

Paper 5 – T45a workshop on Public Services Management (China-Europa Forum)

Title: Central-local Governmental Relations with the focus of Equalisation of Basic Public Services – “The Summary of the International Symposium on the Public Service System in China: Central-Local Governmental Relations”

Author: China Institute for Reform and Development (Hainan)

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Abstract:

On 28th - 29th October 2006, the International Symposium on the “Summary of the International Symposium on the Public Service System in China: Central-Local Governmental Relations” was held jointly by China Institute Reform and Development (Hainan) and GTZ in Haikou City. During the Conference there was in-depth discussion on “the establishment of the system of institutional protection for a harmonious society and of the public service”, “construction of public service institution and division of labour in the central and local public service”, “equalisation of basic public services and central and local governmental relations” and other topics.

1) The equalisation of basic public services is an important institutional guarantee of a harmonious society

The experts generally agreed that the acceleration in both economic transition and social transformation has resulted in diverging economic growth and social development, and it showed a trend of increasing citizens’ demand for public services. The basic public service system in China lagged behind the development rate of market economy, the existing public service supply system cannot meet the needs of the people. Therefore, it is necessary to accelerate the establishment of public service institutions in order to benefit all people.

2) A rational definition of the division of responsibilities between the central and local governments in accordance with the principle of equalisation of basic public services

The following table shows the classification of various levels in the current local government system and its divisions of management functions:

Table1: The classification of the functions of local governments

| GOVERNMENT LEVELS | FUNCTIONS OF MANAGEMENT |
|-----------------------|---|
| Provincial government | Macro-economic management, politics, culture, the operation of social management and the supply of public services. |
| Municipal government | The functions of urban public services management, providing urban public products and public services and other related functions. Taking a significant role on the process of the county’s administrative services management; the county’s economic, political and cultural |
| County government | management of, market supervision, social management and public service functions; self-management of county affairs according to the policy of higher levels. |
| Township government | Grass-roots levels of government which have leadership, decision-making, construction, management, coordination, service, guidance and law enforcement functions. |

Source: See Zhou Ping, “Local Government in Contemporary China”, People's Publishing House, January 2007 Edition, p. 70-96.

The provincial government is strong at macro-guidance, the municipal government is strong at public services, the county government is strong at self-management, and the township government is strong at complex management. Experts have pointed out the need for a clear distinction between national and regional public goods, and to strengthen the focus of supplying basic public services. Most experts believed that in the construction of public service institutions, the administrative and financial powers of the central and local government should be distinguished in legal form, so as to avoid the central and local government shirking expenditure responsibilities onto others and becoming entangled with each other in the allocation of financial powers.

3) Improving and perfecting the financial system, according to the requirements of equalised basic public services

Differences in financial self-sufficiency exist between the central and local governments: financial self-sufficiency of the central government was 0.97 in 1985, with the financial deficit amounting to -2.438 billion; financial self-sufficiency of the central government rose to 2.05 in 2006, with the financial surplus at an amount of 1046.522 billion Yuan. The local government financial self-sufficiency was 1.02 in 1985, with the financial surplus amounting to 2.619 billion Yuan; financial self-sufficiency of the local governments fell to 0.60 in 2006, with the financial deficit at an amount of 1212.715 billion. The differences in financial self-sufficiency directly determine the differences in controllable financial powers of the central and local governments in the supply of public services. The experts in the conference generally agreed that it was necessary to divide the expenditure responsibilities rationally between the central and local governments in the provision of basic public services. Currently, 70% of the public service expenditure happens below provincial level, with 55% of the expenditures from the county and township levels, whereas the revenue of both the county and township levels accounts for only 21% of the whole country's revenue. For public services such as rural infrastructure, rural basic education and others, the responsible party is mainly the local grass-root governments. The financial and administrative powers of local governments do not match; the level of government to which responsibilities of public services such as education, health care and others belong to, are not clearly defined by legislation and this resulted in hampering the effectiveness of the supply of basic public services.

4) Improving the public governance structure, in accordance with the direction of equalisation of basic public services

Experts generally believed that the government should first strengthen its public service functions as an opportunity to promote the reform of administrative management system, and to clarify the specific role of governments and their public service functions. At the same time, it is necessary to establish a public service-oriented, evaluative mechanism of cadre performance, to strengthen the government's supervisory responsibility, of the process and results of basic public services supply. In addition, the main role of the government in the supply of public service system should be clarified, with the government as the core, to construct a diverse system in the supply of public services.