for driving human resource management reforms forward. Once key reforms are achieved, the role of the personnel boards should focus less on control and prescription and more on training and disseminating best practices. Rules and regulations affecting the management of people should be reviewed periodically and streamlined where necessary to ensure that they contribute to (and do not inhibit) management efficiency and effectiveness.

With regard to human resource management, the national Government has transferred 11,633 current central government employees to the local level simply by changing their status from being members of the national government civil service to that of the local government public employees. This is in compliance with an amendment to the Local Autonomy Act and the Act on the Complement of National Civil Servant Assigned to Local Government, approved in 1994. This is an attempt to help alleviate the manpower shortage that is expected at the lower levels of government during the transition to full local autonomy. Meanwhile, full implementation of local autonomy will still require a substantial investment in training and upgrading professional skills at the local level.

The Kim Government encourages an open recruitment system, performance-based evaluation, and workforce diversity. Accordingly, the President has instituted several measures dealing with such issues as downsizing, cost containment, efficiency and effectiveness: (1) reconstituting administrative activities based on the “functional inter-linkages” system, (2) reforming the government examination system, (3) creating a government employee training program, (4) reviewing employee compensation and welfare packages, and (5) promoting employees based on a merit basis with less emphasis on seniority. To improve performance, the Government has instituted an incentive system which is linked to an annual “merit” bonus, contingent upon a positive performance review. The major indicators considered are an employee’s workload, efficiency, productivity, and supervisor’s evaluation.

F. The operational effect of local autonomy

Seoul Metropolitan City provides a case to examine the effects of greater local autonomy. Since the 1995 election of the city mayors and the top political leadership of autonomous self-governing units (called “districts”) within the Seoul metropolitan jurisdiction, an evaluative study was conducted (1996) to assess the impact of the Local Autonomy Act. Its findings suggest there have been almost no major changes in the conduct of government affairs. On the surface it appears that the Seoul city government has transferred some municipal functions to the autonomous “district” units and also commissioned certain activities to them. However, transfer of functions and activities was not accompanied by a corresponding transfer of budgetary authority and financial support. Consequently, it was tantamount to shifting administrative burdens and similar in effect to unfunded public mandates. In essence, the transfers only resulted in expanding government accompanied by a loss of steering and control at the “district” level, thereby leading to a wide gap between objectives of the act and results achieved.⁶

⁶ Seoul Development Institute, 1994: 11-16.

This example reinforces the notion that local autonomy was politically motivated and hastily conceived without due regard to matters of political accountability and fiscal authority. The civil servants at the “district” level are relegated to the role of mere implementation agents of city government and burdened even further with new responsibilities to deliver essential municipal services.

A newly designed structural configuration under the Local Autonomy Act confuses the interface between the provider and the recipient of the service. As a case in point, there exists an elected Mayor and two Vice-Mayors in each municipality. One Vice-Mayor oversees general political affairs in assisting the Mayor. The other one has important administrative responsibilities and is nominated by the Mayor and appointed by the central government. The same phenomenon can be observed at the county government level. However, the administrative Vice-Mayor plays a critical role in managing the municipal affairs. Thus he has a dual role serving two masters - the Minister of Home Affairs and the elected Mayor - with all its attendant ramifications.

In theory, this system of two vice-mayors or multi-mayors can be as successful in intergovernmental relations as it is in the American private sector (e.g., banking, manufacturing, and service industries) if they could all work in concert toward common objectives. For instance, the administrative Vice-Mayor could serve as a link between the central government and the local government since he has the network and knows the bureaucratic game at both levels. By the same token, this could be quite unsuccessful and might easily become more of an obstacle to efficient governance and introduce more risks than are acceptable.

Government is, of course, political by nature. The goals and objectives of the various stakeholders of any single agency or different level of government may vary and may even be inconsistent or mutually exclusive. Each stakeholder may have a different agenda and list of priorities. More often than not, therefore, national government interests may prevail over strict considerations of economy and effectiveness, and certainly over the interests of local governments.

3. Conclusion

The modern administrative reform effort in Korea dates back to the 1960s during the incumbency of President Park Chung-Hee. Since that time, the Government has undertaken a number of initiatives to reform, modernize and revitalize its national public service. These initiatives were typically started at times when the public service was seen as out of touch with public expectations regarding services or accountability. Therefore, reform agendas often aimed to improve efficiency and effectiveness of operations. The Government’s aims in reforming the public sector were to reduce costly overlap and duplication, and respond to the public demand for (1) better and more accessible government, (2) public demand for smaller government and (3) better quality service with lower taxes.

The extent and frequency of administrative reform has presented major challenges for the Government. The focus of each president's reform effort and the operation of the respective reform commissions has differed, however. During the era of Park Chung-Hee (1963-79), the Presidential Reform Commission functioned under the direct supervision of the President, although the work of the commission was later placed under Office of the Prime Minister, with its emphasis on increasing the government efficiency and effectiveness. Under President Chun Du-Whan (1980-88), on the other hand, the Presidential Administrative Reform Commission and its activities were directed by the Prime Minister. Much of its efforts sought to transform governmental structures and set out processes to eliminate redundant government work and create a smaller government.

In defining his approach to administrative reform, President Roh Tae-Woo (1988-93) was concerned, on the one hand, with striking a balance between democratization and deregulation and, on the other, with aligning organizational and programme structures to deliver more efficient government. His reform commission was chaired by a former Prime Minister, Shin Hyun-Hak, and the commission was composed of individuals from all segments of society. Its subcommittee structures were in turn chaired by former government ministers, professionals, and prominent citizens representing their respective fields of expertise and interest and who brought many years of experience in the professional sectors from whence they came. The work of the commission over the fourteen months period culminated in a 500 page final report.

The salient aspect of President Kim Young-Sam's (1993 - present) Administrative (Innovation) Reform Commission is that its entire fifteen member commission has been made up of the civilians (with no incumbent public officials involved) reflecting the diverse interests of a pluralistic society. Among them are prominent scholars/professors, journalists, labour leaders, etc. Accordingly, it is chaired by an emeritus professor Bark Dong-Suh. With democratization and decentralization in progress, this commission has had to undertake fundamental reorientation of its goals and values, with emphasis on building a strong customer focus (i.e., public convenience), competitiveness and deregulation.

The work of the Administrative (Innovation) Reform Commission has functioned as a two-tiered system. The first-tier is composed of the aforementioned civilian members, whereas the second-tier consists of government practitioners, mainly mid-career personnel representing various government ministries and public agencies. The second-tier personnel have played an important supporting role by providing necessary information and materials to the first-tier commissioners, and have also provided a screening function in sorting through numerous reform proposals emanating from local government agencies, small and medium size business firms, and many other sources.

What is significant to note here is that each recommendation of this commission is

forwarded to Office of the President for his timely action whenever the a subcommittee completes its work and it is approved by the whole commission. Furthermore, the reform commission has confined itself to general administrative reform matters, thus limiting the scope of its overall reform efforts. Those proposals requiring consideration of technical issues and specialized knowledge are handled separately under such appropriate agencies as the Ministry of Finance and Economy, the Ministry of Commerce and Industry, etc. So far 12,000 items have been received by the Administrative (Innovation) Reform Commission, and it has recommended about 2,000 items for the presidential action. Meanwhile the Ministry of Finance and Economy, the Ministry of Government Administration, and the Ministry of Commerce and Industry together have submitted about 3,000 items for the President's review and action. The bulk of the items from the above agencies have dealt with the matters of deregulation. This is in sharp contrast to the practice of the President Roh's commission where it waited until the deliberations of the entire reform proposal package were completed.

Given the track record of various reform efforts, I would like to conclude this report with some of my personal observations. These are based on my own active involvement in the work of the two successive innovation/reform commissions under Presidents Kim and Roh. Parenthetically I may note that I am the only individual whose appointment has overlapped with both the Roh and Kim presidential reform commissions - thus, I may have a unique vantage point, and would like to share my thoughts with you.

Some of typical administrative reforms aim to develop administrative and managerial capabilities in the public sector. In other words, these efforts are designed to induce fundamental changes through system-wide reforms to improve key elements such as structures, processes, and personnel, as distinct from normal and continuing activities to improve public management. These changes also involve planned organization transformation, enhanced professionalization of public employees and client satisfaction.

I believe that there is a season for everything. A reform agenda is no exception. I believe that successful reforms are driven by three factors: (1) leadership commitment, (2) timing and (3) a conducive environment. They must go hand in hand.

Obstacles to administrative reform can range from cultural factors to institutional rigidity. The difficulty in overcoming these obstacles stems from the findings that government institutions are not easily changed and have power to stand against the changes that conflict with bureaucratic self-interests and agency prerogatives. In Korea's experience, bureaucratic resistance and inertia may be identified as the major factors preventing administrative reforms. Cabinet members often became the captive of their own audience (e.g., agency bureaucrats and interest groups). As time passes, the zeal for reform gets lost in the midst of the crowded policy agenda of a

new president. As an old saying goes, strike while the iron is hot .

There is an important time dimension to the argument that we need to utilise some form of political-insulation (e.g., the establishment of the blue ribbon commission on administrative reform) to cull the ranks of outmoded agencies and reorganize government. Politicians live in the short term. Timing is critical in forestalling bureaucratic politics and resistance. The biggest opportunities for reinventing government are presented when the President and executive leaders are willing to get out front and bring vigour and urgency to a reform movement. A new president can take advantage of his newly reinforced political base to advance reforms and convert promises (reform package) into performance. Accordingly, the appointment of a reform commission should follow immediately after a presidential election. If the recommendations of the presidential reform commission are accepted, the President should pronounce the reform decree prior to the appointment of his new cabinet members. These people should be chosen because of their belief in the reform as well as their expertise in their respective functional areas. This would minimize any potential lobbying effort, reduce the hot and heavy give-and-take of day-to-day political horse trading, and prevent political sabotage by self-interested parties.

While it may be implicit in what I have stated so far, there is another element to be noted the conducive environment. This refers to the perceived need and general support for government reform by the public. Reform will be seen as a success if it responds to the legitimate expectations of citizens; in short, when reform efforts are viewed as being concerned with meeting the needs of its citizens rather than meeting government s own needs.

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**ADMINISTRATIVE REFORM
IN ASIA:
THE PHILIPPINE
EXPERIENCE***

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ADMINISTRATIVE REFORM IN ASIA: THE PHILIPPINE EXPERIENCE

Administrative reforms have been viewed by Philippine political leaders as a way to lay down the administrative infrastructure for effective governance. It is not surprising that administrative reforms have figured prominently on the programme of action of every political leader in Philippine Government since the early 1900s. Most of these reforms have been carried out through comprehensive government reorganization such as those undertaken in 1905, 1916, 1932, 1936-1938 (Quezon), 1946 (Roxas), 1954-1956 (Magsaysay), 1970 (Marcos) and 1987 (Aquino).¹ However, the results of these reforms were quite uneven. An unwieldy organization structure with overlapping functions, red tape, graft and demoralization remained to challenge each successive government.

The latest blueprint for reform in development administration is contained in the Medium-Term Philippine Development Plan (MTPDP), which forms the backbone of the present Administration's² framework for governance, dubbed "Philippines 2000". The plan essentially seeks to re-engineer the bureaucracy, minimize overlaps in programme implementation by government agencies, and check the expansion of government activities. The streamlining effort, however, is only partially

¹ The names of the presidents of the Philippine government during each period of reorganization are enclosed in parentheses. They are as follows: Manuel L. Quezon (November 15, 1935 - August 1, 1944); Sergio Osmeña (August 1, 1944); Ramon Magsaysay (December 31, 1953 - March 17, 1957); Ferdinand E. Marcos (December 20, 1961 - February 25, 1986) and Corazon C. Aquino (February 25, 1986 - June 30, 1992).

It is interesting to note that while previous political leadership began their term by immediately reorganizing the civil service, the present administration did not submit its reorganization proposal to Congress until 1994. If this is passed into law, the President will have the authority to reorganize the civil service by issuing executive orders.

To this date, the reorganization bill has not been approved by the Philippine Congress. The proposal passed the third reading at the House of Representatives in December 1996 while the Senate version has yet to be finalized. However, beginning in 1992, some degree of reorganization within the different departments of the Philippine government had already commenced in a low-key manner by providing a section in the General Appropriation Act that calls for the scaling down and phasing out of activities of agencies within the executive branch.

² The present Administration is headed by Mr. Fidel V. Ramos, President of the Republic of the Philippines.

implemented to date because the Congress of the Philippines has yet to enact the legal framework to reorganize the bureaucracy.

Unlike governments in many other countries, the Philippines has no single reform agency that co-ordinates and monitors all reform initiatives. The task of initiating and overseeing implementation of administrative reforms has been basically lodged with the Government's oversight agencies³. In addition to the activities of these agencies, many government offices have undertaken reform initiatives within their respective jurisdiction.

This paper first identifies the overarching concerns that have set the tone for administrative reform under the present administration. Then it tackles major administrative reforms in three functional areas of governance in the Philippines which have set the pace to attain the national development goals. These areas are (1) decentralization and local governance, (2) economic deregulation and privatization and (3) human resource management.

1. Imperatives for reforms

Global competitiveness, environmental concerns, changing political climate, the rise of civil society, and paradigm shifts in the role of government have influenced, if not pushed, the Government to institute administrative reforms.

A. Global competitiveness

Countries can no longer afford to seclude themselves from a world-wide network. The rapid developments taking place in the information sector demand greater flexibility on the part of nations to adapt themselves to new trends and exchange information with other countries in order to secure a place in the global market. Free trade agreements among groups of nations can work only when each country develops a certain competitive advantage. This competitive advantage is the key which opens the windows of opportunity for countries to acquire more wealth, gain security and achieve greater standing among nations.

³ Philippine Government agencies have been grouped into four major sectors. These are the (1) National Government Agencies (NGAs); (2) State Universities and Colleges (SUCs); (3) Government-Owned and Controlled Corporations (GOCCs) and the Local Government Units (LGUs). Most, if not all, oversight agencies belong to the NGA sector.

B. Environmental concerns

Prompted by the alarming deterioration of the environment and inspired by the Global Conference on Environment and Development in 1992, the Philippines was among the first countries to formulate a national programme for sustainable development. The Government took the lead in promoting community and social forestry, community and non-government organization (NGO)-led biodiversity conservation, and strict implementation of an environmental impact assessment system. On 15-17 June 1995, the country hosted the Gathering of Human and Ecological Security where participants developed and adopted a framework for human and ecological security that clearly expresses the interconnection of population management, environmental protection, and peace.

In 1996, the Government, backed by strong lobbying and participation of the Philippine environment NGO sector, produced Philippine Agenda 21 (PA 21). PA 21, along with the national action plans and strategies pursuant to international environmental conventions, provides directions to address priority problems in four key ecosystems: the forests/uplands, agricultural/lowland, marine/coastal, and urban. Biodiversity and the conservation and sustainable utilization of critical resources such as minerals are given special attention.

C. Changing political climate

Since June 1992, the Philippines has undergone five major electoral processes which tested the nation's democratic system. The first and most crucial of these was the presidential election, since this was expected to set in motion all the reforms that were to take place over the subsequent five years. In the following four electoral exercises under the term of President Fidel V. Ramos, the political system showed vitality to an extent never before seen in recent Philippine history. One significant development emerging from these exercises was opening the political playing field to different political forces. This was substantiated when, in August 1994, the leading political parties forged a "Compact for Change" which led to forming a coalition which emerged victorious in the May 1995 elections. With the administration party as the key player in the coalition, the Ramos administration had secured solid support and alliance from the ranks of legislators and local government officials, such that the probability that its priority bills would be passed by Congress and implemented at the local level became nearly certain. Thus, the Administration was able to put forth its legislative agenda and institute necessary reforms without much disagreement and delay.

The generally harmonious working relationship between Congress and the present administration, marred by only a few instances of clashing differences, has enabled the Philippine Government to take tremendous strides in reformulating governance to improve the country's plight. The present administration has embarked on a liberalization programme, and initiated efforts to streamline agency operations and

reduce the huge personnel expenditures. It has pursued innovations in the joint financing of government development programmes by designing government-private sector partnership schemes and has enacted milestone legislation devolving numerous functions to local government units. The Government has gained momentum in improving governance and management in the bureaucracy. Today, the Philippines is seen as a country with a resurgent and advancing economy, whose growth is increasingly manifested in an improved quality of life for its people.

D. Rise of civil society

The Philippine Government has pursued institution-building and effective people's participation in governance. People's abilities to participate in formulating policies and implementing programmes which affect them have been improved. To this end, the Government encouraged membership of non-government organizations (NGOs) and people's organizations (POs) in critical government policy making bodies. The Government also created an environment which encouraged the formation of co-operatives/organizations and strengthened tripartism as a mechanism to bring various groups together to plan and resolve conflicts.

In an extremely important step, the Government institutionalized the involvement of NGO/POs and basic sectors in policy and decision-making on social reform through membership in the Social Reform Council, which oversees the implementation of the Social Reform Agenda of the present Administration. This set-up is replicated at the local levels through Provincial Social Reform Councils in each of the twenty (20) priority provinces. NGOs/POs have also played active roles at the local level. With the enactment of the *Local Government Code of 1991*, the former Administration's centrepiece legislation, NGOs/POs became more visible participants in local community affairs.

E. Paradigm shift in the role of government

The serious recession in the Philippines which resulted in the Gross National Product's dropping to near-zero in 1991, and consequent financial constraints have forced the Government to take a closer look at its functions with a view to reducing public expenditures. The clear goal was to tread a path to economic recovery and sustained growth. This was done by putting in place an aggressive structural adjustment programme which called for sweeping basic reforms of the economic structure and institutions. The market orientation which has permeated the management of economic affairs has in turn required a more thorough and well-defined administrative infrastructure that will carry out the measures to achieve the nation's development goals.

The present administration has realized that effective governance may be achieved only by (1) determining the scope, level, quality and focus of government

intervention in the various sectors (2) achieving proper distribution of functions among levels of government, and (3) designing an administrative structure that will remove bureaucratic dysfunction, prevent it from recurring, and improve the internal operating efficiency and effectiveness of government agencies.

However, many policy makers are still wont to believe that government should directly solve all identified societal problems instead of empowering and enabling citizens to help themselves. Historically, a new agency was created and uncertain revenues were committed for every societal problem that emerged. This may have worked in the former times when government took responsibility for the entire society, but this approach does not work anymore. Government can no longer afford to do all the rowing. It now has to steer, that is, provide directions and act as catalyst of change. It has to learn the art of devolving responsibility, specifically through partnership with the private sector and the civil society.

2. Reforms in local governance and decentralization⁴

Many local communities in the Philippines are leading the way for 43,620 local government units (i.e., 77 provinces, 67 cities, 1,540 municipalities, and 41,936 barangays⁵) to attain sustainable growth and development at the local level. These communities have demonstrated that people-centred initiatives and development, and partnerships among and between government, non-government organizations and the business sector can become realities. They have also shown that they have been able to transform themselves because of reforms in local governance and decentralization.

The following are illustrations of local governance innovations that have been successfully implemented:

⁴ This part is drawn from the following papers: (1) “Best Practices in Local Governance and Decentralization: The Philippine Galing Pook Experience” presented by Dr. Alex B. Brillantes, Jr. at the 9th ASEAN Conference on Civil Service Matters, Singapore, 30 June - 4 July 1997; and (2) “People Empowerment: Making Devolution Work” by Professor Edel C. Guiza and Assistant Commissioner Mary Ann Z. Fernandez, theme leader and rapporteur, respectively, for the working group stream on Innovations in Local Government - The Philippine Experience at the International Conference on Governance Innovations held on 20-23 October 1996 at the Shangri-La s EDSA Plaza Hotel, Manila, Philippines.

Dr. Brillantes is an Associate Professor at the College of Public Administration, University of the Philippines. Prof. Guiza is a member of the faculty at the Asian Institute of Management and the Programme Director of the Galing Pook Awards. Ms. Fernandez is an Assistant Commissioner of the Philippine Civil Service Commission.

⁵ Barangay is the smallest political unit in the Philippines which is found at the local level.

- *Taking Care of People and Environment in Negros Oriental* is an example of how development and improving the quality of life of the people and meeting their minimum basic needs is the best approach to counterinsurgency. This project involved the construction of a community primary hospital in the hinterlands of Negros Oriental that coupled basic health services with the Community Based Resource Management Approach and empowered local fisherfolk in the province to take the lead in environmental protection.
- *Saving the Mangroves of Kalibo, Aklan* involved the reforestation of a fifty hectare swampland undertaken by families of fisherfolk who were organized by a local NGO into the Kalibo Save the Mangrove (KASAMA).
- *Saving the Marikina River* demonstrated how a dirty and dying river can be brought back to life and transformed into a major tourist attraction by the political will of local government and support from all sectors.
- *The Mandaluyong Public Market* was constructed under a Build-Operate-Transfer scheme. The LGU, in partnership with the private sector, built a public market/mall that approaches world class standards. The City provided the land and the private sector built and operated the market. The city's revenues have increased because of the numerous business and license taxes paid by establishments operating in the mall.
- *Transforming Malalag into a Provincial Agro-Industrial Centre in Davao Del Sur* is an example of how a holistic approach towards building the capability of (1) the local government unit, (2) barangay officials and (3) the partner agencies in local administration and management, human resources development, local legislation, service delivery and local economic enterprises can improve the quality of life of the people.
- *Acquiring a Complete Equipment Pool in Muñoz, Nueva Ecija* exemplifies synergy in action. The project demonstrates how a municipal government can actually meet its basic infrastructure equipment needs by creatively acquiring under-utilized equipment from national and provincial government agencies in the area through memorandum receipts.
- *Floating Bonds for Low Cost Housing in Victorias, Negros Occidental* has shown how a small municipality, with the support of the people, can take the bold economic step to sell bonds to provide housing. Victorias is one of the first local government units in the country to float bonds for a housing project.
- *Improving the Productivity in Naga City* is one municipality's version of reinventing government by demonstrating how the full potential of the various departments and offices of the entire city government can be tapped for effective, efficient and adequate delivery of public services. The four major areas of local government productivity focused on were: (1) providing sufficient services to

meet requirements of the population; (2) getting optimum outputs with minimum expenditures; (3) producing quality results as desired and planned; and (4) making services accessible and acceptable based on the principle of greatest good for the greatest number.

- *Sustaining Development through an Integrated Approach in Guagua, Pampanga* has increased of the municipality's income from P3 million (US \$113,207) in 1986 to more than P37 million (US \$ 1,396,226) in 1994 thereby upgrading its status from a third class to a second class municipality. The local government's partnership with NGOs and POs was indispensable in the development effort.
- "*Lote para sa Mahirap*" (*Land for the Poor*): *Land Banking in San Carlos City* was a programme specifically designed for the very poor of the City. Although it was a concerted efforts of many different units and locally based national government agencies and NGOs, its most active participants were fire victims. The beneficiaries are mostly pedicab (bicycle with a side car) drivers, construction workers, fish and vegetable vendors, and dock workers. They pay only five pesos (US \$0.19) a day, and after full payment, they will receive title to the land.
- *Solid Waste Management Programme in Santa Maria Bulacan* is an innovative, pioneering programme in solid waste management which diverges from the traditional concept of garbage disposal. The programme introduces a new dimension of waste disposal management by emphasizing the concepts of waste reduction, recovery and re-use.
- *Health Insurance Project of Guimaras Province* provides medical insurance to the low income households of one of the more depressed provinces of the country. It makes health care services accessible and affordable to low income people through cost sharing among the beneficiaries, the provincial government and municipal governments.
- *Carabao and Tractor Pool in Puerto Princesa* is a time sharing programme among farmers in partnership with the city agriculture office. The participants maintain a pool of carabaos (water buffaloes) and tractors that they use for their farms. Productivity has consequently increased as expected, but the sense of community and responsibility the programme developed among its members. is an important by-product.
- *Bantay Puerto (Puerto Princesa Watch) of Puerto Princesa, Palawan* is a programme initiated to enforce existing environmental laws and other city ordinances. This programme has two major components: the *Bantay Gubat* (Forest Watch) which protects and rehabilitates the forests and the *Bantay Dagat* (Bay Watch) which protects and conserves the marine ecology. Through the community's volunteer information and monitoring groups which support the law

enforcement officers, many people have been apprehended for violating forestry and fishery laws.

These success stories should be considered in the context of the *Local Government Code of 1991*, a landmark law on devolution. The law provides the enabling environment that allows such innovations to flourish. Local governments are now responsible for delivering health (field health and hospital services and other tertiary services), social services, environment protection (community-led forestry projects) agricultural services (agricultural extension and on-site research), public works, education, telecommunication services, tourism, and other services such as investment support. They are further responsible for enforcing of certain regulatory powers such as reclassification of agricultural lands, environmental laws, inspection of food products, quarantine and the National Building Code, among others.

The Local Government Code also increased the financial resources available to local government units by (1) broadening their taxing powers; (2) providing them with a specific share from the national wealth deriving from their area, e.g., mining, fishery and forestry charges; and (3) increasing their share from national taxes, i.e., internal revenue allotments (IRA). The increase has been from a previous low of 11% to as much as 40%. The governmental and corporate powers of LGUs were also enhanced by granting them full autonomy in the exercise of proprietary rights and the power to enter into (1) loans with other LGUs, (2) enter into build-operate-transfer (B-O-T) arrangements and joint ventures with the private sector and (3) sell bonds. More significant, the Code laid the legal infrastructure for participation of non-government organizations (NGOs) and people's organizations (POs) in the governance process by mandating their participation in the local development council, the local health board, and the local school board.

A. Some concerns

The local financial resources available to local government units has expanded significantly after increasing their share from the Internal Revenue Allotment. Because of the increased share of the LGUs in the IRA, it was not unusual to see LGUs' budgets triple and even quadruple. From the perspectives of the LGUs, however, this increase is low in when posed against the new functions and responsibilities devolved to them. Moreover, there is the significant number of national government personnel who have been likewise devolved to LGUs. The 40% share appropriated for LGUs from the internal revenue collections of the national government comprises only 14% of the national budget. This has given rise to a situation where a number of LGUs, especially municipalities and provinces, could not afford the cost of devolution in spite of an increased share of the IRA. Over and above this, the issue of "unfunded mandates" has emerged.

B. Lessons learned and replicability

This section highlights four (4) lessons. First, that a proactive role for government in providing a facilitating and enabling environment, such as legislating the *Local Government Code of 1991*, is crucial to success. Second, that there are strategies and mechanisms that develop and enhance people empowerment. Third, that it is important to recognize, document and disseminate information on “best practices.” And fourth, that leadership is a key integrating factor.

C. An enabling environment

There was an enabling environment that nurtured the local government initiatives and innovations undertaken in many local government units. This was provided by the *Local Government Code of 1991*, which, by itself was “a revolution in governance” in the Philippines. It enabled the people in local communities to participate more directly in governance processes. It sanctioned the active participation of NGOs, socio-civic organizations and the private sector in community affairs. It facilitated delivering services and disseminating information to the community.

More important, the new institutional arrangements promoted transparency and accountability. With the transfer of responsibility, authority, power and resources from the national to local governments, local chief executives find it difficult to explain poor performance. Unlike in the past, they can no longer complain that they do not have the resources and the decision-making authority. For instance, they formerly had no control over the assignments of government workers such as agriculturists, health and social workers, forests guards, all of whom were fielded by and responsible to national government agencies. Now decision-makers are nearer to the community and it is difficult to “pass the buck” and not perform well. In turn, the people in the community have become more aware of their rights and will be more vigilant in ensuring better government. As stakeholders, their sense of responsibility and participation in community affairs are also enhanced. This is demonstrated by their involvement in forest and coastal protection, delivery of health services and rescue operations, among other things.

From a broader perspective, the new and emerging and roles of the government as enabler and facilitator should be emphasized. This is consistent with the new perspectives on the meaning of development which now emphasize human development, sustainable growth, decentralization, gender equality and participatory approaches. Even the concept of governance acquires a loftier meaning B that of managing relationships of government, NGOs, civil society, business and all the other sectors of society. A new concept of “social capital” also comes into play, defined as the “processes between people which establish networks, norms and social trust and facilitate co-ordination and co-operation for mutual benefit.”

D. Empowerment of people

A key factor that is present in all success stories on local governance is the genuine recognition and nurturing of people empowerment. As the examples demonstrate, local communities were empowered through their community involvement. They were consulted in identifying priority programmes for each community. They knew what was happening in the community. They were asked to provide their views to the government. They were given specific responsibilities such as monitoring and apprehending violators of community ordinances. In the particular case of Naga, the trust and confidence accorded to government employees unleashed their creativity and expertise, motivating them to be better public servants. They came up with new solutions to community problems and concerns, e.g., reducing the time to issue business permits and computerizing various government operations. They readily volunteered their services outside of their regular working hours to plant trees, clean the river, and maintain the cleanliness of the community.

Empowering people also led to changes in mindset and attitudes. There was greater pride in being part of government on the part of the local government employees. There was readiness to work more than eight hours a day and do volunteer service even during weekends. There was more support and positive attitude towards government on the part of people and communities. There was more participation in community affairs. The number of active NGOs and POs located in these communities has risen steadily. They have been more active in assisting the Government in delivering public services to the communities. There is greater sense of responsibility for protecting the community's resources. There has been more support for communities' development goals and objectives, e.g., more people paying taxes, and more co-operative endeavours initiated by the private sectors to provide livelihood opportunities for poor families.

E. Recognizing governance innovations

The recognition and awards accorded to these local government units have sparked and inspired improved performance from the government and the people in these communities. For instance, Puerto Princesa has won the cleanest and greenest city award for 3 straight years. It received a recent award for being the most peaceful city in the Philippines. Its police force has also been acknowledged as being one of the country's best. Since 1991, Naga City has been a recipient of a total of 25 awards and has been recognized for various accomplishments. The latest is an international award for its housing programme.

The role of Galing Pook Awards (Excellence in Local Governance Awards) in promoting local governance innovations should be noted. The programme was initiated in 1993 by the private sector, specifically, the Asian Institute of Management, with support from the Ford Foundation. It seeks to recognize LGUs

which have endeavoured to prove that higher levels of performance and greater impact may be achieved through the judicious exercise of powers they now have under the Local Government Code of 1991. There are five major awards criteria: (1) effectiveness of service delivery, (2) positive socio-economic and/or environmental impact, (3) promotion of people empowerment, (4) transferability and sustainability, and (5) creative use of powers. The composition of the National Selection Committee includes government leaders, the NGO sector, academe, and media. This diversity also illustrates partnership among various sectors of society.

In three years, a total of 60 programmes have been cited for their innovations. “Galing Pook” has become a useful mechanism to inform local chief executives about programmes that work effectively and inspire them to strive for excellence and creativity in their own communities. The communities which have received awards have been the destination of many local chief executives and key local leaders who are curious and eager to learn from their award-winning experiences. The documentation and dissemination of these experiences, undertaken through the Department of Local Government and various leagues (of provinces, cities and municipalities), have facilitated learning from one another.

F. The role of leaders

A major question may be raised about the contribution of political leaders in making these innovations a reality. What competencies, attitudes and behaviours did they exhibit? First, they have shown political will which, put very simply, is being true and faithful to and actually delivering on one’s commitments and pronouncements. This has also meant actual enforcement of provincial and city laws and ordinances. There were significant political costs and risks associated with reforms that these leaders pursued, but the record shows that their decisions redound to the benefit of the communities. Because of this, their leadership roles continue to be affirmed. Second, they exhibited genuine trust and confidence in people. It did not matter if these people were government employees they had inherited from the previous administration or political leaders from the opposition. There was also a commitments and real initiatives to develop competencies and capabilities among the people. These came in the form of dialogues and consultations, involvement in community activities, and actual training and development initiatives. Third, given this liking for people, they exhibit related attributes of being sensitive to the popular demand of the community, being consultative, having a passion for communicating with one’s constituents and possessing a readiness to appreciate and recognize good performance. Fourth, most of the leaders had long-term visions for the development of their respective communities and they exerted efforts to have these visions shared and owned by the people in the communities.

3. The Philippine Privatization Programme⁶

The Philippine Privatization Programme was conceived on December 8, 1986 with the issuance of Proclamation No. 50 signed by former President Corazon C. Aquino. It aimed to reduce the number of government corporations which had grown into unmanageable proportions and to narrow down the range of economic activity within which government corporations operated.

The launching of the privatization programme took into account many considerations. The first consideration was the need for government to focus its energies and resources on providing of basic public goods and services. Another consideration was the desire to create a favourable investment climate for the private sector by eliminating undue competitions from government corporations. The programme was also viewed as a way to broaden public ownership of government properties, thereby (1) developing a capital market, (2) in minimizing government losses and (3) generating resources for priority development programmes such as the Comprehensive Agrarian Reform Programme. Lastly, like all other programmes involving the government corporate sector, the privatization programme was seen as a good means to expose government corporations to market discipline and competition in order to improve their operational efficiency, make their operations more responsive to consumer needs, remove their reliance on government subsidies, tax exemptions/guarantees and expand economic activity through greater investment by the private sector.

In December 3, 1992, President Ramos issued Executive Order No. 37 which reaffirmed the national Government commitment to privatization. This executive issuance provides additional directions for the more orderly, efficient and timely pursuit of the programme. Moreover, it further expands the coverage of the Privatization Programme by including the assets owned and activities undertaken by certain line agencies of government which may be privatized through other schemes such as Built-Operate-Transfer (BOT) or management and maintenance contracts.

A. Scope of the Philippine Privatization Programme

Under the Philippine Privatization Programme, the Government has embarked on a plan to divest itself of government owned and controlled corporations (GOCCs),⁷ idle

⁶ This part of the paper is a contribution of Director Nicanor Torres of the Management Staff of the National Economic and Development Authority.

⁷ GOCCs refer to public enterprises created by the government in its desire to play a strategic role in accelerating the country's economic development. These corporations are either wholly or partly owned by the government.

assets and properties⁸ and those which were transferred (TAs)⁹ by certain institutions to the national Government. Prior to implementing the programme, there were 301 GOCCs comprising the government corporate sector. More than one third of these, however, have been disposed off and the rest are approved or slated for privatization.

The programme consists of three phases or “waves”. The first wave refers to the reprivatization of private assets acquired by certain government entities. The second wave covers the disposition of those government properties in the utilities and infrastructure sectors which traditionally have been state-subsidized, such as water and power. The third wave consists of (1) opening a wider range of public services to the private sector, such as housing, postal services, education and pension funds; (2) re-engineering government’s role as a public service provider within the context of its role as enabler in civil society; and (3) thoroughly reviewing the present scheme of public service delivery to determine whether or not specific services could be better managed or more efficiently run by the private sector. The first wave of the Philippine Privatization Programme has been fully completed with the disposition of all assets of the Government by the sale of government shares through public offering, bidding and negotiated sale. The second wave is in the last stages of completion.

B. Central mechanism for privatization in the Philippines

Proclamation No. 50 created the Committee on Privatization (COP) and the Asset Privatization Trust (APT). The COP and APT, together with other disposition and other marketing entities such as the Presidential Commission on Good Government (PCGG) and the National Development Corporation (NDC), make up the central mechanism for privatization in the Philippines.

The COP is a Cabinet-level committee attached to the Office of the President. Its primary charge is to oversee the Philippine Privatization Programme. As such, it is in charge of (1) formulating the policies and general guidelines on privatization issues; (2) approving the sale and disposition of assets as to their price and buyer; and (3) monitoring the progress of privatization activities. The COP is composed of five Cabinet officials representing (1) the Department of Finance, (2) the Department of

⁸ This second category of assets consists of properties recovered by the Presidential Commission on Good Government (PCGG) and other idle properties of the government. This includes all real properties of the national government and any of its agencies, such as land, buildings and other improvements located in the Philippines or abroad which have remained initialized or underutilized.

⁹ The TAs include 419 non-performing assets transferred from various government financial (GFIs) which were entrusted to the Asset Privatization Trust (APT) for disposition.

Budget and Management, (3) the Department of Justice, (4) the Department of Trade and Industry and (5) the National Economic and Development Authority.

The APT, on the other hand, serves as the principal disposition entity of the Government. It is charged with disposing of TAs consisting of non-performing assets transferred to it by the Philippine National Bank, the Development Bank of the Philippines, the National Development Company, and the Philippine Export and Foreign Loan Guaranty Corporation. As a disposition entity, the APT must draw up privatization plans for TAs assigned to it for disposition. These plans indicate the extent of privatization of each company, the mode and method of disposition and the timetable for implementation. If the plan is approved by the COP, APT carries it out. The APT and the other entities are supervised by the COP.

C. Accomplishments

On the whole, The Philippine Privatization Programme has been successful in terms of its physical and financial accomplishments. The number of GOCCs has been substantially trimmed from 301 in 1986 to 79 at the end of June 1994. The total number of GOCCs which have actually been privatized represents more than half of the total number of GOCCs earmarked for privatization. This accomplishment is significant not only in terms of the number but more importantly in terms of the kind of GOCCs disposed of. Most of these GOCCs include the largest privatization transactions such as the sale of 40% of Petron Corporation, National Steel Corporation, Philippine National Bank and the Philippine Shipyards Engineering Corporation. Very recently, the Metropolitan Waterworks and Sewerage System was also privatized. It is noteworthy that with the sale of the largest GOCCs, considerable progress in economic liberalization has been achieved and virtually all commercial activity is now in the hands of the private sector.

In terms of gross revenues, the programme generated a total of 170.4 billion pesos for the period 1987-1996 representing the cumulative proceeds from the sale/disposition of 433 accounts. Of this amount, 69.7 billion pesos was generated from the sale of 91 GOCCs while 44.3 billion pesos represents the proceeds from the disposition of 334 TAs. Another 56.4 billion pesos was generated from the sale of other assets.

In addition to all these physical and financial accomplishments, it is important to note that the programme contributed much in rationalizing the management of the entire government corporate sector. For one thing, there has been a substantial improvement in the financial performance of the remaining GOCCs as a result of measures introduced to enhance their financial viability and operating efficiency. An example of this would be the development of standard corporate planning models for GOCCs. More significantly, the leakage of national government financial resources to GOCCs has been contained even as the investment programme of the retained GOCCs has been sustained. Consequently, the national Government is now able to allot more

funds for the delivery of basic public goods and services and priority development programmes.

D. Current issues

While the Philippine Privatization Programme is undoubtedly a resounding success, certain issues remain to be addressed.

First, there is a need to identify the strategic industries in which the Government should retain a major shareholder interest to influence policies and pricing of services and commodities. This should be pursued in the context of the government policy and economic liberalization.

Second, there is a need to overcome the legal impediments, such as court injunctions, which hamper the disposition of government assets and properties. It should be noted that the balance of the privatization portfolio consists of “hard-core” problem assets and the Government must agree on specific policy measures if it expects to dispose of these problematic assets. A recent example is the sale of Manila Hotel.

Third, there is a need to come up with a scheme to distribute the financial burden among creditors and shareholders. In many cases the national Government has to bear the burden of financially restructuring GOCCs to make them more attractive to buyers. A case in point is the Philippine National Bank.

Fourth, there is a need to incentives incorporate in the programme, specifically for foreign investors, to encourage them to bring in their own assets. Most foreign buyers of privatized companies borrow from local sources and therefore compete in the already limited domestic capital market. This problem may call for regulation requiring expatriate investors to bring in their own capital resources rather than tap local sources for investment in privatized entities.

Last, there is a need to study and address the employment implications of privatizing government properties. Some of the remaining GOCCs slated for privatization employ considerable numbers of people. It is important to study the labour situation in these GOCCs to minimize dislocations which may result from their privatization. Equally important is to come up with appropriate “safety nets” for those who would be adversely affected, and for government to ensure that these measures are implemented by the new owners of privatized government corporations. The case of the MWSS is a recent example of this.

4. The Attrition Law: rightsizing the civil service

During the seventies, the size of the Philippine civil service almost doubled from 430,000 in 1971 to 840,000 in 1980. In 1985, it increased to almost one million and it ballooned to about 1.12 million in 1992. This dramatic increase in size placed a heavy toll on the performance and credibility of the Government. The efficiency and effectiveness of public governance and the public service delivery system were adversely affected to a great extent. The Philippine civil service was taking about one fourth of the budget pie, a large portion considering that there was a mounting clamour for more adequate resources from other sectors in government such as social services and infrastructure.

During the presidential election campaign in 1992, the growing size of the civil service was recognized as a political issue and was high on the list of pressing problems in the country. It was important then that the Government reduce public expenditure and minimize its inadequacies in order to achieve effective governance. There was consensus that this issue revolved more around political questions than around economic ones; that is, many employees were being accommodated and kept on government payrolls because there were not enough job opportunities for them in the private sector. A sizeable portion of the budget was being used to pay “extra” employees in government, resources which could be channelled to other vital services such as health, education, transportation and communications. Undeniably, the Government could not afford to continue absorbing excess labour by being the employer of last resort.

A. The Attrition Law

As an approach to right-sizing the civil service, the Philippine Congress enacted *Republic Act No. 7430* otherwise known as “*An Act Providing for Optimum Utilization of Personnel in Government Service Through a System of Attrition, Providing Penalties for Violation Thereof, and for Other Penalties.*” The Attrition Law, which took effect on May 8, 1992 and ended this year, was designed to reduce the size of the civil service by prohibiting agencies from filling vacant positions which resulted from resignation, retirement, dismissal, death, promotion or transfer of an employee for five years from the time it was passed.

The Civil Service Commission was mandated to oversee the implementation of the law. Pursuant to this mandate, CSC issued rules implementing the Attrition Law through *Memorandum Circular No. 24, series of 1992*. It likewise promulgated other policies and guidelines that clarified issues and procedures for requesting exemptions from the Attrition Law.

The issue of trimming the size of the civil service has always been a sensitive one among government agencies because, by and large, this meant tying agency directors' hands with respect to appointing their people. Surprisingly, however, when the law was implemented, there was not much vehement reaction from government agencies. This can be attributed to two factors: (1) since the reform measure was effected through law, compliance was compulsory and uniform, and (2) it was a relatively painless approach because no employee was laid off.

B. Implementation of the Law

Because there was as yet no previous system or structure to implement the law, the CSC had to lay all ground rules. Even after designating an office to handle the work, its early operation was too slow to process the volume of requests coming in daily. In June 1992, the Task Force on Attrition was formed to expedite the requests. This task force was composed of eight full time staff with the Executive Director of the CSC as the overall supervisor. Work was distributed among the task force members who did the initial evaluation and review. An administrative support group consisting of four full time staff was also designated to file and manage the records, liaison and communications work.

From this point implementation proceeded well and the task force was able to exceed its target by 9% in 1994 and 3.5% in 1995. Individual performance ratings were also high with three staff members receiving outstanding ratings during their stint with the task force.

In addition to providing the administrative manpower, the CSC designed and improved the system and procedures of the task force. A computer-based information system was developed to accurately track the status of requests filed with the CSC. With the new system in place, retrieving information took no more than a minute. The monthly and annual statistical reports of operations were also prepared using the computer programme. The task force used standard reply forms for easier and faster responses from CSC.

As to policy matters, one notable policy issuance made by the CSC in 1994 was the 95%-5% scheme (*CSC Memorandum Circular No. 15, series of 1994*). This rule exempted government agencies from the Attrition Law for a period of 12 months if they abolished 5% of all authorized positions. This scheme was a voluntary arrangement whereby a total of 4,392 regular plantilla positions were surrendered by 42 agencies to the Department of Budget and Management for abolition. Not only did the scheme result in savings, it did away with the bureaucratic procedure of repeatedly requesting exemptions.

C. Impact of the Attrition Law as a reform measure

The upward trend in government employment was arrested with the implementation of the Attrition Law. The appended table on the comparative summary of authorized, filled and vacant positions (Table 1) shows that at the start of the implementation of the Attrition Law in June 1992, the total number of filled positions was 1,237,435. This figure consistently went down in 1993 and 1994 but increased from 1995 to 1996. The present figure of 1,213,602, however, still remains lower than the 1992 level.

During the five-year implementation of the Attrition Law, it is estimated that the Government saved over six billion pesos (US\$ 240 million) in personnel expenditures. This amount represents the salaries and allowances which would have been paid to government employees who would have occupied vacated posts.

While this law mandated a moratorium on new appointments for five years, it likewise provided that exemption from the prohibition could be secured from the CSC. Moreover, certain categories of positions are expressly exempted by the law; the prohibition was not absolute. Exempted from the moratorium were (1) positions which were heads of primary organic unit such as chiefs of divisions; (2) any position in an organization unit that required a particular skill or knowledge essential to the basic capability of the unit; (3) basic positions for the initial operations of newly created or activated agencies or, in the case of other agencies, where the positions were vital and necessary for the continued and efficient operation of said agencies; (4) positions which were difficult to fill considering the qualifications required therefor, such as those of doctors, lawyers and other professionals; (5) positions in agencies found to be understaffed, (6) positions in Congress or in the Judiciary; (7) appointments or designations extended by the President, (8) positions in local government units; (9) positions for teaching personnel, and (10) positions for which replacements came from existing employees.

Based on the inventory of government personnel conducted by CSC, as of 30 November 1996, 708,958 positions were exempted from the Attrition Law. This figure is about 58% of the total number of filled positions in the civil service. Broken down by government sector, the number of exempted positions in the national government was 443,869 or 36% and in the local government units was 265,089 or 22%. In the corporate sector, no position was exempted. These figures show that the Attrition Law covered only 42%, or less than half of the entire civil service. Despite these exemptions, the Attrition Law exerted a strong influence on the shape of the national government sector. The law influenced the distribution of employees on the basis of occupational grouping. Two groups from the national government sector have created the most impact. These are the teachers' group and the policemen's group, both of which grew during the five-year implementation of the Attrition Law. This growth was inevitable and necessary considering the country's population

growth., Moreover, the number of local government employees was expected to increase because of the devolution which started in 1992 after the enactment of the *Local Government Code*. The legislative branch, which is the most political sector in government, grew in size because of its exemption from the law.

Aside from the exemptions, another factor which affected the Attrition Law as a reform measure is that the exit rate of employee is generally low and stable. For instance, during the first year of implementation of the Attrition Law, 13,394 employees occupying positions covered by the law were separated from government service; merely one percent of the total number of employees in the national government and corporate sector. A total of 10,054 or 75% of the separations were due to retirement; 1,346 transferred to another government office; 1,088 resigned; 175 died and 731 were either dismissed, terminated or dropped from the rolls.

Certainly, the Attrition Law provided many benefits. On the other hand, it must be admitted that the gains were not dramatic in terms of reducing the size of the bureaucracy nor in savings generated from reduced personnel expenditures. As pointed out earlier in the paper, the reform measure merely arrested the growth of the civil service. That is why there is now much apprehension that whatever gains were made might be negated by filling authorized positions since the prohibition ended in May 1997.

D. Lessons learned

As a reform measure the Attrition Law did away with the painful approach of actually laying off incumbent employees. This is undoubtedly one reason for the high level of acceptance of the reform.

The Philippine experience suggests that containing the size of the civil service cannot be done only by an “attrition law.” There is an interplay of too many factors at work in a bureaucracy. If an attrition law were the only measure available then exemptions should not be provided at all, as they were in the Philippine case. A better instrument might be a law putting a cap on the number of civil service employees, like that in Japan.

Nor can the Attrition Law single-handedly rationalize the distribution of civil service employees and match people to jobs. While exempting some groups like the teachers and policemen from the law has influenced the shape of the civil service, it cannot resolve the problem of “extra” or superfluous employees in other occupational groups.

It is clear that the CSC carried out its mandate under the law and even “walked an extra mile” in implementing the Attrition Law. As stated earlier, one notable policy adopted by the CSC was the 95%-5% scheme which was voluntary on the part of the agencies. This policy manifested the strong commitment of CSC and other

government agencies to the reform measure. The implementation of the Attrition Law was also marked by a high level of transparency. The task force set up a time frame within which all requests for exemption were evaluated. Approval of the requests were done by a resolution of the collegial body of the Commission. However, agencies whose requests were disapproved were immediately sent letters informing them of the disapproval. Based on the final programme statistical report, CSC denied 103,748 positions or 24% of the total 431,728 positions requested for exemption. While the number of approved requests outweighed the number of those disapproved, this nevertheless showed that CSC was forthright and determined in implementing the reform measure.

TABLE 1

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ADMINISTRATIVE REFORM IN THAILAND*

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ADMINISTRATIVE REFORM IN THAILAND

Thai public service functions have been conducted through a formalized administrative mechanism for centuries. During the period of absolute monarchy (from the late thirteenth to eighteenth centuries), the kings administered by means of an organized structure. A major reform took place during the reign of King Rama V (1868-1910) in the late nineteenth century, with the main objective being to establish a more effective system of government similar to the approaches employed by western countries. The model became the foundation for the present organizational structure of the civil service.

The modern civil service dates from the 1920's, when the notion of 'merit' for entry into government service was introduced. With the Civil Service Act of 1928 came the establishment of the country's first central personnel agency. This agency, generally considered to be the forerunner of the Civil Service Commission, has operated continuously since that time, but over the years has been joined by eleven other central personnel agencies (see Appendix I).

The civil service workforce of Thailand consists of approximately two and a half million employees, not including the military. Of these, 1.2 million are civil servants, including police officials and teachers, of which nearly 400,000 (about one third) are under the jurisdiction of the Civil Service Commission. The others are permanent and temporary employees working in government organizations and public enterprises. Although the two and a half million public employees represent only 3.5 % of the total population and about 6.0 % of the labour force of the country, the Government spends approximately 36% of its annual budget to cover personnel costs. This figure has tended to increase every year in concert with an increasing number of public servants.

1. Legal framework

Thailand's Government administration underwent significant modification in 1932, with the change from governance by absolute monarchy to constitutional monarchy. The monarch's sovereign power emanates from the people. As head of state, he exercises his power in three ways; legislative power through the parliament, executive power through a cabinet headed by a prime minister, and judicial power through the courts (see Appendix II).

- Legislative power is exercised through the parliamentary system, with a bicameral parliament. The Senate (the Upper House), consists of members appointed by the King on the recommendation of the Council of Ministers and the House of Representatives (the Lower House) consists of members elected by popular vote.
- Executive power is exercised through a cabinet headed by a Prime Minister. The cabinet is responsible for administering fourteen ministries, organized along functional lines, and the Office of the Prime Minister which is concerned with the formulation of national policy. Smaller cabinet committees are set up to help screen proposals from the various ministries and present them to the larger cabinet.
- Judicial power is exercised through the courts, which adjudicate cases according to law in the name of the king. Based on the concept of a civil law system, all case proceedings, execution of laws, safeguarding of justice, and government rules and decrees must conform to promulgated laws. Under the *Law Governing Court Organization Act of 1934*, three levels of courts were established, the Court of First Instance, the Court of Appeals, and the Supreme Court. Appointment, placement and removal of judges are carried out by an independent body, the Judicial Service Commission.

Legislative and executive authority is exercised through a system of checks and balances. Executive power, which is exercised through the cabinet, is accountable to the National Assembly for carrying out its policies. On the other hand, the Executive branch has power to dissolve the House of Representatives.

The legislative branch, has power to monitor the administrative activities of the cabinet and may question a minister on any matter within scope of his authority. In addition, a motion for a general vote of no-confidence can be brought by at least one-fifth of the members of the House of Representatives to examine the actions of an individual minister or the entire cabinet.

2. Basic Laws regulating the government administrative system

The legal authority for administration of the Thai civil service is based on three principal acts: *Organization of State Administration Act*, *The Government Organization Act*, and *The Civil Service Act*.

The *Organization of State Administration Act* sets down the bureaucratic structure and its administration. The original Act was promulgated in 1932, and was later superseded by the Act of 1991. Under the Act, Thai civil service administration is a combined system of centralized, de-concentrated and decentralized functions divided into three levels:

- Central administration
These functions rest in 14 ministries, each under the supervision of a permanent secretary, and 125 departments. Offices at this level are located mainly in Bangkok and concentrate on centralized functions.
- Provincial administration
This is headed by the provincial governor and undertakes de-concentrated functions. While policy and primary execution remain centralized in the ministries, certain decision-making responsibilities and authority are authorized, within guidelines and directives, to their units in the provinces.
- Local administration
This is self-governing and is characterized by a decentralization of functions. There are two different categories under this type of administration: (1) provinces, municipalities and sanitary districts; and (2) Bangkok Metropolis and Pattaya City.

The *Government Organization Act* defines in detail the structure and operations of government organizations, specifying the number and names of ministries, the function of each, and the names of departments within each ministry. The *Government Organization Act* of 1991, the current law, provides for 15 ministries - 14 civilian ministries and the Ministry of Defence - and 125 departments (see Appendix III).

The *Civil Service Act* describes the rights and responsibilities of public servants, and establishes compensation levels, career advancement procedures and disciplinary action. It further provides for developing and encouraging effective and motivated work performance. In short, the Act deals with all aspects of personnel management in the public sector. The original Civil Service Act of 1928 introduced the public personnel system and career service concepts into the civil service and specified the establishment of a central personnel agency to take responsibility for managing the

civil service. *The Civil Service Act* has been continually updated and revised in response to rapidly changing national and global situations.

3. Central organization

Organizations other than the Civil Service Commission that are involved in public administration at the policy level include the National Economic and Social Development Board (NESDB) and the Bureau of the Budget (BoB). These three central organizations are attached to the Office of the Prime Minister, and their respective heads report directly to the Prime Minister. Their main functions are oriented towards policy development, manpower planning, and financial and budgetary management. Each agency has its own specific functions and responsibilities, as described below (see Appendix IV).

The mandate of the CSC is to assume the following roles and responsibilities:

- advising the Cabinet on matters involving public personnel management, the civil service system and government agency restructuring, organization development, bureaucratic procedures, compensation and welfare;
- formulating policies on manpower planning in the civil service;
- directing the management of public service personnel, including issuing regulations and directives; considering, analysing, and setting procedures; determining positions and salary levels; overseeing the recruitment and selection of government officials; monitoring disciplinary actions, appeals and grievances; and encouraging the development of the capabilities and quality of civil service personnel;
- protecting and maintaining the fairness of the merit system to prevent unfair treatment of civil servants, ensuring that compensation, welfare and fringe benefits among government officials under various jurisdictions are appropriate and consistent;
- maintaining and supporting the development of civil servants in quality and ethical values.

The work of the Civil Service Commission is undertaken through its Secretariat, the Office of the Civil Service Commission (OCSC).

The National Economic and Social Development Board has the following main responsibilities:

- analysing and studying the economic situation for presentation to the National Economic and Social Development Board Committee (NESDC) and recommending economic development and stabilization policies;
- appraising and co-ordinating economic development projects of government agencies and state enterprises and setting an overall economic

development policy consistent with the existing national resources and priorities;

- co-ordinating with government agencies and state enterprises in preparing development programmes and projects for the annual development budget and in seeking foreign loans and other sources for finance;
- investigating requests for resources to maintain fixed assets used in development, and recommending adjustments if necessary;
- considering and co-ordinating requests for foreign grants and loans of government agencies and state enterprises, and recommending additional assistance if necessary;
- evaluating and monitoring the implementation of projects of government agencies and state enterprises.

The Bureau of the Budget has responsibility for the following main functions:

- developing proposals on budget policies and plans;
- preparing and recommending the national annual budget for government agencies;
- monitoring and evaluating governmental agencies' programmes and projects and keeping the Prime Minister and the Cabinet informed of the status and progress of such programmes and projects; and
- recommending on financial and budgetary matters as requested by the Cabinet.

4. Rationale for administrative reform

A. External pressures

During the past decade Thailand, like other countries throughout the world, has been influenced by the impact of globalization and technological development. Social and economic considerations are becoming even more complex, as are the political processes and political development within the country and in relations with other nations. Competition for international investment and economic growth increased external pressures for bureaucratic reform, as the traditional administrative mechanisms were no longer appropriate to the national and world situation. Supportive government policies and efficient bureaucratic services were needed to bring the country to the stage where it could compete with others.

Even as bureaucratic reform measures were being gradually developed the problems accumulated until significant pressure was put upon the Government to streamline, modernize and improve its administrative systems to cope with the demands of a

rapidly growing economy, a burgeoning private sector, and greater expectations by the populace for efficient public services and support from the Government.

B. Internal pressures

Internal pressures have also had a strong influence on administrative reform, as government organizations themselves began to have to deal with various problems. Among the most important of these were:

- the continual expansion of government organizations and extension of government activities without a clear perception of the outcome, which had led to redundancy and overlap in work and functions;
- a rapid increase in the number of government employees as a result of *ad hoc* responses to the external pressures described above, which required a high proportion of annual budget expenditures for personnel costs (as high as 42%);
- the increasingly disconcerting issue of ‘brain drain’, the resignation of highly qualified civil servants to take up work in the private sector, which posed a threat to the future quality of the public service. Manpower shortages in the private sector as a result of the frenetic pace of economic growth over the past decade, the success of population management, changes in social values and the poor image of public service, all had a negative impact upon the quality of the civil service work force;
- inadequate compensation for public sector employees in general, and for the more senior levels in particular, when compared to remuneration attainable in the private sector, which had a demoralizing effect and was one cause of ineffective performance by civil servants. Public sector personnel had become Thai society’s “new poor.”

5. Administration reform outline and modern bureaucratic reform measures

The long history of public administration in Thailand has been accompanied by a companion history of administrative reform. The major reform which took place during the reign of King Rama IV (1868-1910) was the very first revamping of the overall system, while other measures were more commonly attempts to reform specific areas, without a consistent vision of the whole picture. Policies and directions of earlier reforms were undertaken according to the interests of the existing government. The lack of an articulated vision and strategic approach resulted in inconsistencies and lack of direction of the reform process and produced little in the way of significant improvement.

Public administration reform and development has been an important component in the policy statement of every new government. It was normally initiated by

establishing an oversight committee called the Bureaucratic Reform Committee, usually chaired by a Deputy Prime Minister in charge, with the OCSC serving as Secretariat and a Deputy Secretary-General to the OCSC acting as Secretary to the Committee.

In early 1991, the CSC undertook a major reform of the government bureaucracy with strong support from the interim government led by then Prime Minister Anan Panyarachun, who demanded that the Civil Service change its roles and attitudes and take action in response to the needs of the people and the country. With this signal, the CSC and OCSC were able to implement a number of policies and initiate several civil service reform measures immediately, since they had already been planned and developed.

As a catalyst for public administration reform, the CSC had (1) conducted studies and research concerning reform and measures for reform; (2) prepared a proposal to revamp the bureaucracy and (3) proposed drastic revisions to the Civil Service Act then in effect.

Two aims characterized the direction of reform during this period:

- modernizing and improving the efficiency the civil service system by (1) restructuring government organizations and restricting the number of government officials, (2) employing work simplification and information technology and (3) focusing on functions involving serving, supporting, and directing;
- improving the quality and ethical values of civil servants by (1) reformulating personnel recruitment to attract the most competent individuals into the service, (2) employing a better career advancement ladder which allows those possessing the required expertise and professional experience to be promoted accordingly, (3) placing emphasis upon honest and loyal conduct and (4) revising compensation levels commensurate with the responsibility of the position and the type of work.

An Acting CSC Secretary General appointed by the Prime Minister designated a special task force within the OCSC to draw up an action plan for reform. After receiving approval from the Cabinet the plan was broken into stages for strategic management and implementation. To ensure involvement of other government agencies a two-day seminar, chaired by the Deputy Prime Minister, was organized to provide a forum for high ranking officials, academicians and experts in public administration to share their views and experiences in connection with the proposed reform plan.

The civil service reform initiated in 1991 laid the foundation for radical changes in subsequent years. The trend and focus of civil service reform and development actions each year since then can be summarized as follows.

- 1992 The focus was on changing the government role from the traditional one of implementing, controlling, and operating to that of policy making, facilitating, and monitoring. The passage and enactment of the Civil Service Act of 1992 laid the legal basis for these reforms.
- 1993 Activities in this year emphasized streamlining the bureaucracy by reviewing the basic structure and responsibilities of government agencies to restructure them, and implementing measures to control the size of the civil service work force.
- 1994 Reform efforts concentrated on introducing reform as part of the incentive measures to encourage improved work performance. This was made possible through promulgation of the Salary and Position Allowance Act of 1995.
- 1995 The Government attempted to improve performance with new approaches such as reengineering the public service system and monitoring public sector performance, emphasizing application of the principles of customer service and orientation.
- 1996 In this year the focus was on implementing policies and measures for public sector reengineering within government agencies. Successful projects served as models for implementation in other agencies.
- 1997 With the initiation of the *Eighth National Economic and Social Development Plan*, Thailand formally entered into a new era which focuses upon the Area Function and Participation Concept, and hopes to fully implement the concept within five years.

In the present Government, the Prime Minister himself chairs the Bureaucracy Reform Committee, the primary task of which is to develop a framework and recommend short-term and long term measures to develop and implement the reform process.

The current policies of civil service reform emphasize the role of government as focusing solely upon planning and monitoring. Overhauling the system requires drastic improvement in two major components, the bureaucratic structure and work organization.

Structural reform involves determining the duties which should be performed by central administrative agencies, those which should be under local administration, and those which should be handled by the private sector.

Work processes must be restructured in order to prepare the ground for decentralization of authority which will be brought about by reforming the bureaucracy.

In addition to outlining government policy, the *National Economic and Social Development Plan* also reflects the directions of national development and bureaucratic reform. Since 1961, Thailand's development directions have been

articulated in 5-year national plans. The country has just begun to implement its Eighth Plan, which runs from 1997 through 2002. The present plan has introduced a new paradigm in the planning process with the following concepts:

- people should be the focal point of development; and
- participation of the public sector, the business sector, academics, non-governmental organizations and the general public is essential.

The plan highlights the importance of developing the full potential of people and promoting participative, decentralized and improved governance (see Appendix V).

6. Revising the legal basis for administrative reform

The 1992 revision of the Civil Service Act, the current law, established a firm legal basis for the current public administration reform activities. The provisions in the Act result from long-standing attempts to (1) solve persistent problems within public administration, (2) focus upon modernizing government bureaucracy to render it more efficient and effective and (3) improve the quality and integrity of the services provided. The law also contains important implications, not only for the public service itself, but for all government officials under its jurisdiction. The direction, principles and procedural guidelines aim to creating a government bureaucracy and public service that is more efficient and responsive to the needs of the country in meeting its stated development objectives.

In 1996, in an attempt to promote greater transparency, accountability, and customer orientation in public service administration and practice, two major legislative acts were promulgated, the “*Administrative Procedures Act*” and the “*Official Liabilities Tort Act*”. The first Act is mainly concerned with work procedures, the scope of authority of government officials, the right to ascertain the reasons behind approval or rejection decisions and the right to appeal decisions and request reconsideration. The latter Act enables affected citizens to claim compensation from government agencies if it is found they have been mistreated.

A major political reform currently under consideration is the passage of a new constitution of the Kingdom of Thailand to replace the existing one which, it is widely felt, does not fully conform with democratic practice. The body which drafted the new constitution, the Constitution Drafting Assembly, was comprised of 99 elected members, 76 of whom represented each province, with the remaining being academics and specialists with different areas of expertise. In the drafting process, the Committee conducted several public hearings throughout the country.

In its present draft the new constitution aims to guarantee greater rights and freedoms to the people. It would also set up new bodies to protect the public from abuses of power by the state and would ensure that national administration is more open and gives greater independence to provincial and local administrators. A Constitution

Scrutiny Committee has reviewed the draft, revisions have been made, and the document has been submitted to Parliament for consideration. Whether or not it passes parliamentary review and is accepted, will be an indication of the future of future political reform in Thailand.

7. Revamping the CSC and the OCSC to lead reform activities

Passage of the Civil Service Act of 1992 did not change the long-standing mandate of the Civil Service Commission to advise and implement government policy *vis a vis* the civil service system and administration. To ensure the successful implementation of the proposed reform measures and to carry out responsibilities effectively and efficiently, it was necessary for the Civil Service Commission, along with the Office of the Civil Service Commission, to first undergo its own internal bureaucratic restructuring and streamlining. Initial measures have focused upon improving processes, work procedures, and management styles. Various revisions have been put into effect during the past five years, and in mid-1997 a major redesign of work practices was begun. It is expected that this latest reform project will be completed by mid-1998.

8. Major administrative reforms

A. Controlling the size of the public service workforce

In February, 1994, the Cabinet approved the recommendation of the CSC to implement a policy of downsizing throughout the Government. Specific measures to bring about a smaller, but more efficient, government have included:

- delaying increases in the number of public personnel;
- abolishing positions upon retirement of incumbents;
- setting up a national committee chaired by the Prime Minister to consider requests for new positions;
- redeploying/contracting out certain functions such as maintenance, cleaning, transportation, security, *etc.*;
- reviewing the primary functions of government agencies and redirecting work to focus upon the core business of the agency;
- setting work priorities; and
- encouraging greater involvement by the private sector in providing education and medical care.

To ensure the sustainability of these measures emphasis has been placed upon:

- supporting and encouraging those agencies which successfully implement these measures by delegating to them greater autonomy and authority to review and make position determinations; and

- providing a higher level of flexibility in budget management to those functional agencies which have been successful in reducing the number of personnel to the targeted level.

In the actual procedural implementation, every agency was directed to:

- make internal adjustments and changes to improve the effectiveness of its operations;
- draw up a master plan and a strategic plan for streamlining itself;
- draw up a plan to transfer certain functions to local administration units; and

- draw up a plan to transfer certain functions to the private sector or to appropriate government agencies which have undergone transformation into executive agencies, to enable greater efficiency and flexibility in management.

B. Compensation reform

In 1993 improved compensation levels were approved by a revising the salary schedule of civil servants. This work was done by the National Compensation Committee (NCC) in accordance with its compensation reform mission of. To cope with the problems of attracting and retaining personnel, the NCC had set a goal to reform public compensation levels and practices, through a set of policy directions to:

- improve the internal equity of public sector compensation within the same and across various public service agencies;
- raise compensation levels to the point where public personnel need not be concerned about making ends meet, so they can dedicate their efforts and spirit to working for the public benefit;
- bring public sector compensation closer to that offered in the private sector for positions requiring equivalent knowledge, abilities, and experience, for the sake of social justice and to ensure a continual flow of persons of high calibre to the public sector, as well as to facilitate the future exchange of personnel between the public and private sector.

The ultimate goal of Thai public sector compensation reform is to achieve par with private sector compensation, with greater emphasis being placed on take-home pay. Means of curbing or controlling public personnel costs while raising the salaries of the civil service workforce are under consideration. In the main, they involve controlling the size of the government workforce and selectively raising public sector salaries. To facilitate the selective salary increases, the Thai public service salary scale is undergoing a shift from the currently used ‘single-pay-scale structure,’ where every occupation in the same public service organization uses the same pay scale, to a ‘multiple-pay-scale structure,’ where different occupations or schemes of service have their own pay scales.

C. Performance monitoring

In 1995, with support from the UNDP, the OCSC conducted several pilot projects concerned with Performance Monitoring, assisted by a team from the Urban Institute, Washington DC. The project objective was to develop models to improve the performance of these agencies, and by extension, other government agencies. Two foci included (1) improving the service of these agencies to respond to the needs of those using their services and (2) creating sound performance measurement tools to

monitor the agencies' performance. This would result in greater flexibility in budget management.

The pilot trials were conducted in the Department of Agricultural Extension (DOAE), and the Department of Local Administration (DOLA). Two programmes were selected in each of these departments to design, test, and implement performance monitoring approaches. Each pilot programme was conducted by its own working group, comprised of knowledgeable programme staff and two members assigned from the OCSC core working group.

To build performance monitoring capacity and skills, several training seminars on basic components of the technique were organized for staff on the programme, programme managers, and staff from other units and departments, among them the Office of the Prime Minister, the Bureau of the Budget, and three departments B Industrial Works, Industrial Promotion, Commercial Registration.

In addition to the seminars, small group and hands-on training programmes were organized to further enhance the knowledge and skills of working group members from the OCSC and participating departments.

At the end of the trials, these two departments were able to set up performance indicators for the activities undertaken in the project. The DOAE's work proved very successful. The resulting measurement techniques were incorporated into the department's work system and even expanded to other functional areas in the department. The DOLA is currently working to incorporate the approach into the system.

In 1996 the OCSC expanded the trials to work with the Ministry of Industry, selecting 3 departments in which to conduct pilot projects B the Department of Industrial Promotion (DIP), the Department of Industrial Works (DIW), and the Thai Industrial Standards Institute (TISI).

D. Management reform

The May, 1995, Cabinet approval of the CSC proposal to improve public service performance made it one of the major policies of the Government, and earmarked budgeted funds for the project. The work plan covered 15 departments, with one department from each ministry selected as a prototype for other departments in that ministry.

The project began in 1996, planning to start with 6 departments whose main mission involved delivery of services and international trade. The prototype departments are being supported by the OCSC, with assistance from world-class consultants. The mission involves work process reengineering resulting in tangible improvement in service quality, management systems and organization design, information technology, attitudes, behaviour and morale, together with a performance monitoring

system. The work is divided into three phases B planning for change; redesigning processes; and implementing the pilot project on a trial basis. Those in the initial group of agencies selected were the Department of Commercial Registration, the Customs Department and the Office of Social Security. Following an assessment of the pilot, it was reported that the results were quite promising. The second prototype group, which is beginning activities in 1997, includes the Department of Land, the Department of Land Transport and the Office of the Civil Service Commission.

E. Reengineering government agencies

The Department of Local Administration in the Ministry of Interior initiated a project to improve the performance of district offices by selecting a number of such offices as prototypes in a pilot trial. The trials proved successful and the implementing strategies and prototype district offices are being used as models for improving other districts. The project aim to improve the public service process to increase efficiency in line with people's expectations. This is done by changing the old work systems, while maintaining the original staff in the same workplace, to evolve a better system under the same regulations. There are new words for serving the public: 'with pleasure', 'fast service' 'conveniently and accurately.'

Amphur Muang-Ratchaburi (the main district of Ratchaburi Province) is one success story in this project. Reengineering the work processes was undertaken with the motto, "Modern Amphur, Going Forward, Service First, With Pleasure" Officials of the district office set the following objectives for their services: (1) that all officers understand the measures needed to improve work processes, (2) that action be taken in accordance with the new system and the requirements and regulations, (3) that public satisfaction be ensured and (4) that service be provided with a good attitude, in a convenient, accurate and timely manner. Duties and activities necessary to meet the objectives were identified while work processes were redesigned to eliminate unnecessary steps and enable citizens to complete business at one service point. Computers were introduced to speed up the work. The work environment has been improved and a new paradigm of customer-orientation has been adopted.

F. Current innovations in public personnel administration

Public administration reform is proceeding according to plan, with the OCSC leading and supporting the activities for the relevant units in the government bureaucracy. At the same time, the OCSC, as the operational unit of a central personnel agency, has the responsibility to raise and maintain morale, ensure career advancement, and generally see to the well-being of civil servants so they may devote their energies and efforts to the task of serving the public and developing the country. At present a

number of measures are being taken to seek more effective approaches to building a modernized and efficient public personnel administration system. These include:

- delegating and decentralizing processes to increase the capability of responsible committees in personnel administration, such as ministry sub-commissions, departmental sub-commissions, *etc.*, so that the Civil Service Commission can concentrate on its mission of playing a strategic and consultative role rather than an administrative one; and
- developing better approaches to manpower planning and selecting employees for the public sector with an emphasis placed on reducing personnel, thereby freeing funds for better remuneration packages and reducing the serious 'brain drain' problems faced by the public sector.

9. Future directions

The OCSC is conducting a number of projects to enhance efficiency and effectiveness within organizations. These include projects related to public service performance improvement, competency enhancement, and re-engineering. Each project has a common focus, analysing the present functions of organizations to retain core functions and discard obsolete ones.

Meanwhile, government agencies are being encouraged to develop vision and mission statements which are customer-oriented, concentrate on oversight rather than execution, and promote privatization and contracting. Vision statements should focus on deregulation, which, it is expected, will lead to analysing the present organization structure and designing an improved structure that is modernized, technology-oriented, and consistent with the vision and mission statement of the organization.

The concept of smaller government is the vision being sought, incorporating privatization and contracting-out functions which the private sector has the ability to perform as well as or better than the public sector. Financial and budgetary reform will have to be undertaken simultaneously to allow more freedom and flexibility in financial administration at the departmental level to enhance efficiency. Government agencies are being encouraged to manage by results through a planning and monitoring process rather than by controlling input.

10. Success factors in public administration reform and development

Every government in recent times has been aware and supportive of the need to improve public service. Such improvement is a primary mechanism to stimulate the development and well-being of the country and its citizens, yet it is fully understood

that major changes in the bureaucracy take time and depend on many factors. A number of critical factors have been identified from the Thai experience.

First and foremost is the presence of a strong political will to support major restructuring and reform. It is fortunate that in Thailand past and current governments have strongly supported the public reform measures.

Second, authority must be given to well-defined and prepared units with a high commitment to the reform mission. In the Thai case, the Government delegated the authority to the Office of the Civil Service Commission, the Bureau of the Budget, and the National Economic and Social Development Board, which were charged with co-ordinating efforts to prepare specific manpower, financial and development plans.

Third, the effort must be a participatory one, where members of society, on an individual basis and through the media, become involved in identifying problems and participate in monitoring the solutions. This is happening in Thailand.

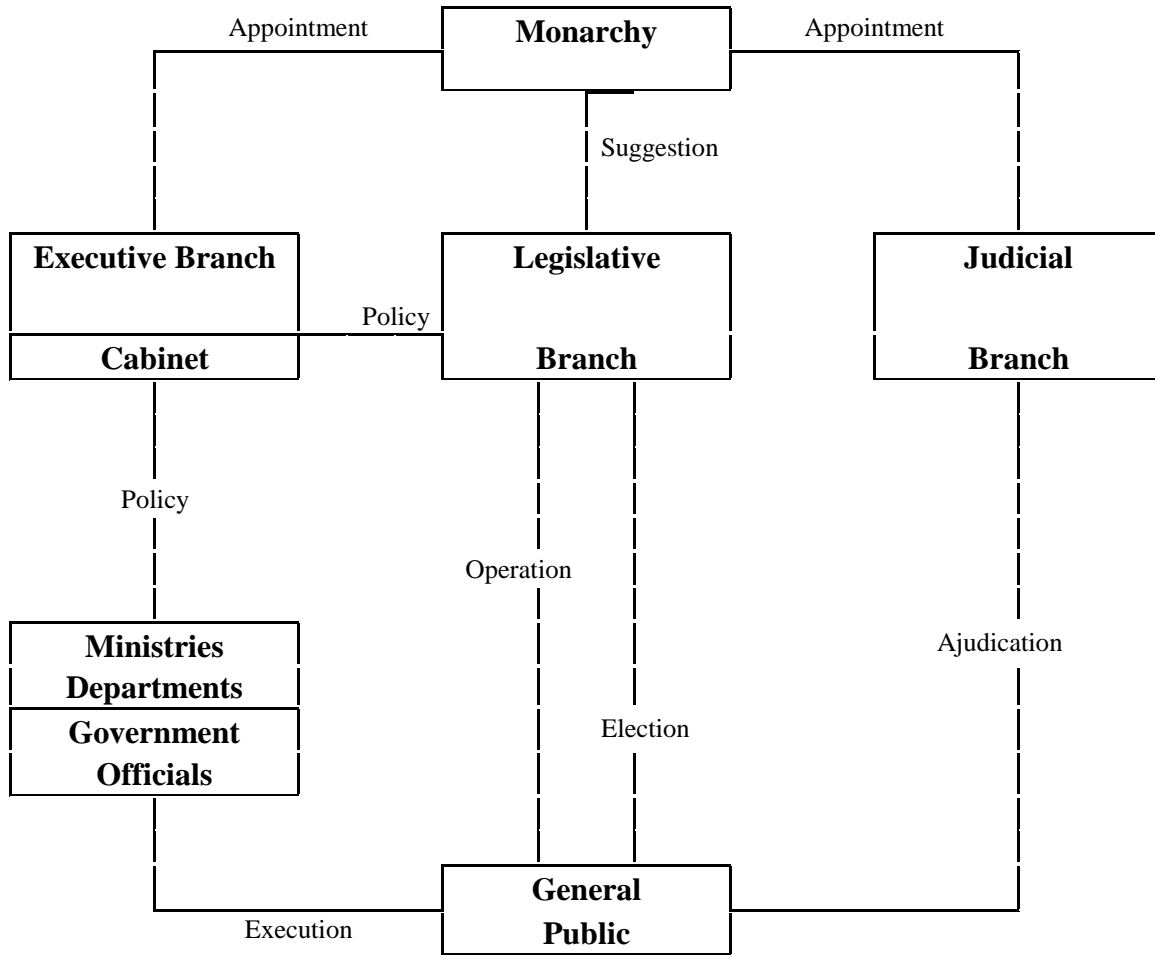
Fourth, careful studies and research on the areas requiring change need to be undertaken to identify the actual problems, the most practical solutions, and, most important, the impacts. Applying the results of the studies and research will ensure the development of sound proposals.

Finally, there must be sufficient financial support to fund the required activities and invest in new technologies essential to improve efficiency and effectiveness. Expenditures for implementing Thai reform measures have come largely from the national budget, with important additional support for studies, research, and testing granted by UNDP and other international sources.

Public service reform and development in Thailand has been successful thus far, although there is a long way to go before the major goals are completely achieved. The success can be noted from the reform activities taking place at both the macro and micro levels. At the macro level, changes can be observed not only in government policies and in the National Economic and Social Development Plan, but in the legal aspects, which are the fundamental basis for other changes, particularly in implementing and sustaining reform measures. At the micro level, a number of actual reform activities have taken place in implementing particular measures and pilot trials. The confidence generated by the positive support and strong determination existing at all levels will accelerate the pace toward achieving that goal.

Appendix II

Chart of Sovereign Power Organizations



Appendix III

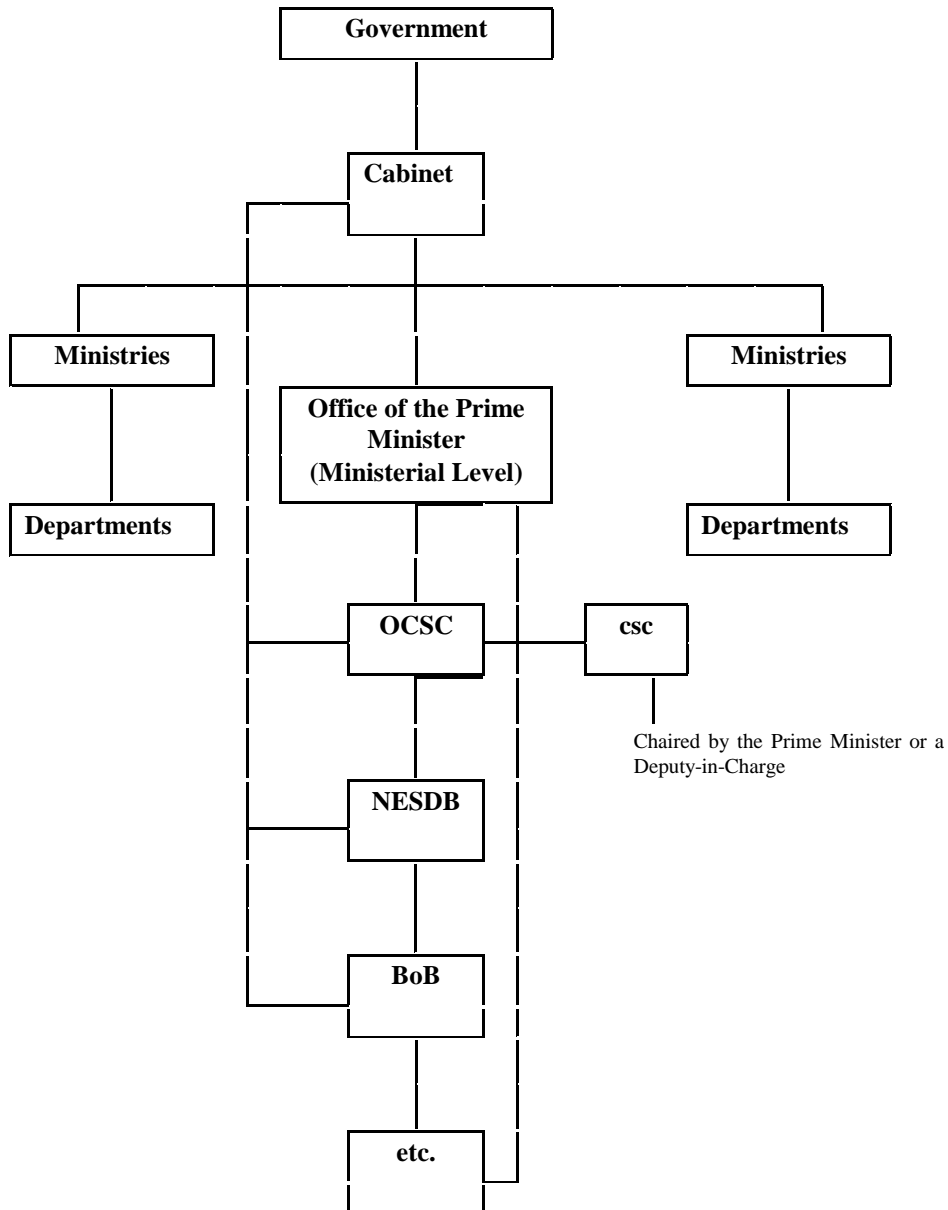
Distribution of Civil Servants in Thai Government

Ministry or Agency	Number of Departments	Number of Civil Servants
1 Office of the Prime Minister	20	12,089
2 Ministry of Finance	7	29,953
3 Ministry of Foreign Affairs	11	1,821
4 Ministry of Agriculture and Co-operatives	12	55,222
5 Ministry of Transport and Communication	8	20,247
6 Ministry of Commerce	8	4,539
7 Ministry of Interior	8	68,282
8 Ministry of Justice	4	6,659
9 Ministry of Labour and Social Welfare	6	13,382
10 Ministry of Science, Technology and Environment	8	2,265
11 Ministry of Education	14	39,681
12 Ministry of Health	7	140,551
13 Ministry of Industry	6	6,162
14 Ministry of University Affairs	1	349
15 Independent Agencies		
The Royal Institute	1	61
Bureau of the Royal Household	1	1,945
Office of His Majesty's Principal Private Secretary	1	344
Office of the Auditor General	1	2,209
Office of the Attorney General	1	1,769

N.B. This table does not include the Ministry of Defence and the Royal Police Department of the Ministry of Interior

Appendix IV

Administrative Organization of the Royal Thai Government



Appendix V

The Eighth National Economic and Social Plan and Its Impact on Administrative Reform

The guidelines of the Eighth National Economic and Social Plan have led to a number of policy directions and approaches, including:

1. Adjusting of the administrative roles of the government sector with a view towards
 - adjusting the government role from that of controller and monitor to supervisor and supporter, as well as promoting a greater role for the private sector;
 - downsizing bureaucracy, limiting expansion and stabilizing the workforce of government agencies as well as hastening organizational restructuring of the government by adjusting responsibilities, personnel and work process to be consistent with current economic, social and political conditions;
 - improving administrative systems in planning, budgeting and human resource allocation of central agencies, ministries, departments and sub-departments to ensure compact, modern, and more internationalized government service;
 - decentralizing authority in decision-making from central agencies, ministries, departments, and sub-departments to implementing agencies and actors, in order to efficiently carry out tasks at different levels;
 - improving the efficiency of the government system by
 - increasing the role of local government and reducing the central role by eliminating unnecessary procedures in planning, budget, finance and personnel work to facilitate greater efficiency and spread of authority into regions and local areas;
 - increasing personnel in local areas while reducing those at the centre to give greater authority to local areas efficiency to serve local needs;
 - improving efficiency in personnel management of the government sector to retain competent people in the government by adjusting remuneration levels to be on *par* with those of the private sector, as well as promoting systematic and continuous development of staff potential;
 - improving the administration of governance, emphasizing a balanced integration of geographic or subject area and responsibilities with citizen participation;
 - promoting the importance of provincial administration by delegating authority to provinces to manage all types of development work, decentralizing responsibilities in the formulation and management of plans, budgets and human resource allocations;
 - adjusting the role of central agencies to plan and identify policies using a strategic approach, collaborating with and providing technical assistance to regional and local government units;

2. Improving of the budget process to facilitate flexible management of budgets;
3. Establishing indicators and evaluation processes to assess efficiency at every level within government departments ;
4. Developing administrative responsibility by providing opportunity for non-governmental and citizens' organizations to participate in evaluating government performance;
5. Promoting transparency through public hearings or public inquiries on large development projects;
6. Adjusting public management policies by
 - encouraging greater investment by the private sector in basic services through free competition, considering quality and appropriate service costs rather than financial returns to the government;
 - developing a neutral mechanism to supervise efficiency, maintain the quality of public services, and set appropriate prices for users;
 - adjusting outdated laws and regulations in order to facilitate greater participation by the private sector and increasing the efficiency of public policies.

Role of the Office of the Civil Service Commission

1. To improve the implementing role of the Civil Service Commission in planning and formulating human resource policies through a resource management system that is based on the principles of geographic and subject area, functional responsibility and participation, as well as to provide consultation to government agencies on approaches and techniques of organizational structuring, administration and human resource management.
2. To encourage ministries, departments and sub-departments to modernize and internationalize their roles, responsibilities, structure and administration procedures consistent with the changing environment in the national economy, the society, and political developments in an era of globalization.
3. To hasten improvement of the Government's human resource management as a supporting tool to foster a more efficient and effective government administration by adapting the salary structures to be compatible with current costs of living, solving shortage of personnel in fields necessary for national development, and continuously developing the quality of staff at all levels.
4. To decentralize the authority for human resource management to government agencies for greater efficiency.

Source: 8th National Economic and Social Development Plan, part 7 of Development of Governance; Part 8 of Management Directions on Translating Plans into Actions.

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ANNEX 1

PARTICIPANTS IN THE IIAS/UN SPECIAL PANEL

10 October 1996

Beijing, China

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Mr. Mohan Kaul, Commonwealth Secretariat
Mr. Art Stevenson, CAPAM
Mr. Rogerio Pinto, The World Bank

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ANNEX 2

PARTICIPANTS IN THE CONSULTATIVE MEETING

3 June 1997

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Ms. Corazon Alma De Leon, Commissioner, Civil Service Commission, Quezon City, the Philippines

Ms. Aim-on Aramkul, Senior Policy Analyst, Executive Staff Office, Office of the Civil Service Commission, Bangkok, Thailand

Ms. Itoko Suzuki, Chief, Governance and Public Administration Branch, Division for Governance and Public Administration, UNDESA

Mr. Ajit Banerjee, United Nations consultant

Ms. Juxia Yan, GPAB/DGPAF/DESA

Ms. Roberta Bellistri, GPAB/DGPAF/DESA

ANNEX 3

PARTICIPANTS IN THE IIAS/UN/IAM SPECIAL PANEL

16 July 1997

Quebec City

Convenors:

Ms. Turkia Ould-Daddah, Director General
International Institute of Administrative Sciences

Ms. Itoko Suzuki, Chief
Governance and Public Administration Branch
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Mr. Tateki Sato, Research Director
Institute of Administrative Management, Japan

Presenters:

Mr. Yoo-Sung Choi, Korea
Ms. Adelina B. Sarmiento, the Philippines
Mr. T. Furukawa, Japan
Mr. Xiaochu Wang, China

Panelists:

Mr. Rogerio Pinto, World Bank
Mr. Ahmed Ashour, ARADO
Mr. M. Jide Balogun, UNECA
Mr. Harka Gurung, APDC
Mr. Ijuka Kabumba, AAPAM
Ms. Michal Benjerae, OECD
Mr. Ajit Banerjee, UN consultant