



Performance, Monitoring, and Evaluation in China

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Amidst all the hoopla about China's rise, it is useful to remember that China is a developing country whose transition to a market economy is not yet complete, with institution building still underway. The uneven pace of progress is reflected in the state of its public sector, but in some respects, China's public sector looks formidable. Most often mentioned is the government's treasure chest of US\$3 trillion in foreign reserves. Even more enviable, government revenues have grown at annual rates of over 20 percent for a decade (China Statistics 2011), fuelling a steep fiscal expansion at a time when so many countries are being forced to undergo painful consolidations. The government's reputation was further burnished in the post-Lehman global financial crisis, when, after a brief—though sharp—downturn in 2008, China became the first major economy to return to robust growth, propelled by a stimulus program that was, in relative terms, by far the biggest in the world. The bold stimulus and quick economic recovery seemed to show off an effective public sector able to implement national policies swiftly.

China's public sector is impressive in other ways too. Over much of the past decade, the government has directed a large program to build infrastructure, expanding the road system by 639,000 km during 2006–10 alone, including 33,000 km in expressways. At the same time, it also engaged in a considerable program to reorient public spending. Under the banner of "building a harmonious society," Beijing has pumped resources into expanding social safety nets and improving public services. Big new programs have been rolled out. To reduce the burden on farmers, all rural fees were eliminated in 2003, and agricultural taxes abolished in 2006. Free education is now offered to 140 million rural children, and 835 million rural residents are covered by the new health insurance schemes. Urban citizens, too, are beneficiaries of expanded health insurance coverage and free basic education, with some benefits being gradually extended to rural migrants. These policies have been supported by subsidies from the central government, which has raised fiscal transfers to local governments eightfold, to ¥3.5 trillion (US\$541 billion¹) in 2011. By any measure, this is an impressive effort to reshape the nation in a more democratic image.

While having the capability and flexibility to move large sums of funding as needed, the Chinese government has not been quite as successful in improving public spending efficiency or preventing leakage into private pockets. The government's audit office reports significant waste, and press reports have also documented waste in the infrastructure sector, particularly regarding roads and in cities. Persistent food safety problems also point to consistent regulatory lapses.

Strengthening public sector performance is seen by the leadership as a critical component of the reforms needed to ensure an effective and credible government that can lead China in the 21st century. In 2008, in his address to the National People's Congress, Premier Wen Jiabao called on the government to introduce a performance management (PM) system.

This note offers a brief scrutiny of China's public sector to assess its performance, monitoring, and evaluation. The juxtaposition of macroeconomic prowess (the ability to allocate large resources) and limited public sector capacity at the microeconomic level (the capacity to manage those resources efficiently) is a product of the country's incomplete transition. In the course

of its 34-year-long transition, China has had to revamp almost all aspects of its public sector and finances—tax policy, tax administration, revenue sharing, expenditure assignments, budgeting, and the provision of public services. These reforms have been uneven. While the government has built a robust system for revenue collection, reforms to build an effective system for expenditure management lag far behind. Around the world, public sector reforms are protracted and difficult; in China, they are often hampered by existing structures, parts of which are holdovers from the planned economy of the past.

This scrutiny begins with an institutional background that explains the overall structure of relationships in Chinese government and is followed by a review of efforts to build a PM system over the past decade. Finally, this note also assesses the reforms and their likely trajectory.

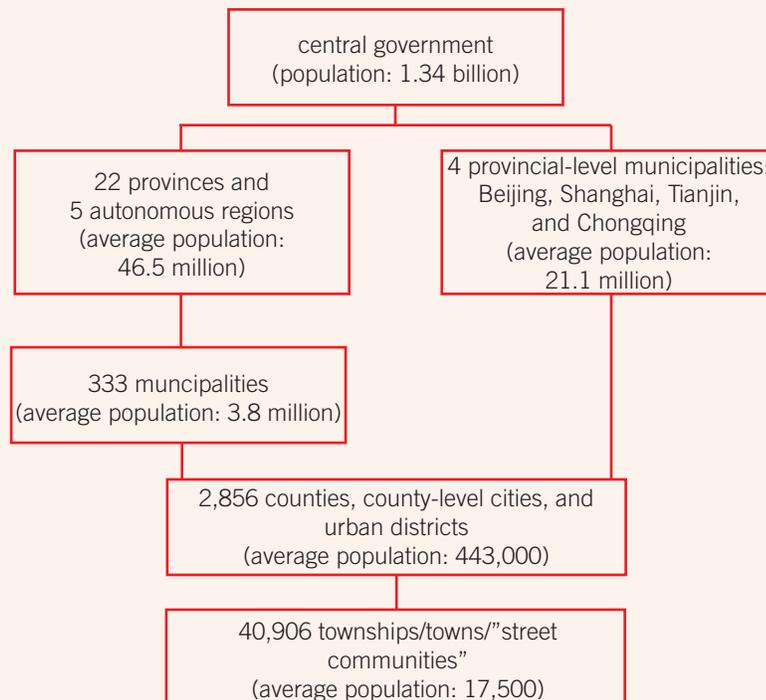
Institutional Background

China is organized vertically into five levels of government. Under the central government, there are about 44,000 subnational governments (figure 1).

China is a unitary country, and its Constitution formalizes all power in the central government. However, the administration is highly devolved. The central government is small, with 60,000 civil servants in core ministries/departments sitting atop a bureaucracy with 41 million employees (excluding the armed forces and state-owned enterprises). The Ministry of Finance (MOF), for example, has 1,000 employees who make the central government budget, allocate transfers, and set the expenditure framework for the subnational governments. Other ministries are similarly sized, including even ministries such as the National Development and Reform Commission.

To implement policies, the central government employs a system of extensive delegation that begins with delegating authority to provinces and depending on them to carry out their responsibilities. The provinces in turn delegate to their municipalities and depend on them to deliver on their assigned responsibilities, and so on downward through the hierarchy. At each step, the relationship is bilateral—each level “manages” only the next layer of subordinate units and tries

Figure 1. Structure of Government in China (2010)



Source: Chinese Statistical Yearbook 2011, <http://www.chinastatistics.net/china-statistical-yearbook-2011-m-23.html>.

to hold them accountable for performance. The result is a nested, hierarchical pyramid, where policies and resources are transmitted downward level by level, and the majority of public employees are located at the bottom, where services are delivered. The Chinese Communist Party plays a vital role in bolstering the central government's capacity to hold lower levels accountable, mostly through its control of the personnel appointment system (McGregor 2010).

The asymmetric fiscal system

China's fiscal system follows a bottom-heavy administrative structure, and it is among the most decentralized countries in the world in terms of expenditures. The central government itself spends less than one-quarter of the national budget, and this share fell to 17 percent in 2011. The rest is distributed among the four levels of subnational government, with the largest share at the county level. This is because in China, nearly all public services, including some of the most vital and costliest, are assigned to local governments at the lower levels, including basic education, health care, social security, and infrastructure. Table 1 shows the distribution of budget expenditures, where counties and districts, the fourth tier of government, account for the majority of expenditures on education and health.

However, this distribution of expenditures is not matched in either expenditure authority or revenue assignments. Local governments' authority for budgetary spending is sharply circumscribed. The major decisions on service provision—schooling, health care, and social welfare—are made by the central government and sometimes mandated by law, with guidance norms for service standards. For example, the Education Law mandates the tuition-free provision of nine

years of basic education, and national regulations call for local governments to raise the share of expenditures on education annually at a rate higher than overall growth of budget revenues. Even staffing levels and rules for hiring and firing are set by the central government, as are wage rates and pension entitlements, even though they are funded locally (World Bank 2002, 2007).

On the revenue side, taxing powers are concentrated at the central level, and local governments can neither levy taxes nor set tax bases or rates. Since 1994, when revenues were recentralized but expenditure assignments unchanged, transfers have funded a majority of local government expenditures.

Level-by-level hierarchical governance and the long chain of accountability

In China, policies and resources flow from top to bottom, from one level to the next, through an iterative process until they reach the level where services are delivered. This institutional framework can be described as an elongated accountability "triangle" linking policy makers, service providers and citizens, with the insertion of one or more levels of local government intermediating between policy making and service provision (figure 2).³ For basic education, for example, which is assigned to the county and urban district-level governments, the policies emanate from the top and travel through the province, municipality and county or district, before reaching the schools. In China, since the vast majority of public services that touch people's lives—education, health, and social security—are assigned to fourth-level governments, the "chain of accountability" is unusually long (World Bank 2007).

For this chain to work, China's system of management relies on strong accountability rela-

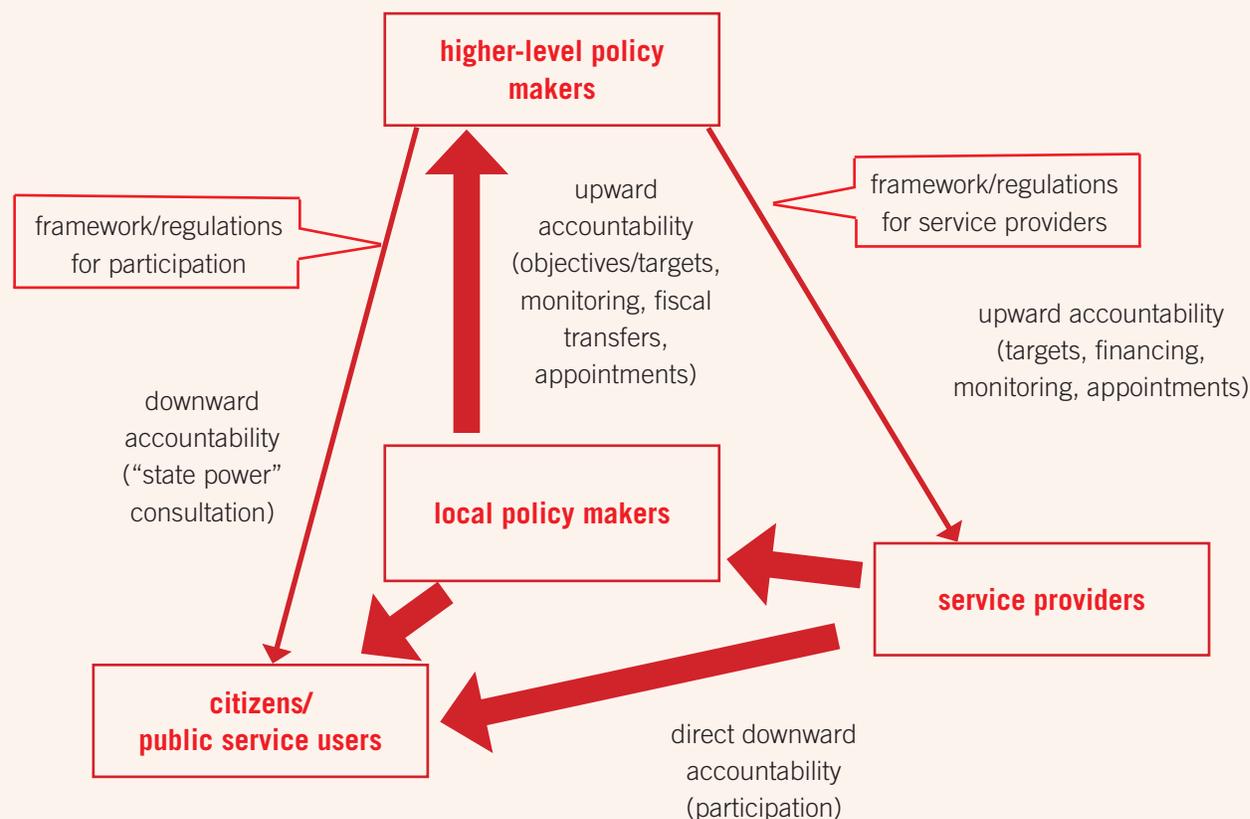
Table 1. Distribution of Budgetary Expenditures by Level (2007, % total)

	All budgetary expenditures	Education	Health	Social security and employment	Capital spending (2006)
Central	23.0	5.5	1.7	6.3	27.9
Province	17.7	15.0	17.2	24.9	18.5
Municipalities	22.2	18.8	26.2	27.7	28.8
Counties/districts	31.7	53.0	51.9	36.2	24.8
Townships	5.4	7.7	3.0	5.0	

Source: Author's compilation.

Note: The 24.8 under capital spending is the combined total for counties and townships.

Figure 2. Accountability Relationships for Public Service Provision



Source: Adapted from World Bank (2007), figure 1-1.

tionships across all levels of government, which require mechanisms for monitoring and evaluation (M&E) that can provide timely and accurate information on policy implementation to alert policy makers to the need to make adjustments and to hold local governments and service providers accountable for results.

The damaging effect of fiscal decline

Under the planned economy, China had a coherent, if less than efficient, set of mechanisms for managing the numerous (and multilevel) agents—the plan, material allocations, revenue sharing, and party controls. The transition to a market economy set in motion changes existing arrangements and triggered the fiscal decline that lasted until 1996, during which government revenues fell from over 30 percent to 10 percent of gross domestic product (GDP), and the central government’s revenues to just 3 percent.

Two legacies from this period have particular relevance for building an M&E system today. First,

the long fiscal decline left public services largely underfunded throughout the 1990s, and when resources were inadequate for meeting the costs of assigned tasks, the government could not—and did not—hold agents accountable for performance. Rather than cutting back on commitments, the central government urged local governments and service providers to find their own solutions, such as levying user charges and using state assets to generate supplementary revenues. To provide incentives, it gave spending units (SUs) virtually free rein to manage their “self-raised” funds, in effect devolving managerial authorities to the SUs.

Over time, extrabudgetary revenues came to fund a growing share of public services. In education, funding from budgetary allocations fell from 75 percent in 1986 to less than 55 percent during 1995–2002. The rest came from fees, levies, and other incomes raised by the schools themselves. For public hospitals, budgetary funds accounted for only 11 percent of total revenues—user charges and profits from selling drugs funded the rest

(World Bank 2005). The growing reliance on extrabudgetary funds reduced the government's control over SUs as well as the SU's accountability to the government. Even though the government has greatly increased budgetary injections over the past decade, extrabudgetary revenues remain important for public service providers and local governments alike, since the incentives remain strong for raising "own revenues" to fund bonuses and salary top ups.

The second legacy was the damage wrought on central-local fiscal relations. Under China's devolved administration, services are delivered by local governments, and the costs of provision were embedded in the revenue-sharing arrangements. Through the long fiscal decline, revenue-sharing arrangements were revised and transfers reduced, leaving local governments increasingly exposed (Wong 2009). With many local governments unable to meet the costs of service provision, the intergovernmental fiscal system was no longer able to support national policy implementation (World Bank 2002). Today, many local governments still face fiscal gaps and remain distrustful of central mandates (Wong 2010).

Building a Performance Management System in the New Century

By the late 1990s, the central government had few levers left to hold lower-level governments accountable for their actions, and a new system of M&E had to be built from the ground up. This task comprises two aspects that are sometimes in conflict: regaining control over the basics, and shifting from a reliance on command and control mechanisms to a mix of carrots and sticks that are more likely to work in an economy that is now much more decentralized.

The National Audit Office

The audit function is a critical component of an M&E system. The National Audit Office (NAO) was created by the post-transition Constitution (1982), which called for setting up audit offices at the national, provincial, municipal, and county levels. Today the national network comprises more than 3,000 audit offices with 80,000 auditors (Yang, Xiao, and Pendlebury 2008). The audit offices were initially set up as internal auditing departments; they audited government expen-

ditures and government officials and reported primarily to the government at the same level—the public had little knowledge of the audit findings.

A breakthrough came in 1996, when the NAO reported to the National People's Congress (NPC) for the first time. Reacting to the NAO's findings of the misuse of government funds by many central ministries to speculate on the stock market, the NPC authorized the NAO to broaden its audit to include the implementation of the central government budget for 1998. The NAO's criticisms of poor budgeting practice and loose financial management prompted the NPC to demand immediate changes in budgeting procedures, which helped push the MOF to accelerate budget management reforms. The findings also led the NPC to grant the NAO further authority to monitor budget implementation.

In addition, although the report of the 1998 budget was not published at the time, Auditor-General Li Jinhua held a press conference in June 1999 to report some of the findings. The press conference created so much public interest that it set off an "audit storm," as reporters fanned out nationwide to dig up stories of government abuses. These annual press conferences are so popular that in 2004, the Auditor-General became the first government official to be elected as one of "Ten Notable Economic Persons of the Year" by CCTV, China's premier television channel. The public thirst for information in turn led the NAO to gradually loosen restrictions on the disclosure of audit results.

Budget management reforms

In China's past planned economy, the budget was mostly a bookkeeping function. With cessation of economic planning, the budget became the government's primary tool for allocating resources, and major reform was needed to build a budget management system capable of supporting this new role. These reforms began in the late 1990s, when tax revenues finally began to recover. Since then, a broad package has been introduced that includes reforms in budget preparation, budget classification, treasury management, government procurement, and the installation of new information systems. The centerpiece of the budget preparation reform was the introduction of departmental budgets that would clearly identify all resources and expenditures for each government department—this was the first step in building a

system in which the SUs could be held accountable for performance.

A treasury single account was created to manage the government's cash receipts and payments. Before this reform, expenditure monitoring was one of the weakest links in the budget process. Although much effort was spent on ex ante allocation, actual expenditures could not be monitored, and diversion and other abuses were exposed only by the occasional audits. To support treasury reform and improved budgeting, the MOF began work on a new government financial management information system. Standardized procedures for government procurement were introduced to improve cost efficiencies and reduce the scope for corruption, including many of the procedures used by international organizations for tendering large-scale purchases of equipment and services. With these reforms, China finally began to put in place the basic infrastructure necessary to build a modern system of budget management.

The MOF has also worked hard to reverse the reliance on extrabudgetary funding, which had grown to half of total fiscal resources in the late 1990s. But on this front, the government has had little success. Despite clamping down on fees and levies and imposing new reporting requirements, extrabudgetary revenues remain large and outside of budgetary allocation. In aggregate, they are still half of total fiscal resources. At the county level, the latest NAO audit found that extrabudgetary funding accounted for 60 percent of total funding (National Audit Office 2011).

The National Development and Reform Commission

The National Development and Reform Commission (NDRC) is the successor to the State Planning Commission, which previously led the formulation of the five-year plans that provided strategic guidance for economic development and also formulated the investment plan and allocated resources for its implementation under the planned economy. Today, the NDRC has retained substantial control of public investment through its control of project approvals for large-scale, strategic projects. By convention, the NDRC, along with line ministries, organizes and undertakes project appraisal and project selection. Once the project is selected and implementation is underway, however, there is little systematic oversight in project implementation, facility operation, or

project evaluation. These are presumed to be the responsibilities of agencies downstream. In 2005, the NDRC set up the National Key Construction Projects Monitoring Office, with special agents deployed in each province, to monitor selected projects for policy and legal compliance, disbursement of funds, project progress, tendering, and construction quality (Zhao, Li, and Li 2011). However, a study found that the NDRC's role in project approval has significantly shrunk since a regulatory change in 2004 confined its oversight of investment approval to projects funded from public resources, which is a minor portion of public investment today (Wong 2012).

Local experiments in performance management

In the bottom-heavy administrative system in China, local governments play a key role in PM. Since the mid-2000s, following the call for reform at the top, many local governments have implemented PM practices.

Some of the most advanced experiments have been undertaken in the southern province of Guangdong. Facing departmental requests for budget appropriations that far exceeded resources available, officials in Nanhai (a county-level city in the Pearl River Delta) sought help from external consultants. In 2004, a team of experts was recruited from universities and administrative units to review a few budget proposals. By assessing the feasibility of proposed activities, ranking them according to policy priorities and querying the budgets, the expert team helped whittle down appropriations.

Building on this success, Nanhai now applies the process when vetting all discretionary budget proposals. Officials report that as a result of this process, SUs have learned to prepare better (and more realistic) proposals. They have also learned to better manage their use of funds knowing that performance in this round will affect their future funding.

In the provincial capital, Guangzhou, a new PM approach was adopted that called for ex post evaluation of spending programs. In 2005, the government submitted two spending programs for evaluation—in 2006, it required evaluation of programs from 48 of the municipality's 57 eligible departments. By 2007, the municipality evaluated virtually all programs ex post, but the workload proved excessive. In 2008, evaluations

were rolled back to 172 programs selected for size and impact. Evaluation results are reported to the local people's congress, which provides feedback to budget appropriations (Ma and Wu 2011).

Shanghai has also experimented with ex post evaluation of spending programs, under what they call results-oriented performance budgeting. For these programs, the Finance Bureau met with the affected departments to adjust the budgets based on evaluation results—this led, for example, to increasing employment subsidies for relocated residents and rural labor under the Bureau of Labor and Social Security (Zhao, Li, and Li 2011).

Altogether, seven provinces and municipalities have set up specialized performance appraisal institutions, including Zhejiang and Heilongjiang provinces. Several municipalities and districts are reported to be using methodologies modeled on the U.S. government's Program Assessment Rating Tool.

Performance management through the personnel system

For the most part, local governments implement PM through the personnel system. Since the 1990s, government employees have been evaluated on various forms of "post responsibility systems" and more recently "objective responsibility systems" (ORSs). The ORS is elaborate, often involving a large number of targets (objectives), with numerical weights for scoring. Governments at higher levels set targets for lower-level governments. Local governments pass the targets on to the relevant departments, and in turn to the responsible officials, whose promotion prospects are tied to their scoring on the ORS (Burns and Zhou 2010). Recently, many local governments have signed performance compacts with service providers for specific social outcomes.

One troubling aspect of the ORS is its close resemblance to the target setting practiced under the planned economy. Back then, the State Planning Commission set macroeconomic targets for economic growth, grain and steel output, and others. These were disaggregated into sectoral and regional targets and proliferated as they worked their way downward through the economy. The current version of the ORS goes through a similar iterative process of disaggregation and subdivision. In a typical example, in 2004, Sichuan Province handed down 68 performance targets; at the municipal level, these were subdivided and

given to municipal departments and counties. For Guangyuan, a county at the next level, the list of economic development targets included (Fiscal Research Institute Study Team 2005):⁴

- i. GDP growth of 12 percent;
- ii. total investment of ¥4.6 billion;
- iii. exports of US\$70 million;
- iv. foreign direct investment of ¥875 million;
- v. more than 180 km² of farmland protected from water and soil erosion;
- vi. eight centers for cancer prevention;
- vii. rural roads with asphalt and concrete surfaces covering 360 km;
- viii. highways linking rural townships of 180 km; and
- ix. per capita minimum living stipends of not less than ¥50.

Responsibility for meeting these targets falls ultimately on the person performing the task. For example, performance compacts signed by schools are typically subdivided, assigning responsibility for meeting school funding requirements and student advancement rates to the principal and responsibility for student enrolment rates and test scores to teachers (Liu 2007).

In these examples, many of the targets are unrealistic and beyond the power of individuals to achieve. Principals and teachers have limited influence over school funding and student test scores, and government officials over GDP growth and investment. Unrealistic and inappropriate targets undermine the effectiveness of the ORS. The rigid personnel system, which includes life-long tenure—dismissal is extremely rare—further limits the usefulness of personal accountability measures for M&E.

The Ministry of Supervision and the Central Party Discipline Inspection Commission

Since Premier Wen's call in 2008, the Ministry of Supervision (MOS) and the Central Party Discipline Inspection Commission (CPDIC), which jointly and at the highest level manage the conduct of civil servants and fight corruption, became active in monitoring performance in government.⁵ Both have set up offices in the provinces and are reportedly leading the PM work in many localities. In 2011, they were officially assigned to lead the coordination of PM reforms nationwide; at this time, an interministerial working group was created comprising nine ministries and agencies

including the Central Party Organization Department, the Central Party Post Establishment Office, the NDRC, and the MOF. The working group is under the directorship of Vice Minister Wang Wei of the MOS.

Current Status and Prospects for Performance Monitoring and Evaluation in China

The process of building a performance-oriented management system takes time, and in China, it began only a decade ago. An impressive array of reforms has been introduced, with initiatives from central ministries and agencies as well as local governments. However, these reforms have proceeded unevenly and often separately, with little coordination. With the creation of an interministerial working group in 2011, a more coordinated approach may soon emerge. Going forward, reforms face two big obstacles: systemic constraints and resistance to changing the PM “culture.” They are linked, and both are legacies of the planned economy and symptomatic of the country’s ongoing transition process.

Systemic constraints to performance-oriented management

At present, there are some components of China’s economic system that, though much improved over the past decade, are still too weak to provide a solid foundation for supporting PM.

The fiscal system

A sound public finance system is a prerequisite for a well-functioning public sector. With the transition to a market economy, China has had to revamp all aspects of its public finances. It has achieved significant progress in rebuilding the government revenue mechanism; budget and treasury reforms have also helped improve public expenditure management. However, these reforms are still unfolding, and their adoption at subnational levels has been uneven.

The biggest challenge lies in strengthening the intergovernmental fiscal system (IFS). Under China’s devolved administrative setup, the IFS is extraordinarily important for policy implementation and accountability relationships, and the IFS has distorted reforms throughout the public sector. Despite increased transfers, the current IFS is unable to ensure sufficient funding to local

governments. Moreover, the distorted incentives created under fiscal decline continue to operate to undermine the MOF’s efforts to rein in extrabudgetary revenues and regain control over aggregate fiscal discipline (Wong 2009).

The audit function

Over the past 15 years, the NAO has achieved remarkable success by leveraging its interaction with the NPC and the press to push for PM reforms. In the process, it has also won for itself greater influence and an expanded mission. At the national level, the NAO has gradually won the right to publish its annual audit reports since 2003. However, at the subnational levels, progress has been much more limited. Constrained by continuing political interference in audit selection and disclosure, only a minor portion of findings are released to the public. Further elevation of NAO’s role, especially to expand its influence at the subnational levels, will require stronger support from the central government.

The scale and effectiveness of the audit function are also constrained by resources and inadequate staff capacity. In general, staffing levels are too low and staff lack the skills required to undertake performance evaluation. Few have training in economics and other research and evaluation methods. As a result, to date, audits have largely focused on financial compliance and have not branched into economic assessments, performance, or value-for-money audits.

The statistical reporting system

China has an extensive data reporting system that was built under the planned economy.⁶ It generates a large volume of statistical information that compares well with other countries in terms of coverage, periodicity and timeliness, but less well in terms of quality. Two aspects of the system affect data quality and hamper the capacity of the National Bureau of Statistics (NBS) to act as an effective force to strengthen M&E: fragmentation of the reporting system and the NBS’s weak control over data reporting by subnational bureaus.

The NBS is nominally the lead agency for data collection and coordination in China, but statistical data are also compiled by many other agencies. For example, all fiscal data are collected by the MOF and the State Administration of Taxation. The People’s Bank of China is similarly responsible for collecting all information related to the

financial sector. Data on tourism are collected and reported by the State Tourism Administration, and so on. In the areas where data are collected by other ministries and agencies, the NBS is simply a recipient and has no authority to determine what data are collected and how.

The national statistical reporting system is organized in the same pyramid as government administration. There are statistical bureaus at each level of government that aggregate the data and send them upward. Even though the subnational bureaus are under the guidance of the NBS and work to NBS rules and standards, they are funded mostly by governments at the same level, which also make the personnel appointments. The local bureaus are required to report to local governments before submitting their data upward through the statistical system, and the quality of data reporting may be affected when local officials have to strive to meet personal performance targets.

Reform of the statistical system is hampered by the NBS's lack of bureaucratic clout, since it is one step below ministerial level and thus below to many of the ministries from which it receives data. As a result, the content of data has changed only slowly. Reporting is mostly by administrative units, and largely focused on inputs and outputs. Much of the information needed for performance monitoring is either absent or unreliable. For example, data on birth and mortality rates, life expectancy, immunization rates, attended deliveries, and nutritional status are often marred by weak quality control and strong incentives at facility or local government levels to report specific levels or trends. In education, the data on school enrollments are considered so unreliable that Ministry of Education officials make great efforts to collect additional information when they inspect counties during the certification process for "achieving" universal compulsory education.

Changing the performance management "culture"

One of the most important aspects of the transition from a planned economy to a market economy is the need to change the management mind-set from command and control to the increasing use of carrots and sticks—incentives accompanied by enforcement mechanisms. This is salient in China because some form of PM was widely practiced under central planning, when, having suppressed

market signals, planners devised a whole system of indicators for ensuring plan fulfilment.

For the most part, Chinese reforms are not yet grappling with performance evaluation in the conventional sense of measuring impact, effectiveness, or relevance. Instead, they have focused mostly on rules and targets. Except for the ORS cases, little information is available on the standards used for measuring performance. Even in the most advanced cases, such as in Guangdong, success was measured in reduced appropriations, which was assumed to be, though not necessarily so, due to cost savings.

Staff capacity constraints may be a factor behind the slow change in PM culture, and skill shortages in the NAO mirror those in other parts of government. Investing in capacity building would help accelerate the shift from the input-output mentality to focus on results, either by hiring new staff with the appropriate skills, providing training to existing staff to strengthen their skills in economic or financial analysis or by making greater use of external evaluation teams, as done by some local governments.

Prospects for building a performance-oriented management system in China

Because of its size, institutional setup and transition history, China is in a league of its own and faces a unique set of challenges in building its PM system. Even more than other countries, it needs an effective M&E system to support its multilevel administration. To build one will require substantially rebalancing authorities, starting with repairing the IFS and the central-local accountability relationship.

The pressures are growing on government to improve performance, as rising prosperity, a freer press, and the Internet have combined to make citizens more knowledgeable and demanding. In 2008, when Premier Wen Jiabao called for introducing a PM system, he was responding to these pressures, as are municipal governments in coastal regions that are now vying with each other to set up citizens' complaint hotlines, introduce participatory budgeting, and so forth.

To strengthen performance, monitoring and evaluation, China can draw lessons from other countries that have gone through the same process. It can also learn from reviewing its own efforts over the past decade, both positive and negative, especially at the local level. With the central

government taking a more active role in promoting PM, the pace of reform may be accelerating. The appointment of the MOS and CPDIC to lead PM work nationwide can provide momentum because they have clout over all central and local bodies. As their names suggest, though, they will focus heavily on supervision and discipline, and fighting corruption will likely be a strong theme of PM reforms under their leadership. This may be necessary given the wave of public dissatisfaction resulting from the corruption and food safety scandals that government is currently facing, but it also raises the risk of reforms in PM backsliding toward command and control.

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Notes

1. At the exchange rate of ¥6.47/dollar at mid-year. See also www.worldbank.org/ieg/ecd.
2. Bo was the party secretary of Chongqing, a provincial-level city in the southwest, who was brought low by criminal investigations into his wife's involvement in the death of Briton Neil Heywood and suspicions of having transferred large amounts of illicit funds abroad.

3. This expands on the accountability framework presented in the World Bank's (2004) *World Development Report: Making Services Work for Poor People*.

4. The pervasive use of specific targets was also noted in World Bank (2002).

5. The MOS is responsible for maintaining discipline and honesty in government, and the CPDIC is charged with rooting out corruption and malfeasance among party cadres. The MOS and the CPDIC are so closely linked that they are often referred to as the Central Discipline and Supervision Department.

6. This section draws extensively from Schreyer and Holz (2005).

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