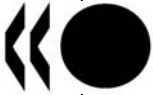


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**PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

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PRESENTATION OF THE CHINA GOVERNANCE PROJECT

**30th Session of the Public Governance Committee
OECD Headquarters
28-29 October 2004**

This document is presented to the Committee for information.

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PRESENTATION OF THE CHINA GOVERNANCE PROJECT

1. In March 2001, the Executive Committee in Special Session devoted part of its meeting to an exchange of views with a high-level official from China on “the progress of reform and co-operation with OECD”. Following this discussion, ECCS Delegates had an exchange of views on how best to develop OECD relations with China, and a few policy themes were selected as a menu of possible options to be discussed with the Chinese authorities with a view to further focus the co-operation. These themes were subsequently presented by the CCNM to the Chinese authorities who selected the issue of governance reform at the central and local level.

2. Governance, therefore, became the “unifying theme” of the 2003-2004 programme with China. This priority takes the form of a horizontal effort, associating all relevant Directorates and jointly co-ordinated by the CCNM and the Directorate for Public Governance and Territorial Development (GOV). The China Governance Project will lead to the publication of a comprehensive report.

3. The aims of this project are to:

- encourage Chinese policy-makers to address critical governance issues that affect China’s social and economic development and its relationship with the outside world. The final report, but also the process of co-operation required for its preparation, are intended to provide Chinese policy-makers with policy advice and support, rooted in the practical experience of member countries;
- provide OECD member countries with a better understanding of the complex governance challenges facing China as it moves further in its transition to a market based economy.

4. “The China Governance Report” (working title) will present 18 chapters and a synthesis (see the provisional table of contents in the Annex). Ten chapters have a “whole-of-government” approach: they address governance issues that are common across the government, for instance: budgeting, civil service, integrity, regulatory management and organisational structures. Eight chapters have a “sectoral” approach: they address governance issues such as organisational or implementation aspects in specific policy areas (*e.g.* governance of banking institutions, intellectual property rights, labour market and social protection policies, etc.).

5. The report provides a picture of governance in China and its recent evolution. It identifies a number of key challenges that, if not addressed, will limit the ability of Chinese leaders to ensure sustainable development. China is at the same time a country in transition from a planned economy regime (an important set of issues in particular in the Northeast), a developing country (West and Centre) and an emerging economy (Coastal regions). Needed governance reform efforts correspond to these three faces of China: further pursue the shift in institutional paradigm from one underpinning a planned economy regime to a market-based economy; strengthen governing capacity and efficiency; fine-tune the state’s intervention in regulating market forces and in delivering social services.

6. The report also explores possible solutions to these governance challenges, borrowing from the experience of OECD member countries. It is certain that the notion and practice of governance is intimately linked to that of the political system. Even if the Chinese political system does not share some of

the important characteristics of democratic pluralism common to OECD member countries, the experience of their governments is a crucial source of information for Chinese reformers. Indeed, one of the major questions underpinning the current governance challenges is the broad question of the role of the state in a market economy in interaction with private actors. Moreover, collective action, its forms and its reforms, pose comparable problems around the world.

7. The report will be completed by end-2004. It is proposed to organise a meeting in Paris with experts from member countries and from the Development Research Centre of the State Council (DRC) in early January 2005, to present and discuss the draft report. DRC is China's leading research body on economic and social issues. The OECD has had a long-term relationship with this body, which in many ways replicates the analytical activities of the OECD. It is then proposed to organise a policy dialogue meeting in Beijing early May 2005, to discuss and disseminate the results of the Governance Project. This would be done in co-operation with the State Commission Office for Public Sector Reform (SCOPSR). SCOPSR is the OECD's principal partner for work on governance issues. It is a high-level body chaired by the Prime Minister. An MOU was signed between the OECD and SCOPSR earlier this year on future co-operation.

ANNEX
PROVISIONAL TABLE OF CONTENTS OF THE FINAL REPORT

THE CHINA GOVERNANCE REPORT
(working title)

Foreword by the Secretary General
Foreword by the State Commission Office for Public Sector Reform

I – Introduction and Executive Summary

II – Structures and Tools

1. Reforming Agencies
2. The Institutional Arrangements for the Management of State Assets
3. Regulatory Governance
4. Towards E-government

III – Management of Public Resources

5. Creating an Effective Tax System
6. Improving the Budget Process at the Central and Local Levels
7. Improving Public Expenditure policies
8. The Institutional Arrangements for the Production of Statistics
9. Creating a Professional Civil Service
10. Curbing Corruption

IV – Institutional Framework for Market Forces

11. Labour Market and Social Protection Policies: Governance Challenges
12. Competition
13. The Governance of Banking Institutions
14. Administering and Enforcing Intellectual Property Rights
15. The Governance Challenges of the Foreign Investment Policy

V – Governing for Sustainable Development

16. Institutional Framework for Effective Agricultural Policies
17. Environment and Governance
18. Higher Education

Postface by BIAC
Postface by TUAC