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**CITY UNIVERSITY OF HONG KONG**

香港城市大學

**Performance Management in the People's Republic  
of China during the Market Reform Era: A Case  
Study of Two Counties in Shaanxi Province**

中國市場經濟變革年代的績效管理：  
陝西省地方政府的案例研究

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## **ABSTRACT**

This study seeks to examine the role that performance management plays locally in China. It clarifies the type of politics underlying the evolution of performance management since the late 1970s, charts the course of its development, examines the evolution of specific cadre evaluations, and assesses the distribution of performance targets in Chinese local governments. This study argues that performance management, a typical management tool in introducing market principles to reinvent government in major Western democracies, is used by the Chinese Communist Party (CCP) as an instrument to ensure the accomplishment of higher-level policies in lower-level organizations, and to control the behavior of local cadres.

The empirical findings of this study provide an interpretation which differs from current literature that the CCP relies more on a planning approach than a market-driven one to tighten the Party's monitoring and administrative capacities. The thesis specifies the following three points. First, performance management works different in China as compared to major Western countries because the reform context is different. Performance management has been developed within a unified cadre personnel management system in China. Under the CCP's monopoly of authority over crucial personnel decisions, performance management is akin to reinforcing centralized Party personnel authority over the bureaucracy and to ensuring leadership selection. Second, the historical evolution of performance targets shows that objective measurement is not primarily developed to promote government efficiency or to impartially appraise the work of cadres. In recent years, there had been a proliferation of precise and quantified indicators in measuring cadres' work accomplishment. However, the cadre evaluation focused on whether local cadres can accomplish the targets allocated by higher-level authorities. Third, the Chinese authorities adopted a planning approach to conduct performance management. Performance targets, the performance levels of each target, and the implementation priorities of these targets are established by the authorities. Local cadres had very limited discretion to negotiate with their superior authorities on the accomplishment of the performance targets, most of which are economic tasks. Put in this light, economic management is to a large extent planned and controlled by the authority and not adjusted by "the invisible hand". Performance management further extended the philosophy of planning economy and the extent of control over offices and organizations, and individual cadres far exceeded what could be the case in a planning economy.

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## INTRODUCTION

Performance management is a main feature of contemporary public administration reform. In major Western democracies such as the United States, the United Kingdom, and many European countries, performance management has undergone considerable changes since the early 19th century. Some countries adopted market mechanisms in government operations including measures such as decentralization of authority, employment of contracts, setting of quantitative goals, benchmarking, and involving citizens in assessing government performance (Osborne & Gaebler, 1992; OECD, 1997 & 2005; Berman, 2006). As the former U.S. vice president Al Gore claimed, the aim of implementing performance management is to make government “work better and cost less” (Gore, 1993). “Performance” is usually defined by its three most basic dimensions: economy, efficiency, and effectiveness (3Es)<sup>1</sup> (Epstein, 1984; OECD, 1997; Heinrich & Lynn, 2000). The criteria to evaluate government performance focus on quality, quantity, and timeliness of service delivery—concrete examples of which are “the average number of days taken to process a claim of the client,” “the completeness of the paperwork,” “the accurate rate of recording traffic accidents in a month,” and the like.

Performance management has also become a salient item for local governments in the People’s Republic of China. Since the late 1970s, Chinese reformers have made great efforts in instituting a general regulatory framework for the performance management of the local leadership corps, and selective measures for the performance appraisal of individual cadres and civil servants at different grades. In

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<sup>1</sup> “Economy” measures the ratio of the cost of inputs or resources to the expected value of these costs. “Efficiency” (interchangeable with the notion “productivity”) measures the ratio of outcomes and outputs to inputs. The government is efficient if it can achieve the maximum possible output for a fixed input, or a minimum input for a fixed output. “Effectiveness” measures the degree to which services are responsive to the needs and desires of customers. It reflects to what extent the government could achieve its intended objectives.

1979, the Central Organization Department began to experiment with the performance appraisal system in a few local governments and service institutions. In 1989, the system was extended to some organizations at the central level. In 1994, the entire Chinese civil service was required to fully implement performance appraisal. In 1995, specific and quantifiable indicators were developed to measure the work achievements of leadership cadres at and below the county level. By 2002, political investigation was regularized as a key component of the Chinese performance management system for the purpose of selecting reliable leadership cadres.

Here we have two ordinary stories which can show how performance management works in local China. At the end of 2006, a township Party secretary under the administration of Zhangbei County in Hebei Province undertook an annual evaluation, which was quite meticulous. The evaluation adopted 43 specific, quantified, and performance-based indicators, including GDP, Party building, construction of a collective decision-making system, creating a transparent government, fostering the ideological education of all Party members, fighting corruption cases, maintaining social order, promoting birth control, developing industrial profits, constructing several key road and bridge building projects, and even ensuring that each of its 50 villages would have at least one television set<sup>2</sup>. An evaluation committee was sent by the County Party Committee together with the County Government to assess the accomplishments with regard to these targets in the Party and all state organizations and offices. Each task was supervised by a responsible organization. For example, the accomplishment in terms of GDP was supervised by the county auditing bureau, while the accomplishment in terms of of

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<sup>2</sup> “Opinion on Implementing Evaluation on Work Achievements of Leadership Corps in Townships and Units Directly under the County Government in 2006”, Zhangbei County Government, 14 June, 2006. See official Web site: <http://www.zbdjw.com.cn/ReadNews.asp?NewsID=368>.

Party building was supervised by the county organization department.

More recently, in early 2007, the PRC's Department of Public Security conducted one of its routine pieces of work—to release the so-called four “death indicators” (*siwang zhibiao*) of the year<sup>3</sup>. One indicator was “the death numbers in production accidents per trillion GDP (*yi yuan GDP shengchan shigu siwanglv*) is 0.51 in 2007.” This means that if a local government produces one trillion GDP, the leadership cadres are held responsible for the death of 0.51 people in production accidents. The four national “death indicators” were distributed to all provinces, autonomous regions, and municipalities directly under the Central Government. For example, Beijing City was required to control “the total amount of people dying in all kinds of accidents in 2007 within 1733, including 1373 caused by traffic accidents, 33 by fire accidents, and 196 by industrial production accidents.” The Beijing City Government distributed the targets to all Party and state offices and organizations directly under the city government, districts, and counties. For instance, leadership cadres in the Chaoyang District were required to control the death numbers to within 250 people in 2007. At the county level, these “death indicators” were converted into a performance target which was called “safety production”. All county Party and state offices, and organizations and townships were required to adopt this target in their year-end performance evaluation. If leadership cadres failed to reach this target, all successful work they have done in the year were considered as failed<sup>4</sup>.

Apparently, some performance measures adopted by Chinese local governments resemble the programs introduced in major Western democracies. For example, they introduced performance contracts that delineated precise, concrete, and quantified indicators for conducting the yearly performance review. These invariably induced in

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<sup>3</sup> News report. (2007, 24 May). How do officials formulate the “death indicators”? *Nanfang Weekend*, p. A1.

<sup>4</sup> See website: <http://bjyouth.y.net.com/article.jsp?oid=8253975>.

cadres a greater sense of goal commitment, particularly toward economic objectives. Similarly, a number of local governments offered performance-related bonuses as an incentive to improve agency performance. No wonder some scholars argued that the adoption of performance management measures brought market forces (mainly referring to the high-powered incentive system in this study) into the Chinese local bureaucracy, thus turning it more business-like (O'Brien & Li, 1999; Edin, 2000 & 2003). However, one might have noticed that the performance targets adopted by Chinese local governments do not seem to focus on the quality, quantity, and timeliness of service delivery. How can peoples' lives become an indicator in assessing all local government officials' work performance? As China is moving toward a market economy, how can GDP still be a task of the authorities? Also, if performance management serves the purpose to improve government efficiency, why do local cadres need to accomplish political tasks such as Party building, ideology education, and family planning? This study aims to address these questions.

## **RESEARCH QUESTIONS**

The main research question of this study is "Will performance management, a tool instituted in Western democracies to reinvent governments by market principles, perform similar functions in the Marxist-Leninist states, especially one which is moving toward a market economy"? This thesis clarifies the type of politics underlying the evolution of performance management, charts the course of its development, examines the recent proliferation of objective and quantified evaluations, and assesses the approach of conducting performance management in China. The main argument is that performance management is used as a planning and regulatory instrument to mainly ensure the accomplishment of higher-level policies

in Chinese local governments. By conducting performance management, the Chinese Communist Party (CCP) strengthens its capacity of monitoring and controlling the behavior of lower-level cadres with respect to their compliance with higher-level directives. This study presents the experience of two inland counties in Shaanxi Province in north-west China with a special emphasis on the implementation of the objective responsibility system adopted since 1995.

This study addresses three groups of specific questions that center on the main issue, that is, the role of performance management in China. The first group relates to the distinct features of the Chinese performance management system. Does performance management work differently in China than in Western democracies? If so, what is the rationale behind the development of a performance management system with “Chinese characteristics”? What are the main features of such an evaluation system? To address these issues, the study examines the different contexts of conducting performance management in Western democracies and in China. As Rosenbloom (2002) indicates, context as a form of situated social realities can make a great difference. In major Western democracies, performance management has been developed upon two basic institutions: a merit-based civil service system which sets a dichotomy between politics and administration, and a position classification system which emphasizes professional competence and job performance in personnel evaluation. Put in this context, performance management is considered as a scientific and rational technical tool in fighting political patronage (Waldo, 1948; Weber, 1956; Ingraham, 1995 & 2006; Dresang, 2002).

By comparison, in communist China, performance management has been developed into a unified cadre personnel management system. The Party committee organization departments at various levels monopolize authority over personnel decisions on most key positions through the application of the *nomenklatura*. Merit’s

core features—qualifications, competitive examinations, and the absence of partisan politics (Ingraham, 2006)—were, to a considerable extent, absent in China’s entire personnel management system. In addition, China has adopted a rank-equivalent classification system which emphasizes a cadre’s grade, title, and seniority rather than the fulfillment of job duties and work performance. Each cadre is managed by the pertinent Party committee in accordance with his/her personal rank and consistent with the line-of-authority system. Put in this light, performance management in China is akin to reinforcing centralized Party personnel authority over the bureaucracy and ensuring the accomplishment of the Party’s policy objectives in local regions than impartially appraising the work of cadres.

The second group of questions focuses on the effects and implications of the proliferation of cadre evaluations in local China. Some scholars argue that the proliferation of cadre evaluations in recent years introduced market force into the Chinese local bureaucracy. Cadres with strong performance in accomplishing the performance targets would be rewarded attractive bonuses or promotion chances; accordingly, cadres with bad performance would get severe punishments (Edin, 2000 & 2003; Whiting, 2001 & 2004). However, these studies had a static view of the recent proliferation of cadre evaluations. They did not answer questions such as what kinds of cadre evaluations have proliferated in recent years. If the proliferation of cadre evaluations introduced market principles to the bureaucracy, does it lead to a more customer-oriented service delivery, a more economic government, or a decentralization of authority? Has the development of more scientific, quantifiable, and performance-based criteria replaced the more subjective evaluation of performance portrayed in past analyses dealing with patron-client relations (Walder, 1986; Oi & Walder, 1999)?

Drawing from a large number of performance contracts collected in the two

selected counties, this study addresses these issues from a historical perspective. It indicates that Shaanxi local governments have developed three kinds of performance targets, namely, job-specific targets, common targets, and core targets. Job-specific targets refer to those pertaining to one's job duties and responsibilities such as the amount of agricultural production within a fixed period for local agricultural bureaus. Common targets and core targets are both formulated and allocated by higher-level authorities. The common targets are key political works universally adopted by all Party and state offices and organizations, such as Party building, family planning, safety production, and the like. The core targets are crucial economic objectives; for example, local GDP, value of investments in fixed assets, local government budget revenue, and the like. Only some offices and organizations<sup>5</sup> are responsible for the accomplishment of core targets.

The proliferation of performance targets was manifested in two aspects. First, it is the targets allocated by higher-level authorities instead of the targets pertinent to one organization's job functions that have proliferated. Since the early 1990s when Shaanxi local governments began to use performance contracts, there has not been any major change with respect to the job-specific targets. By comparison, both common targets and core targets have proliferated in numbers and in categories. Because common and core targets are allocated from above, local cadres tend to give a higher emphasis on the accomplishment of these targets than that of their job duties. In this regard, the proliferation of cadre evaluation has led to a compliance of lower-level governments to policies assigned by their superiors at the next upper level. Second, when governments at the higher level assigned policy goals one level

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<sup>5</sup> Performance management was conducted on the basis of a different functional system in local China. Please refer to Chapter Three for a detailed explanation. Generally speaking, government offices and organizations for economic management and townships are responsible for the accomplishment of the core targets.

down the administrative hierarchy, there was a parallel development of new policy goals produced at the lower level. A typical example is the distribution of economic tasks. In 2006, the central government established two national goals on economic growth: GDP and per capita GDP. The two targets were distributed to all provinces, autonomous regions, and municipalities directly under the Central Government. The Shaanxi Province adopted the two targets and then developed four new policy goals to measure economic growth, namely, local government budget revenue, total value of investment in fixed assets, total value of import and export, and total value of foreign investment. The six indicators were further distributed to cities. Xi'an City, for example, adopted all the allocated targets and again raised one new target: total retail sales of consumer goods. Similarly, counties under the administration of Xi'an City added the "per capita net income of peasants" target into the list. All the targets were used to measure leadership cadres' work performance in townships in that year. In this regard, cadre evaluation proliferates because the government at each level requires its subordinates to fulfill new policy goals. Eventually, the proliferation of cadre evaluations helps ensure the accomplishment of higher-level policies in local regions, but it is not primarily used to reform governments by market principles.

The third group of questions concerns the approach of conducting performance management in China. For example, how do higher-level authorities ensure the accomplishment of policy goals in subordinate governments? Can local officials negotiate with their supervisors in the establishment of performance targets, performance standards, and performance levels as in Western countries? In a broader sense, how can performance management in a Marxist-Leninist state be understood? To address these questions, this study examines the establishment and assignment of core targets and common targets from the central government to townships in Shaanxi Province. It shows that the Chinese government has adopted a planning

performance management to ameliorate the problems of policy accomplishment at lower levels.

The “planning” performance management can be understood in three aspects: First of all, Chinese governments’ five-year plans, which are the symbol of a socialist command economy, show clearly that policy goals crucial to national economic development, regional economic growth and the maintenance of social stability, are planned by the authorities. Neither lower-level service delivery agencies nor citizens are involved in the establishment of the key policy goals. Also, the authorities establish the priorities of these policies in local implementation by giving them different attributes, which actually ranks the policy goals in terms of their importance. Local cadres have to make efforts to achieve priority policy goals by all means. As a result, the higher-level authorities could ensure the accomplishment of the most crucial policies in lower-level areas.

In addition, the authorities employ a planning approach to assign and distribute the established policy goals level by level down the administrative hierarchy. As mentioned in the previous paragraph, at each level the allocated policy goals are translated into concrete and quantified targets. And very often local governments at various levels will add new policy goal(s) adaptable to local situations into their five-year plans. At the bottom level, the county leadership cadres will convert all established goals into performance targets and sign contracts with township offices and organizations. Under planning performance management, local governments cannot negotiate on the performance targets, the performance levels of each target, and the priorities of these targets formulated by their superior authorities. Negotiation is only allowed within limits in the accomplishment of some economic targets to cope with unpredictable situations.

Moreover, Shaanxi local governments established monitoring systems to check

on the practical progress made by local officials on the achievement of the allocated policy goals. Firstly, the accomplishment of each policy goal is supervised by one or several responsible organizations at the corresponding level. For example, in Shaanxi Province, local auditing offices and organizations are usually responsible for the accomplishment of GDP and per capita GDP. Heads of the responsible organizations are held responsible for the accomplishment of the established policy goals. Secondly, Shaanxi local governments would regularly review the progress made by their subordinate organizations with different portfolios and publish a report on official Web sites. In this report that is made open to the public, all subordinate organizations are ranked by their accomplishment of the allocated policy goals. As such, local officials would be closely monitored with respect to the achievement of the policy goals allocated from higher-level authorities.

Put in this light, the implementation of planning performance management in local governments has led to policy compliance by lower-level cadres with higher-level authorities. Local affairs especially economic management is, to a large extent, planned and controlled by the authority and not adjusted by “the invisible hand”. Performance management further extends the philosophy of planning economy and the extent of control over offices and organizations, and individual cadres far exceed what could be the case in a planning economy.

To sum up, the empirical findings of this study agree with current literature that the CCP has used performance management as an instrument to enhance its capacity to monitor and control the behavior of local cadres. However, this study provides a different interpretation that the CCP relies more on a planning approach than a market-driven one to tighten the Party’s monitoring and administrative capacities.

## **LITERATURE REVIEW**

## **The Role of Performance Management in Western Democracies**

In major Western democracies such as the United States<sup>6</sup>, performance management as a measuring tool was developed upon two cornerstones. The first one was the adoption of a neutral and merit-based civil service system which set a dichotomy between politics and administration. At the end of the 1870s, the American people suffered from a government managed in a typical political way. Political patronage appointments to all government positions led to considerable corruption, inefficiency, and incompetence of the bureaucracy (Condrey & Maranto, 2001). Reformers soon realized that politics must be separated from administration, and what they needed was a business-like government that protected personnel selection made on the basis of merit and fitness (Rosenbloom & Kravchuk, 2005, p.15). The first step was to build a political-neutral and merit-based civil service system that ensured public servants could be selected based on their performance and efficiency (The Pendleton Act, 1883)<sup>7</sup>. Wilson (1887) sharply indicated that “Administration lies outside the proper sphere of politics”. Public administration is a “managerial question” because it is “a field of business”. Government should adopt the same management principles and values of the private sectors. As a result, reformers believed that science and rationality were a panacea for improving everything, even politics (Kelly, 2002).

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<sup>6</sup> The United States is the hometown for performance measurement exploration. Today, it is still the front line of studies and practices in this field. Looking through the most authoritative journals in public administration such as Public Administration Review (PAR), International Review of Public Administration (ISRA), and The American Review of Public Administration (ARPA), it is not difficult to find that scholars have produced extensive studies on many aspects of performance measurement in this country. Although performance measurement is everywhere now, in Europe, Asia, and Africa, experiences of performance measurement in the United States are often taken as a model and are learned by other countries and regions. Besides, the US is one typical liberal democracy in the Western world. Studying the context of the United States thus offers a good case to examine the orthodox role that performance measurement plays in major Western countries.

<sup>7</sup> The Pendleton Act is available at:

[http://www.authentichistory.com/postcivilwar/timeline/1883\\_pendleton\\_act.htm](http://www.authentichistory.com/postcivilwar/timeline/1883_pendleton_act.htm).

The second cornerstone in developing performance management was the use of a position classification system which emphasized employees' work ability and job performance rather than their political qualities in personnel evaluation and selection. In 1956, Weber published his great work *Economy and Society*, in which he referred to bureaucrats as "cogs" who are unable "to squirm out of the apparatus in which [they] are harnessed" (Weber 1958, 228). The cog, which is a person, is forced into a slot or position. Shafritz et al. (1986, p.118) described three principles of position classification: first, positions and not individuals should be classified; second, the duties and responsibilities pertaining to a position constitute the outstanding characteristics that distinguish it from or mark its similarities to other positions; and third, the individual characteristics of an employee occupying a position should have no bearing on the classification of the position. The principles of position classification actually provide the criteria for performance management—that is, performance evaluation should place primary emphasis on the specific work requirements of the position. Performance measurement in this context is linked to the accomplishments of key performance items, criteria, or indicators that are clearly identified in accordance with the duties and responsibilities pertaining to the position.

Under this context, the earliest use of performance measurement can be traced back to activities in 1907 by the New York City Bureau of Municipal Research soon after the city adopted a formal budgeting system (Cope, 1996; Leithe, 1997). Bureau founders held the belief that a "wasteful, ineffective government could not serve democracy well" (Dahlberg, 1966, p.31). Then, from the 1950s to the 1980s, the use of performance management gained a foothold in many federal, state, and local agencies. Major efforts were directed toward developing different budgeting models such as the planning-programming-budgeting systems (PPBS) in the 1960s,

zero-based budgeting (ZBB), and the experiments on improving governmental productivity in the 1970s (Schick, 1973; Botner, 1970; Wildavsky, 1978; Wholey, 1997; Rosenbloom & Kravchuk, 2005). Performance management gained considerable development at the technical level at this time. A number of advanced analytical techniques were developed. First, analytical techniques were greatly advanced by developments in computers, mathematics, and statistics. Typical examples include the development of the simulation and queuing modeling, linear programming, decision analysis, and advanced tools of project management. Second, there was an advancement of analytical tools in economics such as cost-benefit analysis and risk assessment. Third, program evaluation was developed to assess program outcomes, to identify community needs, and to evaluate service efficiency (Newland, 1972; Berman, 2006).

Since the early 1990s<sup>8</sup>, performance management has gained considerable development in Western countries. According to one summary of the Organization for Economic Cooperation and Development (OECD) in 1994, performance measurement has largely been used to deal with three kinds of concerns faced by governments. The first one is technical concerns, which implies that government performance could be improved by advancing measurement techniques. “Technical” here simply means that human resource elements are not involved. The uses of performance measurement mainly focused on the technical level. Since the 1990s, significant efforts on performance measurement were widely experimented in governments around the world, which led to the proliferation of measurement strategies like total quality management, strategic planning, performance monitoring,

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<sup>8</sup> In the 1980s, performance measures seemed to somewhat wane because previous efforts disappointed reformers to a certain extent. Performance measures were perceived as not making real meaningful contributions to decision making. Poister and Streib (1999) indicated that many public agencies had succumbed to the “DRIP” syndrome—Data Rich but Information Poor. However, the situation changed dramatically in the early 1990s.

benchmarking, customer survey, and the like (Hatry et al, 1998; Wholey & Hatry, 1992; Poister & Streib, 1999 & 2005; OECD, 2003). For example, benchmarking was advocated by many scholars as the “one best way” in government management. The technique involves comparing present or anticipated program performance with pre-determined standards or comparisons with the performance of other organizations. Comparison may be made using different standards, i.e., historical standards, legal standards, strategic standards, or best practices standards (Bruder & Gray, 1994). The comparison result explains performance variation and whether such variations are positive or negative, then provides motivation for staffs to improve their performance (Pollitt, Cave & Joss, 1994).

The second concern is public accountability. Epstein (1988) indicated that one basic use of performance measurement is to communicate with the public for improved accountability. For citizens, the lack of information and thus the impossibility of communicating with the government is the main reason why government accountability is needed. Therefore, by making government performance reports and the annual budget process open to the citizens, public servants are held accountable for achieving their targets. Another way to improve public accountability is to encourage citizen participation in measuring government performance. A citizen’s survey is a useful way for citizens to measure service effectiveness. The survey result in turn helps the government determine priorities of resource allocation and problems in current actions. With such communication, performance measurement actually helps improve public accountability (also see Whoely & Hatry, 1992; Osborne & Gaebler, 1992; Halachmi & Bouckaert, 1996; Kelly & Swindell, 2002; Halachmi, 2005).

The third concern is motivation, that is, how to motivate people to improve individual job performance and consequently to improve the whole organization’s

productivity. A large number of studies indicated that performance appraisal is essential to increase employee motivation and productivity because it provides fair and objective evaluation of employees' jobs, which is the first step toward inspiration (briefly, Tyler, 1982; Daley, 1990; Longenecker & Nykodym, 1996; Smither, 1998). In the United States, the Civil Service Reform Act (CSRA)<sup>9</sup> of 1978 strengthened the importance of performance appraisal. It called upon all Federal agencies to develop one or more appraisal systems which should put certain emphasis on motivating employees to participate in objective setting (Thompson, 1982). In addition, in the mid-1990s, reward systems, especially performance-related pay schemes, were widely adopted in major Western countries. In 1994-1995, the OECD conducted a survey to test the effectiveness of performance pay schemes in five OECD member countries<sup>10</sup>. The result shows that the effective implementation of performance-related pay schemes in the public sector needs many operational requirements, such as a valid and reliable measurement of performance, adequate discrimination in performance ratings, and the like. The role of performance management in motivating people is sound in theory but not in practice (OECD, 1997). Swiss (2005) suggested that incentives should have a broader meaning, including intrinsic motivators, nonmonetary extrinsic rewards and sanctions, budget shares, and personnel-based rewards.

In 1993, the enactment of the *Government Performance and Results Act* (GPRA)<sup>11</sup> by the U.S. government institutionalized performance management in government operations as “a piece of machinery”. Agencies throughout the federal government were required to adopt and implement strategic planning and

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<sup>9</sup> The Civil Service Reform Act is available at:  
[http://www.eeoc.gov/abouteeoc/35th/thelaw/civil\\_service\\_reform-1978.html](http://www.eeoc.gov/abouteeoc/35th/thelaw/civil_service_reform-1978.html).

<sup>10</sup> The five countries are Australia, Denmark, Ireland, the United Kingdom, and the United States

<sup>11</sup> The Government Performance and Results Act is available at:  
<http://www.whitehouse.gov/omb/mgmt-gpra/gplaw2m.html>.

performance reporting (GPRA, 1993). In the same year, former vice president Al Gore made the milestone report “*National Performance Review (NPR)*”, in which he indicated that the ultimate goal of performance management was to make government “work better and cost less” (NPR, 1993). Outside the United States, performance management has been widely adopted by countries around the world, especially in OECD member countries (OECD, 1996, 1997 & 2003; O’Donnell & Shield, 2002; Hall & Holt, 2003; Hoogenboezem, 2004; Nyman, et. al., 2005).

Its historical development shows that performance management is primarily used to deal with management problems in major Western countries. As Ingraham (2003) indicated, performance measurement is precious because management matters. Under this circumstance, performance management is used to serve either better accountability or better productivity (Wholey, 1999; Halachmi, 2005). That is, performance management is primarily used to improve government efficiency or to promote public accountability.

### **The Role of Performance Management in China**

The role of performance management in China has, by far, not yet been well studied. One group of scholars, most of whom are domestic researchers and practitioners, consider that performance management is supposed to be an important reform measure to rationalize the cadre personnel management system. However, the cadre evaluation system could not effectively work due to a number of technical deficiencies. Therefore, a main theme of their studies was to determine the barriers to the rationality of the cadre evaluation system and the solutions to improve the system

(briefly, Chow, 1988; Zhang, 2000; Wang, 2001; Liang & Wei, 2002)<sup>12</sup>. For example, Chow (1988) indicated that due to the absence of a detailed job analysis and clear, quantified targets and performance indicators, the evaluation of an individual cadre's work was easily done based on a supervisors' personal feelings. These findings are valuable in showing that the inappropriate system design might affect the cadre effective evaluation. However, given that the CCP monopolizes the authority over personnel affairs, it would be superficial to take performance management as a pure management issue.

The second group of scholars argued that performance management is not a simple study of administrative techniques in China (Ho, 1994; O'Brien & Li, 1999; Edin, 2000 & 2003; Whiting, 2001, 2004 & 2006). Based on first-hand data gathered in some wealthier coastal counties, the findings showed that performance management is an instrument in reinventing the Chinese local bureaucracy by market mechanisms such as providing a high-powered incentive and an instrument to strengthen the state capacity in terms of controlling and monitoring local cadres. One of the major findings was that performance mattered for the remuneration, tenure, and promotion of local officials. Edin (2003) argued that in Jiangsu and Zhejiang, competition among local officials had evidently been introduced by the cadre evaluation system at the year-end assessment. All leading cadres at the same rank were placed in an internal ranking order on the basis of the evaluation results of their accomplishment of performance contracts. The evaluation results were used to determine the bonuses of local officials. Positive performance would generate large

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<sup>12</sup> In recent years, academic institutions began to cooperate with local governments (currently in Lanzhou, Qingdao, and Fujian) in experimenting different performance management models. Their findings also contributed to this group of studies. See the Centre for Performance Measurement of Chinese Local Governments, (2005), Lanzhou Experiment: the New Method of Government Achievement Assessment by the Third Part, *City Management*, 3, 22-25. News report. (2004, 19 September). Qingdao Model and Fujian Experiments, *Liaowang Newsweek*, p. 27.

payoffs for leading cadres<sup>13</sup>. Whiting (2004) indicated that the large income differentials among local officials based on competition of work achievements formed a “high-powered incentive” mechanism for Party-state cadres to pursue good performance. Meanwhile, local officials also paid a high price for weak economic showings. The total income of local leading cadres would decline if their performance declined relatively or if they failed to meet the rapidly increasing economic targets.

Moreover, work accomplishments might also determine local official’s tenure in office and opportunities for career advancements. Bo (2002) reported that provinces with more revenue contributions and faster economic growth had more representation in the central committees than other provinces. At the county level, Edin (2003) considered that leading local cadres with the best performance were more likely to be invited to hold concurrent posts at higher levels of the Party and government. He indicated that the Party secretary of the first ranking township might be rewarded by concurrently holding the position of standing committee member of that county while still continuing to perform his job at the township level. As the rank of the township Party secretary was section chief (*keji*), and the rank of the standing committee member was division vice-chief (*fuchuji*), the cadre was actually promoted one rank up in the Party hierarchy. Whiting (2004) pointed out that a performance measurement system like this helped strengthen the durability of the CCP rule because the high monetary incentives reduced the cadres’ desire for corruption. Under the performance measurement system, cadres who were committed to the Party could obtain relatively high payoffs by working within the

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<sup>13</sup> Whiting (2004) gave a concrete example in Songjiang County, Shanghai in 1995 where the leading cadres of the town with the strongest performance on the five sets of indicators received the highest official salary of 17,500 *yuan*. In comparison, the leading cadres of the town with the weakest performance received the lowest salary of 6,000 *yuan*, which did not include the penalties stipulated for poor performance. In this case, the lowest-ranking township head was paid 66 percent less than the highest-ranking township executive (Whiting, 2004, pp.109-111).

system, thereby decreasing the likelihood that these cadres could defect even when faced by “market temptations” (Whiting, 2004).

Therefore, these scholars claimed that the implementation of performance management was a win-win situation. On the one hand, the CCP institutionalized market forces such as competition and motivation into the local bureaucracy by conducting performance management. On the other, performance evaluation helped the Party monitor and control local agents by incorporating successful cadres into higher levels of the Party hierarchy, or into the *nomenklatura*. In other words, performance management was an effective instrument in institutionalizing market forces into the local bureaucracy, which consequently led to a stronger control of the local agents by the Party.

However, current studies have two main limitations. The first one comes from the inappropriate selection of cases. The major findings of these studies are drawn from first-hand fieldwork data. Yet most field studies were conducted in wealthier counties in the south-east costal areas. As Edin (2003, p.41) said, performance-based bonuses were not financed out of the state budget but were paid from local governments’ own collective funds. Hence, bonus payments were heavily dependent on the condition of local finances. However, the gap in economic conditions between the developed counties and the less developed ones is sharp in China. Most Chinese counties are not as developed as the costal counties. As a matter of fact, counties in inland areas are more representative of the average level in terms of economic capacities, policy innovation, and bargaining power with the center. One of the main findings of current studies—local officials were stimulated to perform by the high-powered incentives—is feasible when local governments have sufficient financial capacity to provide large bonuses. However, how would local officials in the poverty-stricken areas behave if they do not have such an incentive? Current studies, although very

valuable for their findings in wealthier counties, only portrayed part of the picture on how performance measurement functions in local China.

Second, current studies overemphasized the positive link between work performance and promotion chances. The researchers did not pay enough attention to the CCP's monopoly of authority over cadre personnel management. None of them discussed the role of political investigation in selecting and appointing leaderships, which was the most traditional way of realizing the "Party controls of cadres" (see Manion, 1985). *Nomenklatura*, the essential feature of Chinese cadre personnel management, was also missed by most studies. Furthermore, none of these studies mentioned the rank classification system which constituted the basis for conducting performance management in China. These factors, however, form the distinct context for China's public personnel management reforms. Without specifying the context, it would be misleading to some extent to interpret the functions of performance management in local China.

## **SIGNIFICANCE OF THIS STUDY**

First, this study gives an emphasis on the political context (i.e., the CCP monopolizes the authority over personnel affairs) in which performance management was implemented. Many political science scholars indicated that reform in the public sector was by nature a political exercise that was rarely, if ever, informed unambiguously by organization theory (Rosenbloom, 1985; Peters & Savoie, 1998; Stillman, 1996; Pollitt & Bouckaert, 2000). For example, Pollitt and Bouckaert (2000) considered that any suggestion that public management could be radically depoliticized was either a misunderstanding or flies in the face of evidence from many countries. In addition, in their analysis of the eight pairs of contradictory

proverbs in government reforms, Peters and Savoie (1998, pp.79-100) pointed out that the dynamics of administrative reforms and institutional changes could be better understood in their political and ideological context. Appropriate organization theory could guide administrative reforms, but they might still flounder on familiar but important political criteria such as implementation. Hence, they concluded that in the public sector, politics and ideology continue to play a crucial role in the selection of the mechanisms that are supposed to make government “work better and cost less” (Peters & Savoie, 1998, p.79).

Unfortunately, current studies ignored the political context in China and therefore did not sufficiently capture well the distinct structure of China’s cadre personnel management system. Whiting (1995) primarily adopted an organizational perspective in examining how the system design of cadre evaluation affects the incentive modes of local officials. Edin (2000, p.49) examined the institutional features of the internal structure of the state as well as the features of its external relations with society as a basis of interpreting how cadre evaluation induced local cadres to promote economic development. By comparison, this study particularly focuses on examining China’s particular context within which performance management has been developed, for example, the unified structure of the cadre personnel management system, the functions of the Party committee organization department at various levels, the rank-sensitive classification method, and the essential role of nomenklatura in leadership selection. It also interprets how this political context affects the design of performance management systems—a development of performance-based criteria alongside politics-oriented criteria in cadre selection.

Second, this study categorizes the cadre evaluation systems in China. One important reason why current studies did not pay enough attention to the Party’s tight control over cadres’ career advancements is that they did not make a proper

categorization of China's cadre evaluation systems. The studies of Edin (2003) and Whiting (2004) took cadre evaluation as an equivalent of the performance appraisal system and the objective responsibility system. Political investigation as a crucial method in selecting and appointing leadership cadres was missed by their studies. However, political investigation is the key to understanding why cadres' work performance is not necessarily related to their career advancements. In this regard, a proper categorization of China's cadre evaluation system is overdue. As early as 1985, by analyzing the 1983 official publication *Questions and Answers on Party Organization Work*, Manion classified cadre evaluation into four types, varying in terms of examining agent, principle focus, and scope: assessment (*jianding*), appraisal (*kaohe*), political investigation (*shencha*), and screening (kaocha *jianding*)<sup>14</sup>. However, after more than a two-decade development of the cadre evaluation system, changes can hardly be avoided. These changes make its classification misleading to some extent. For example, Manion considered that appraisal was conducted annually or every two years with the main purpose of providing basic information regarding the leading cadres. However, the promulgation of the *1994 Provisional Regulations on Evaluation Work of State Civil Servants* indicated that appraisal was not only used to evaluate leading cadres but also ordinary cadres who hold non-leading positions. Besides, the objective responsibility system, as a crucial part of China's performance management system, was not instituted in local China until 1995.

Based on interviews and an examination of key central documents, this study

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<sup>14</sup> Assessment is conducted annually with the main purpose of educating and supervising cadres at the lowest level of the organization. Appraisal is conducted annually or every two years with the main purpose of providing basic information on the leading cadres. There is no fixed period to conduct political investigation, which aims to clarify the cadres' political background to determine if they are qualified for promotion. Screening is a continuing evaluation process which aims to develop a comprehensive basic view of each cadre for leadership decision making. See Manion, M. (1985). The cadre management system, post-Mao: The appointment, promotion, transfer and removal of Party and state leaders. *The China Quarterly*, 102, 203-233.

indicates that the Chinese cadre evaluation system comprises three sub-systems, namely, political investigation, the performance appraisal system, and the objective responsibility system. Chapter Two will specify in detail the politics behind the development of the three evaluation systems. To correctly capture the purpose of developing different evaluation systems, this study adopts a documentary analysis method. The theoretical base of adopting this method is that Chinese politics is by nature “documentary politics,” which means that the center rules all political bodies through documents conveying vital information (Wu, 1995). Many scholars indicated that documentary analysis was a particularly effective method in analyzing China’s political affairs and administrative reforms because it could reveal the policy intention of the CCP most according to the fact (briefly, Manion, 1985; Light, 1997; Chan, 2003, 2004 & 2007).

Third, this study is significant in its site selection. Choosing proper cases is indeed crucial for a more generalized conclusion of this study as compared to previous studies. Edin (2000, p.145) admitted that “The main focus [of her study] is on the developed areas. However, any explanation would remain incomplete if the manner in which it relates to the less developed areas was not also addressed.” This study hopes to fill this gap and develop the discussion on this issue. Moreover, the study closely examines two inland counties under Xi’an City, Shaanxi Province in north-west China. According to official statistics<sup>15</sup>, the two counties represent an average level of counties under the administration of Xi’an City in terms of population size, economic capacity, and administrative jurisdiction; but more importantly, they were among the most ordinary counties in China. According to the case study literature, the two counties are “typical cases” whose findings may apply to those cases with similar features.

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<sup>15</sup> Chapter Three will give a detailed explanation on the statistics of the two selected counties.

Finally, this study employs a narrative inquiry approach to collect data. Current studies did not mention the importance of this kind of data collection method. However, it is more and more argued that the narrative inquiry, as an interpretative approach, can strengthen the quality of public administration research, especially those looking for the meaning of policies that are unique in specific contexts. Seeing and knowing political realities and the functions of public policies can “only happen from inside the world, and is always bridged by conversation” (White, 1999; Ospina & Dodge, 2005). During the two rounds of field trips in the selected localities in 2005-2006, local officials were invited to tell stories and to express their feelings and perceptions about the investigated issues. Data were codified as a complete story with a beginning, middle, and end, or partial narratives grounded in contexts to keep place and time connected to action. In addition, data drew from a small-scale questionnaire survey and documentary analysis were triangulated in order to ensure the credibility, dependability, confirmability, and coherence of the narrative interview data. As a matter of fact, this narrative inquiry is critical in uncovering the meaning of data rooted in contexts and thus promotes correct interpretation.

## **STRUCTURE OF THE DISSERTATION**

This dissertation comprises six parts.

The *Introduction* looks into the research questions, significance, structure, and main findings of this study. It provides a theoretical foundation for examining the managerial role of performance management in major Western democracies, and reviews current studies on the role of performance management in China. It shows that performance management works different in China as it does in major Western

countries because the reform contexts are different.

*Chapter One* examines the distinct context in which performance management is conducted in China, and assesses the historical development of the three Chinese performance management systems—political investigation, performance appraisal, and the objective responsibility system. It also explains how each of the three systems has been developed for different purposes by the interpretation of the milestone central documents of conducting performance management.

*Chapter Two* proposes the research methodology of this study. It lays down the basis for further discussion of the empirical findings. It discusses the research strategies, the rationale of case selection and site selection, the data collection methods, data analysis, and justifies the quality of the data. It likewise presents the limitation on the study's research methodology, showing that the findings of this study may be more applied in inland areas than in coastal areas.

*Chapter Three* empirically examines the effects and implications of the proliferation of cadre evaluations in recent years. It first introduces how performance management is conducted on the basis of different functional systems in the Shaanxi local government. Then it looks into different types of performance targets that local cadres are required to meet. Lastly, it analyzes the historical evolution of performance targets and the implications of this development by examining separately the performance contracts of two selected bureaus in three different periods, namely, in 1991, 1998, and 2005.

*Chapter Four* empirically examines how the use of a planning performance

management system ensures the accomplishment of higher-level policy goals in local regions and strengthens the Party's monitoring and administrative capacities. It discusses the three kinds of attributes of performance targets which symbolize their priorities in implementation—obligatory, anticipatory, and guiding. It also analyzes how performance targets with different attributes are established by authorities, and how they are assigned level by level down the administrative hierarchy. It concludes with the role of planning performance management in the local government when China transcends from a command economy to a market one.

The *Conclusion* gives a comprehensive analysis of the main research question of this study. It also indicates how the findings of this study could shed light on China's contemporary administrative reforms, and the issues that need future studies.

**CHAPTER ONE:**  
**PERFORMANCE MANAGEMENT SYSTEMS IN THE PRC**

**INTRODUCTION**

The *Introduction* of this dissertation mentions that the merit-based civil service system in major Western democracies had three core principles: professional competence, qualifications, and political neutrality (Ingraham, 2006). The basis of the merit system is a dichotomy of politics and administration. Upon this background, performance management was used as a management device to make government “work better and cost less” (Gore, 1993). Economy, efficiency, and effectiveness are the three main indicators in assessing the performance of public sectors. Professional competence and the fulfillment of one’s job duties and responsibilities are the standards by which a civil servant’s work performance is evaluated.

In the history of the PRC, the issue of using specific criteria to evaluate and select right cadres into the state bureaucracy has always been a crucial question with serious concern for the CCP. As early as 1938, in one of his most famous works entitled “*The Role of the Chinese Communist Party in the National War*,” China’s paramount leader Mao Zedong explicitly expressed the viewpoint that the CCP should select cadres based “on their merits.” As he wrote,

Throughout our national history, there have been two sharply contrasting lines on the subject of the use of cadres, one being to “appoint people on their merit” (*yongren weixian*), and the other to “appoint people by favoritism” (*yongren weiqin*). The former is the honest and the latter the dishonest way. The criterion the Communist Party should apply in its cadre policy is whether

or not a cadre is resolute in carrying out the Party line, keeps to Party discipline, has close ties with the masses, has the ability to find his bearings independently, and is active, hard-working, and unselfish. This is what “appointing people on their merit” means.<sup>16</sup>

Obviously, Mao considered that political integrity was a crucial criterion in evaluating the Chinese bureaucracy’s merits. As compared to the three core principles of the merit system in major Western countries, the CCP’s policy of “appointments by merits” denied political neutrality and indeed demanded that cadres should maintain political commitment to the Party. Besides, only with solid political integrity as a prerequisite did criteria such as professional ability, age, and educational level become important in cadre evaluation and selection.

Mao’s successors expressed similar opinions in selecting cadres with both political integrity (red) and professional competence (expert). In 1940, Chen Yun, one of the most influential top Chinese leaders and the former Vice-Chair to the Central Committee, stressed the importance of both “red” and “expert” with a primary emphasis on political integrity in selecting cadres.<sup>17</sup> In 1979, Deng Xiaoping indicated that “we have several criteria for selecting cadres, but two of them are most important. One is the support for the political and ideological lines established by the Third Plenary Session of the Party’s Eleventh Central Committee, and the other is the ability to uphold Party spirit and avoidance of factionalism.” Selecting the right people into the bureaucracy was the CCP’s organizational line, which could guarantee the implementation of ideological and political lines.<sup>18</sup> It

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<sup>16</sup> Mao Zedong. (1938). The Role of the Chinese Communist Party in the National War. In *Selected Works of Mao Tse-Tung*, Volume II (pp. 201-203). Beijing: Foreign Language Press, 1965.

<sup>17</sup> Chen Yun. (1940), Several Questions On Cadre Work. In *Selected Works of Chen Yun (1926-1949)* (in Chinese) (pp.144-152). Beijing: Renmin Chubanshe, 1983.

<sup>18</sup> Deng Xiaoping. (1979). The Organizational Line Guarantees the Implementation of the Ideological

goes without saying that professional competence or job qualifications should be adopted as key criteria in personnel selection.

The top Chinese leaders' unanimous standpoint on the importance of "red" in selecting cadres shows that political intervention is unavoidable in cadre management. The CCP, the leading group of the communist revolutionary cause, should hold power on evaluating and selecting cadres—the backbones of the revolutionary movement (Mao, 1938). This thought was carried on by the CCP leaders when they began to design and experiment performance management systems in 1979. By far, all the nine central documents on performance management (promulgated from 1979 to date) indicated that conducting performance evaluations should stick to the principle of "Party control of the cadres." Virtue (*de*), evidenced by indicators such as political reliability, Party membership, and loyalty to the Party, has been one of the most crucial criteria in cadre evaluation. Under this context, political patronage has never been denied by the Chinese performance management systems.

This chapter examines how performance management as an instrument works in China under the CCP's monopoly of authority over personnel affairs. It comprises two parts. The first part analyzes China's particular context of conducting performance management—the adoption of a unified cadre management system and the rank-sensitive classification method. It aims to explain how the CCP builds its authority over personnel management. The second part charts the courses of development of Chinese performance management systems by analyzing the milestone documents issued by the central government. It is argued that the Chinese performance management scheme is highly politically charged, which is mainly due

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and Political Lines. In *Selected Works of Deng Xiaoping (1975-1982)* (pp.196-199). Beijing: Foreign Language Press, 1984.

to the CCP's monopoly of authority over cadre personnel management (especially leadership selection). Put in this context, performance management is not primarily used as a management device to impartially assess cadres or to make government "work better and cost less." The political integrity of cadres was given highest emphasis in leadership selection as it was in the 1930s. In a word, from 1979 to date when the CCP leaders made efforts to regularize and institutionalize performance management in Party and government units at various levels, giving top priority to the criterion of work ability in assessing and selecting cadres is not intended.

## **BASES OF CONDUCTING PERFORMANCE MANAGEMENT IN THE PRC**

The bases of conducting performance management—ruling ideology, political foundations, historical forces, administrative values, organizational realities, and the like (as Chapter One described)—are different in the PRC than in major Western democracies. The Chinese performance management system was developed within a unified cadre personnel management system which allows the CCP to monopolize authority over all important personnel decisions. The adoption of the rank-sensitive classification system in personnel management emphasizes cadres' political merits, seniority, and title rather than professional abilities and work performance. Under this backdrop, performance management has been highly political charged in communist China.

### **A UNIFIED CADRE PERSONNEL MANAGEMENT SYSTEM**

The PRC is a unitary state ruled by the CCP. The CCP has adopted a unified cadre

personnel management system which consistently centralizes all important personnel management power under its control. At the core of this unified management structure are the CCP's committees, their organization departments, and the elaborate *nomenklatura* (Manion, 1985; Burns, 1987; Chan, 2003).

The Party committee organization department (or the Party core group) is an operational (*banshi*) department of the CCP to control the bureaucracy. It conducts work under the leadership of the Party committee to which it attached. It is one of the Party's most important departments and the only one particularly assigned to personnel matters. In 1953, the *Decisions on Strengthening Work of Cadre Management*<sup>19</sup>(hereafter referred to as the 1953 Decisions), released by the Central Party Committee, stipulated that the Central Committee aimed to gradually establish a system of managing cadres "department by department and level by level" (*fenbu he fenji*)<sup>20</sup> under the unified management of Party committees and organization departments. Since then, the entire hierarchy of organization departments—from the Central Organization Department down to the organization departments at various levels of government and functional areas—has monopolized authority in making key personnel decisions such as appointment, promotion, demotion, removal, transfer,

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<sup>19</sup> *Decisions on Strengthening Work of Cadre Management*, Central Party Committee, 24 November, 1953. See Web site: <http://news.xinhuanet.com>

<sup>20</sup> All cadres were grouped into 10 functional categories (*xitong*): (1) culture and education, (2) agriculture, forestry, and water conservation, (3) united front, (4) Party and government organs, (5) industry, planning, labor, and statistics, (6) finance, economics, commerce, banking, and grain and supply cooperatives, (7) transportation, telecommunications, and postal service, (8) public security, civil affairs, judiciary, court, and procuratorate, (9) foreign relations, foreign trade, and overseas Chinese, and (10) mass organizations such as labor unions, the CYL, and women's associations. The various functional departments, established under the Party committees, managed the cadres working in their fields. Level-by-level (*fenji*) management meant that each level managed the cadres of its subordinate units down to two or three levels below. The center was responsible for ministers, vice ministers, directors, and deputy directors of the central government and Party organs, as well as for leading cadres of provinces and districts. Provincial Party committees were in charge of their own middle-level cadres and leading cadres of districts (*diqu*), the municipality, and the county. District Party committees handled leading cadres of the county and village (*xiang*) in addition to their own middle-level cadres (heads of division and sections). County committees looked after their own middle-level (section and team) cadres and the leadership group of villages, towns (*zhen*), and hamlets (*cun*).

dismissal, appraisal, and the like.

Parallel to the organization departments, the state structure has its own hierarchy of personnel departments. The personnel departments, from the Ministry of Personnel (established in 1988) down to the personnel bureau at various levels, work closely in coordination with the organization department in making personnel decision under the leadership of Party committees (Manion, 1985, pp.209-212). Generally speaking, the personnel bureaus manage low-ranking cadres and take care of the administrative work of personnel management, whereas the organization departments manage leading cadres and decide the leadership change (Lee, 1991, p.354).

The *nomenklatura* (*job title lists*) establishes and ensures Party and governmental authority leadership in cadre management. It is the key instrument of Communist Party control and has no counterparts in the civil service systems in Western liberal democracies (see Burns, 1989; Chan, 2004). The *nomenklatura* is a multilevel list of candidates suitable for filling posts within the control of the Party (Harasymiw, 1969; Wilson & Bachkatov, 1992, p.156). Filling all important positions across all sectors requires a higher level of approval in the Party hierarchy as compared to ordinary staff posts. The Party committees at each administrative level—central, provincial, municipal, county, and township—have a list of the offices over which they have authority. All *nomenklatura* Party committee members can be appointed to or removed from their positions only by the authorization of their committees. People elevated to the *nomenklatura* are those in key leadership positions at each level. Through the *nomenklatura*, the CCP manages and essentially controls the appointment, promotion, transfer, and removal of practically all but the lowest-ranking officials. As in the former Soviet Union, appointments to and removals from responsible leading positions in the PRC are always the work of the

*nomenklatura* (Voslensky, 1984, p.75; Chan, 2004). This has been a non-statutory but a categorical rule (see Chan & Li, 2007).

The authority of the Party committee at each level is strengthened by the “one-level-down” (*xiaguan yiji*) management principle, which means that the Party committee has jurisdiction over Party and state-leading cadres at one next lower level. In fact, the 1953 Decisions stipulated that the Party committee at each level managed the cadres of its subordinate organizations down to two or three levels below. The *Questions and Answers on Party Organization Work* (hereafter referred to as the 1983 Handbook), which was published by the Central Organization Department in 1983, also indicated that an optimal scope of cadre management was supposed to be controlled within the following “two lower levels:”

In general, a Party committee should have jurisdiction over cadres holding main leading positions in Party and government organizations at the next two lower levels...This is because management of cadres at the next lower level only is inadequate to meet the needs of work and also facilitates the development of some malpractices. To extend the jurisdiction to the next three lower levels, on the other hand, would result in too broad a scope and involve excessive quantity; in practice, it would be impossible to manage or manage well. By the extension of management jurisdiction to the next two lower levels, the Party committee at different levels can separately assume responsibility for and take charge of main leading cadres at various levels and in different departments. This is instrumental in preventing the development of any possible erroneous tendencies (The 1983 Handbook, p.92; see Manion, 1984, p.40).

However, the scope of each Party committee's cadre personnel management authority was cut to one lower level in the 1980s with the CCP's initiative to decentralize more decision-making autonomy to local regions. The Party committees at all levels were given full authority over cadres at a direct subordinate level. The decentralization encouraged cadres to be "hypersensitive to their immediate supervisors even at the expense of other interests" (O'Brien & Li, 1999, p.171). Subsequently, one-level-down management led to devolution of *nomenklatura* authority to the officials in provinces and ministries. In 1984, the Central Committee adjusted the *nomenklatura* to be centrally controlled. The positions directly controlled by the Central Committee were greatly reduced from 13,000 to 7,000. Two-thirds of the posts were transferred to provincial and ministry Party committees. In turn, Party committees at the provincial level further decentralized *nomenklatura* control to prefectural, municipal, and county Party committees (Burns, 1987). After the 4<sup>th</sup> June Event in 1989, the CCP recentralized *nomenklatura* authority by revising the central list (Chan, 2004). However, the one-level-down cadre management has remained to date and has continued to give supervisors substantial authority in deciding the personnel matters of subordinates.

In the unified cadre personnel management system, the Chinese bureaucracy is not politically neutral in the Weberian sense. All cadres are required to maintain political commitment to the Party. Under this backdrop, the merit principle of Western civil services, although never been entirely rejected in the history of communist China,<sup>21</sup> is not given high priority in assessing and selecting cadres.

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<sup>21</sup> Many scholars agree that the merit-principle of Western civil services has never been entirely rejected in the history of communist China (Aufrecht & Li, 1995; Lam & Chan, 1995; Burns, 2001; Chan, 2003). Even during Mao's period when the authorities stressed political reliability as a paramount criterion in judging a cadre, work ability is also emphasized. In 1980, Deng Xiaoping stressed in his influential speech entitled "On Reform of the System of Party and State Leadership,"

Political reliability has been preferable than practical work achievements in leadership selection. The importance of political qualities of a leading cadre is more emphasized if he/she takes a position at a more senior rank.

## **RANK-EQUIVALENT CLASSIFICATION SYSTEM**

The Chinese cadre management system has adopted a rank classification method—usually labeled as rank-equivalent—to manage cadres at their respective levels since 1954, when the CCP promulgated the first central *nomenklatura*. In this rank-equivalent method, each cadre is managed by the pertinent Party committee in accordance with his/her personal rank and consistent with the line-of-authority system. For example, a division-level cadre in a provincial-level government is managed by the relevant Party committee (or Party core group) of his/her organization.<sup>22</sup> The superior Party committee, that is, the provincial-level Party committee, manages all cadres at or above bureau level.

Unlike the position classification method adopted in major Western democracies, the rank-equivalent classification is guided by the premise that a cadre's political merits and professional abilities are marked by that person's rank. Rank in this context relates not only to a cadre's salary and fringe and other political benefits, but also signifies the cadre's political maturity, political dedication, seniority, ability to unify and harmonize relations with the masses, leadership style, and work accomplishment. Rank classification is a fairly permanent feature regardless of the

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that cadres should be revolutionized, well educated, professionalized, and young. Except for the first criterion (to be revolutionized), the other three indicators all refer to different facets of technical ability. This formula has remained one of the key ideas guiding China's cadre personnel policy in the reform era (Lam and Chan, 1995, p.1316). Since then, a dominant theme in cadre evaluation is combining both political qualities and work ability.

<sup>22</sup> This is generally the case except for division-level cadres who are responsible for personnel management work. Party organization departments at the respective levels are responsible for appointing and removing these cadres.

job or position to which a cadre of that rank is currently assigned. It emphasizes a person's rank, title, and seniority rather than work duties and responsibilities pertaining to a position. Strictly speaking, a person's rank should not be assigned to the person of the official *per se* but to his/her office because the official is of a certain rank by virtue of the fact that he/she is the incumbent of a position of that rank.

The *nomenklatura*, through which the CCP has managed key leading cadres, creates the strata of cadre rank and status. While the concept of *nomenklatura* covers the list of key positions at each level, in actual effect, it refers to the personnel who have the pertinent rank and who serve in those positions (Voslensky, 1984, p.2). Take the 1998 *Job Title List of Centrally Managed Cadres* as an example to illustrate the importance of rank in Chinese cadre personnel management. This list covered the following positions:

1. Party central (CCP high command)
2. Central Party bureaucracy
3. State leaders, Central Military Commission
4. National People's Congress
5. Chinese People's Political Consultative Conference
6. State Council, banks, corporations, diplomats
7. Judiciary, procuratorate
8. Mass organizations
9. Local organizations (province-level, deputy province-level)
10. Institutes of higher learning

In order to be included in this list, most cadres had to have achieved or exceeded province-level or equivalent rank. A few cadres with bureau-level or equivalent rank

were also put on the list in recognition of the importance of Party work (Chan, 2004). A similarly rank-based categorization was also introduced into the Civil Service Law promulgated on April 27, 2005. For example, Article 16 of the Civil Service Law stipulated that the category of leading positions was rank-based:

1. State-level head positions<sup>23</sup>
2. State-level deputy head positions<sup>24</sup>
3. Province-level head positions
4. Province-level deputy head positions
5. Bureau/Department-level head positions
6. Bureau/Department-level deputy head positions
7. Division/County-level head positions
8. Division/County-level deputy head positions
9. Section/Township-level head positions
10. Section/Township-level deputy head positions (see Chan & Li, 2007)

The use of a rank-based management approach in bureaucracies in China today is descendent of a long tradition (Barnett, 1967; Bishop, 1968; Creel, 1970; Hofstede, 1980; Hsieh, 1966; Li & Karakowsky, 2002). From the fall of the Han Dynasty to the end of the Tang Dynasty (circa 220-906), Chinese society was formally stratified, and government officials of this period were distinguished by the fact that they operated according to a considerable extent of rank classification (Lo, 1987,

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<sup>23</sup> The positions included are president of the PRC, general secretary of the Party, premier, chairman of the Standing Committee of the National People's Congress (NPC), and chairman of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).

<sup>24</sup> The positions included are vice-president of the PRC, members of the Standing Committee of the CCP Politburo, members and alternate members of the Politburo, secretariats of the CCP Secretariat, vice-premiers, state-councilors, vice-chairmen of the Standing Committee of the NPC, vice-chairmen of the National Committee of the CPPCC, president of the Supreme People's Court, and procurator-general of the Supreme People's Procuratorate.

pp.141-171). In today's China, the huge size of the population and the bureaucracy required to run China, and the scale of the task in combination with the Communists' totalitarian concepts of power all reinforce a tendency toward a highly organized, stratified, and rank-sensitive bureaucratic structure of authority, in fact if not in theory (e.g. Tong, Straussman & Broadnax, 1999).

Against this backdrop, it is not difficult to understand why the criteria for selection and recruitment of leadership positions and performance measurement at various levels are largely politics-driven. Although in recent years, actual work accomplishment has also been highlighted as an important factor. Political attributes, however, have been given central importance. Performance measurement in this context looks at factors that can generally be categorized within the following groups:

1. Political thought—the knowledge of and ability to master the prevailing ideological core thought of the regime<sup>25</sup>
2. Political solidarity—the skills, abilities, and willingness to work with the masses and the leadership style that promotes collective leadership
3. Party style—the ability to concretely promote collective and individual political as well as moral integrity, and to adhere to as well as promote the general line for socialist ideology and organizational arrangements
4. Party discipline—the knowledge of Party policies, decisions, rules, and regulations and the ability to adhere to them, and the ability to promote Party lines and democratic centralism
5. Economic and social construction—the ability to fulfill specific task-based

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<sup>25</sup> This refers to Marxism-Leninism and Mao Zedong Thought, Deng Xiaoping Thought, and the Theory of the “Three Represents.”

objectives

6. Spiritual civilization construction—the ability to promote nonmaterial public goods, such as environmental protection, population and health control, culture and physical education, etc.
7. Social and public security comprehensive management—the ability to control birth rate, public security, production safety, and social and natural disasters

## **DEVELOPMENT OF THE CHINESE**

### **PERFORMANCE MANAGEMENT SYSTEMS**

#### **POLITICAL INVESTIGATION**

As in major Western countries, the performance management system in China developed out of a mixture of *ad hoc* reform efforts. Although experts in the field generally recognized that position classifications—formal job descriptions that organized all jobs in a given organization into classes on the basis of duties and responsibilities for the purpose of delineating authority, establishing chains of command, and providing equitable salary scales—were the basis for sound performance management, such management tool was not available in China until the promulgation of the 1993 *Provisional Regulations of State Civil Servants*. The first book of this kind available in 1985, *An Introduction to the Personnel System of the People's Republic of China*, edited by a vice-minister of the Central Organization Department (Cao Zhi), reported that there was no differentiation between political investigation and performance appraisal when the Central Party promulgated “*The Instructions on the Problems of Undertaking Investigations on Cadres*” on 15 July 1940 (Cao, 1985, pp.164-174). Only when the Central Party Organization

Department published The 1983 Handbook did it come to light that such a differentiation was made.

According to the 1983 Handbook, political investigation was the prior form of performance management. It was a crucial tool for legitimizing the making of crucial decisions on leadership change in China. The purpose of political investigation was to understand the cadres respectively, and its focus was entirely political; it investigated and clarified the political background of each cadre. As early as 1953, the *Resolution Concerning Cadre Investigation* issued by the CCP Central Committee pointed out that the objective of cadre investigation was to acquire an all-around understanding of cadres with the focus placed mainly on the political aspects such as loyalty and ideological consciousness. Through investigation, the Party should “get to the bottom of every cadre’s political background, sweep clean all counterrevolutionaries who have infiltrated Party and government organizations, alien class elements, and degenerates to maintain the purity of the cadre contingent” (Manion, 1984, p.59). Although the document also indicated that various efforts should be made to acquire knowledge of the cadres’ work ability, the aim was to train cadres in a planned way and to employ them correctly. Work accomplishment as such was not directly linked to a cadre’s appointment.

### **The 2002 Regulations**

On 9 July 2002, the Central Committee issued the *Regulations on the Work of Selecting and Appointing Leading Party and Government Cadres* (hereafter referred as the 2002 Regulations) which was built on provisional regulations first promulgated in 1995. The promulgation of this central document is an important step to institutionalize political investigation into the cadre evaluation system. The 2002

Regulations specified in detail the criteria and procedures of political investigation in selecting Party and state-leading cadres. It shows the CCP leaders' intention to emphasize both political reliability and professional competence in selecting and appointing key Party and state-leading cadres. Undoubtedly, the political attributes of these cadres are of primary importance when it comes to leadership selection. For example, Article 2 stipulated that the selection and appointment of Party and state-leading cadres needed to adhere to the following principles:

- (1) The principle of "Party control of the cadres";
- (2) The principle of appointing cadres by their merits, moral integrity, and professional competence;
- (3) The principle of cadres being accepted by the masses, and of emphasis on their actual work accomplishments;
- (4) The principle of openness, equality, competition, and selection of the best;
- (5) The principle of democratic centralism;
- (6) The principle of doing things in compliance with the law;

Among the six principles, the most important one is "Party control of the cadres" (*dangguan ganbu*). The phrase, as Lee (1991, p.352) interpreted, justified the CCP's monopoly on personnel affairs. State cadres were meanwhile the Party's cadres, and all cadres should be managed according to the Party's direction and policies and the principle of unified management. More specifically, the "Party control of the cadres" principle implied that the Party had the exclusive right to set up the "line, direction, and policies" relating to personnel management. No one could challenge the Party's prerogative, and no regional variation could be tolerated unless the Party gave permission for local variations. Furthermore, the principle also stated that only Party

organizations at various levels could select, assign, and utilize cadres.

Article 6 of the 2002 Regulations stipulated the basic eligibility requirements of Party and state-leading cadres. These criteria all emphasized the political attributes of cadres:

- (1) Attain the level of Marxism-Leninism, Mao Zedong Thought, and Deng Xiaoping Theory as required for the performance of their duties and responsibilities, earnestly implement the important concept of the “Three Represents”, strive to analyze and solve practical problems from the Marxist standpoint, viewpoint, and methods, adhere to the “three emphases” (on theoretical study, political awareness, and moral rectitude), and be able to stand the test of storms and stress;
- (2) Cherish a lofty aspiration for communism and unwavering confidence in socialism with Chinese characteristics, resolutely implement the Party’s basic line, guiding principles, and policies, be determined to carry out the reform and opening-up policy, be devoted to the cause of modernization, and work hard for the building of socialism and the making of concrete achievements;
- (3) Adhere to the emancipation of the mind and the search for truth from facts, advance with the times, be enterprising and creative, earnestly conduct investigations and research, be able to integrate the Party’s principles and practices of their own localities and departments, effectively carry out their work, speak the truth, aim at and stress practical results, and oppose formalism;
- (4) Be highly dedicated to the revolutionary cause, have a high sense of political responsibility, possess practical experience, and have the organizational ability, educational level, and professional knowledge commensurate with the

work of leadership;

- (5) Correctly use the power granted by the people, act in accordance with the law, be honest and just, be diligent in work for the people, set a good example with their own conduct, adhere to the style of arduous struggle and plain living, maintain close contacts with the masses, uphold the Party's mass line, conscientiously accept criticism and supervision from the Party and the masses, exercise self-discipline, self-examination, self-caution, and self-motivation, oppose bureaucratism, and fight against the unhealthy tendencies of abusing power and seeking personal gains;
- (6) Adhere to and uphold the Party's principle of democratic centralism, foster the democratic style of work, have overall interests in mind, and be able to sum up correct opinions and unite with others, including those holding different opinions from one's own, for work in unison.<sup>26</sup>

Except for the eligibility requirement for a promotion, Party and state-leading cadres should meet qualifications on work competence as well, for instance, work experience for a fixed year, and a certain level of education and training in Party schools, administrative colleges, or other training institutions approved by the organizational (personnel) departments, as Article 7 issued.

Chapter 4 of the 2002 Regulations particularly stipulated the procedures for conducting political investigation on cadres who met both eligibility requirements and qualifications. The stipulations in this chapter illustrated the dominant role of Party committees in leadership selection. Article 20 indicated that the political investigation of candidates was strictly conducted by the organizational (personnel)

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<sup>26</sup> In addition, Party and government leading cadres at the provincial and ministerial levels should also strive to meet all the requirements stipulated by the Central Party for high-ranking officials.

department in accordance with management authorization (*guanli quanxian*). In the unified cadre personnel management system, the phrase “management authorization” implies a reinforcement of the principle of Party control of cadres where each cadre is managed by the pertinent Party committee in accordance with the cadre’s rank and consistent with the line-of-authority, that is, the *nomenklatura*. In other words, Article 20 meant that political investigation was only conducted by the Party organization departments with *nomenklatura* authorities over cadres under investigations. When *nomenklatura* was shared, the organization department of the subordinate Party committee conducted political investigation. Furthermore, Article 21 stipulated that when investigating candidates for appointment to leading positions in the Party or government, the pertinent Party committee must assess them in an all-round manner, including their virtue (*de*), work ability (*neng*), diligence (*qin*), performance (*ji*), and honesty (*lian*), with emphasis on their actual achievements. However, specific and detailed investigation criteria should be formulated by the Party committees (or Party core groups) at corresponding levels in accordance with the requirements of the duties and responsibilities of each leading position. The stipulation implied that the Party committee actually had autonomy to choose the favorable candidates by setting up selection criteria and giving different weights to these criteria.

Article 22~29 stipulated the procedures for conducting political investigation, which showed that political investigation was a pure top-down management device serving political purposes. In general, the Party committee (or Party core group) dispatches an investigation team, which comprises two or more persons of considerable political reliability. The person in charge of the investigation team should be politically sound, rich in work experience, and familiar with personnel work (Article 22 and 27). The investigation team then extensively collects the

information regarding candidates by means of individual interviews with leading principal members in his/her work unit, the issuance of questionnaires, the holding of democratic opinion polls among leading cadres in the candidate's work unit, on-the-spot investigation, perusal of relevant files, investigation of specialized items, the interview of candidates under investigation, and the like (Articles 22, 23, and 24). Next, upon comprehensive analysis of the information, the investigation team conducts an exchange of viewpoints with the principal leading members of the Party committee (or Party core group) of the candidate's work unit. After deliberation, the investigation team reports to the organization department (which dispatched the investigation team) for making the final appointment decisions<sup>27</sup> (Article 22 and 28).

These politically oriented conclusions are very critical in determining the investigated cadres' career advancement possibilities (Manion, 1985, p.228). All materials gathered through political investigation are filed in the candidate's personnel record, including the major shortcomings and weaknesses of the candidates, work progress in the past, democratic recommendations, results of the democratic opinion poll, and strong points with respect to virtue, ability, diligence, performance, and honesty. After a candidate is promoted and appointed, these materials are filed into his/her personnel dossier which plays a crucial role in cadres' career lives (Article 26).

The 2002 Regulations also added new selection criteria that had the potential to attract talents with both professional competence and political reliability. Articles 49, 50, and 51 proposed the adoption of internal competition for posts<sup>28</sup> (*jingzheng*

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<sup>27</sup> When *nomenklatura* is shared, the final appointment decisions should be approved by the superior Party committee (or Party core group).

<sup>28</sup> Internal competition for posts is used mainly for the internal selection and promotion of leading cadres. The application of this method is limited to internal leading and non-leading positions at or below the bureau chief rank of the administrative bureaus of the Party and state departments and offices of both the central and local governments. Positions were open for personnel who served in the same department of office.

*shanggang*) and open selection through competition<sup>29</sup> (*gongkai xuanba*) in leadership selection. By introducing the competition mechanism in the eligibility for promotion, the authorities hoped to create a limited degree of career mobility within senior middle management in the bureaucracy. However, the career mobility of senior middle management has been politically orchestrated since organization departments are still able to tightly maneuver the two new selection methods. Under the unified cadre personnel management system, political criteria still regulate the entire selection and promotion process. Put in this light, career mobility is constrained by politics and confined by the principle of cadre management authorization (Chan, 2003, pp.409-410).

The 2002 Regulations shows that in contemporary China, the CCP has continued to give top priority to the political qualities of cadres in leadership selection. Work ability and performance are not the primary concerns when selecting and appointing cadres holding key leading positions. As Huang summarized, leadership control was the “ultimate trump card that the Central Party can wield”; it acted as a filtering process: reliable and loyal cadres were chosen, and these cadres took the interests of the center seriously, even when they were left unsupervised in their job performance (Huang, 1996, p. 89-122).

## **PERFORMANCE APPRAISAL**

An important turning point came in 1979 with the development of performance management in China. The Central Party Organization Department issued *An*

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<sup>29</sup> Open selection through competition allows the direct recruitment of outsiders in administrative bureaus at or below bureau chief rank of the central Party and state departments and offices. Its application hopes to address the inadequacy of internal competition for posts, for example, aged workforce, bribery, and corruption in the selection for lucrative positions, and the internal resistance of outsiders taking up senior middle management positions.

*Opinion on Implementing a Cadre Evaluation System* (hereafter referred to as the 1979 Opinion) on November 21, 1979. With this, the Central Party Organization Department instituted the first performance appraisal system. According to one account, this measure was not designed to appraise cadre performance (Lee, 1987). It was issued mainly to deal with two serious personnel problems. First, a substantial number of cadres were recruited not for their professional competence but because of political patronage. Second, only in 1984 did China begin to implement a cadre retirement system. The combination of a *de facto* permanent tenure and the lack of position classification made the overstaffing of an over-aged bureaucracy a burning issue that required immediate action. It was clear that the 1979 Opinion was intended to attract young and competent cadres to the bureaucracy. The intention was to institute a replacement mechanism that would gradually weed out incompetent and elderly cadres. In the context of this purpose, the system was clearly not designed to appraise individual cadres impartially.

Article 1 of the 1979 Opinion stipulated four criteria in recruiting and appraising cadres: virtue, competence, diligence, and work accomplishment. Virtue referred to a cadre's political reliability, which was evidenced by Party membership, family background, loyalty to the Party, and the like. Competence, diligence, and work accomplishment referred to a cadre's work attitude, practical abilities, output, and the like.

Article 4 stipulated that the performance appraisal would take place either annually or within a fixed period of time. Generally speaking, an assessment committee would be established, with usually three to five members drawn from the next higher level that had management authority over the cadres being assessed. The organization departments of Party committees at the various levels take charge in dispatching the assessment committees, and control the conduct of performance

appraisal. As with political investigation, performance appraisal is conducted in accordance with management authorization as well. The Party organization department appraises leading cadres at a certain level, whereas the personnel department is responsible for the appraisal of other rank-and-file cadres, most of whom hold non-leading positions in the organization. For example, in an ordinary county, the Party committee organization department appraises the leading cadres at or above the deputy-section level (*fukeji*), including heads of bureaus directly under the county government, Party secretaries, and heads of the subordinate townships. The personnel bureau of the county is responsible for appraising the remaining cadres<sup>30</sup>.

The 1979 Opinion instructed several organization departments of local Party committees to experiment with the performance appraisal system at certain local-level Party and government organizations, social service institutes, and state-owned enterprises. All these pilot projects were said to examine the effectiveness of the system, although what constituted “effectiveness” was far from being clear at that time. What was clear was the determination to extend the scope of the performance appraisal system. In 1989, it was extended to cover work organizations at the central level, including the organizations of the National People’s Congress (NPC), the Chinese People’s Political Consultative Conference (CPPCC), the Supreme People’s Court, and the Supreme People’s Procuratorate, as evidenced by the release of the *Notice on Experimenting Performance Appraisal* in 1989. After the promulgation of the 1994 *Provisional Regulations on Performance Appraisal of State Civil Servants* (hereafter referred to as the 1994 Provisional

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<sup>30</sup> Similarly, in an ordinary district (at the same level with counties), the district organization department owns the authority to appraise leading cadres at or above the deputy-division level (*fuchuji*); the district personnel bureau is responsible for the appraisal of cadres at or below the section level (*keji*), including section-chiefs, section members, and deputy section members.

Regulations), the entire Chinese civil service was required to fully implement performance appraisal.

Theoretically, at least, the 1994 Provisional Regulations showed the authorities' intention to rationalize the old personnel management system. First, more emphasis was given to the evaluation of cadres' ordinary work in the year-end appraisal. According to Article 10, annual appraisal begins with the cadres' self-assessment. In the self-summary, the cadres should report their daily work, thoughts, loyalty to the Party, and their activities in the past year. Next, the cadres' direct supervisors would give an official assessment based on the opinion of the masses. The supervisors' assessment was shown to the cadres being evaluated before it was filed into their personnel dossier. If the cadres disagreed with the official assessment, they had the right to appeal to the evaluation committee within 10 days. The evaluation committee should reassess the cadres and give a new opinion within the next 10 days. If the cadres were still dissatisfied with the new decisions, their own views would be filed in the dossier together with the official assessments. However, given the one-level-down management principle, the supervisors' comments and decisions are seldom questioned by the other members of the evaluation committee.

Second, the authorities hoped to promote the motivation of individual cadres by conducting a regular performance appraisal system within the whole civil service. As Article 1 of the 1994 Provisional Regulations stipulated, the purpose of conducting performance appraisal was to "evaluate the virtue and work ability of state civil servants correctly, and to provide evidence for rewards and penalties, training opportunities, adjustment of positions and grades and salaries". Articles 12 and 13 stipulated that after the year-end evaluation, all civil servants should be ranked by three grades: outstanding (*youxiu*), competent (*chenzhi*), and not competent (*buchenzhi*). In each organization, only 10 percent, no more than 15 percent, of the

total civil servants were eligible for getting the outstanding grade. If a civil servant was appraised as not competent in his/her professional work (*yewu gongzuo*), the cadre would get demoted to a lower position and receive a reduction in annual salary. By comparison, a civil servant who was ranked as outstanding and competent was eligible for promotion, salary increase, and extra bonuses.

However, in practice, the implementation of the performance appraisal system gave rise to many problems. In some cases, the system was so structurally entrenched that only a comprehensive revamp could possibly address it effectively. Due to the absence of detailed job analyses and clear, quantified targets and performance indicators, the evaluation committee members could only rely on their own judgments—usually in the form of feelings or personal relations—to appraise cadres (Chow, 1988). As mentioned, under the one-level-down management principle, the supervisors actually had a monopoly of the authority in determining the evaluation result. Their personal feelings on one cadre may directly affect the cadre's career advancement chances. Under the current performance appraisal system, norms such as reciprocity, patronage, and seniority have yet to be replaced by the value of merit and professionalism.

In addition, even if evaluation committees wanted to assess cadres fairly and objectively across different systems, sectors, and organizations, committee members had no methods for doing so. In the unified cadre personnel management system, the performance appraisal system had also not developed performance indicators that differentiated among cadres doing entirely different jobs. It adopted the same set of performance indicators that were vague, broad, and not job specific to assess cadres working in the Party, in the government, in the military, in civilian units, in libraries, universities, hospitals, and the like. Committees would use the same indicators to appraise senior and rank-and-file cadres (see Yao, 2003; Li, 2005; Chou, 2005).

Given these unsolved technique deficiencies, the performance appraisal system is dominated by political factors. As Chow (1993, p.370) said, the “Operation of the appraisal system actually encourages cadres to act as political beings rather than administrative functionaries.” Partly because of the politicization of the performance appraisal system and partly because of the relative importance of political investigation in the overall cadre personnel management system that made important personnel decisions, it is ordinary that both the appraisers and those they assess consider performance evaluation to be *pro forma* in practice and a formality in principle.

### **OBJECTIVE RESPONSIBILITY SYSTEM**

Against this backdrop, the Central Party Organization Department decided to launch a new system that could provide a better performance measurement framework for the local government nationwide. On 31 August 1995, the Central Party Organization Department issued the *Notice on Strengthening and Improving the Evaluation of Work Accomplishment of the Leadership Corps of Party Committees and Government at the County (Municipal) Level* (hereafter referred to as the 1995 Notice), thereby officially launching the objective responsibility system. Except for addressing the inadequacies of the performance appraisal system, the authorities also expressed the intention to ensure the implementation of important policy goals (such as family planning and maintaining social order) in local regions by conducting the objective responsibility system. As the 1995 Notice indicated, “strengthening and improving evaluation on work achievements of leadership corps is not only good for correctly implementing the Party’s cadre policies in the new era and using cadres reasonably, but also meaningful for motivating cadres to completely follow the

Party's basic lines, to creatively conduct ordinary work, and to promote rapid, healthy and continuous development of economy and the whole society".

The authorities' intention of ensuring the local implementation of crucial policy objectives was partly caused by the worries about the Party's decreasing ruling capacity in local regions. In the history of the PRC, the central government has faced policy implementation problems due to local diversities, fragmented authority, factional division among the central elites, and the resistance of lower bureaucracies (Harding, 1981). The problem became serious after the CCP leaders launched the decentralization reforms of the cadre personnel management system in the mid-1980s. As mentioned before, in 1984, the center decentralized *nomenklatura* authority to provinces and ministries; the scope of each Party committee's management jurisdiction was cut back to one-level-down instead of the traditional two-level-down principle. In turn, Party committees at the provincial level further decentralized *nomenklatura* control to prefectural, municipal, and county Party committees. As a result, local officials had more autonomy in directly making personnel decisions. The decentralization reform was meant to motivate local regions to drive the nation's economic reform. However, the rising power of the local government led to heavy local protectionism. Local officials tended to construct "independent kingdoms" to protect local interests and sacrifice national goals (Naughton, 1987; Shirk, 1990; Walder, 1995; Huang, 1996). Subsequently, the state apparatus gradually fragmented. The center no longer had undisputed personnel authority over its local agents, and could not guarantee effective policy implementation to the grassroots. In 1989, the 4th June Event finally warned the Party leaders how dangerous the situation was if they lose control of the key cadres.

To strengthen the Party's ruling capacity in local areas, the top leaders recentralized the *nomenklatura* authority in 1990 (Burns, 1994). A cadre rotation

system was then conducted in 1994 with the aim to prevent localism. However, political implementation remained ineffective to a large extent because local cadres were very good at creating coping strategies to selectively implement the central policies (O'Brien, 1994; Ding & Ding, 2004). Therefore, how to ensure the implementation of key national policies in local regions—furthermore, how to enhance the CCP's capacity of controlling and monitoring local cadres—became a crucial issue for the central authorities. The nationwide implementation of the objective responsibility system took off under this context.

### **The 1995 Notice**

The objective responsibility system was designed to appraise the leadership corps—the members of local Party committees and the government—of each locality. The 1995 Notice sought to develop a set of criteria that could evolve into a functioning appraisal system and specific performance indicators for cadres who worked in different systems, sectors, and work units. The proposed criteria were designed to assess the extent to which cadres of the leadership corps had attained the identified objective in their work.

The organization department of the Party committee at the next higher level usually adopted the same time intervals used in political investigation in dispatching inspection teams to conduct appraisals of the entire leadership corps. At the end of the inspection, each cadre would receive a performance rating of outstanding (*tuchu*), relatively outstanding (*bijiao tuchu*), ordinary (*yiban*), or unsatisfactory (*jiaocha*). The objective responsibility system was meant to have a real impact on the career prospects of the entire leadership corps. Nonetheless, nowhere in the 1995 Notice were the consequences of an unsatisfactory rating spelled out.

The 1995 Notice stipulated three performance items to evaluate the leadership corps of local governments. Each item was subdivided into several criteria, and each criterion was further divided into specific indicators. Although the 1995 Notice was supposed to emphasize the measurement of actual work accomplishments, it refrained from making rigid rules. It built in a certain degree of flexibility which allows localities to make variations from the national guidelines in accordance with the local situation. Therefore, the tone set by the 1995 Notice attempted to juggle three performance items: economic construction, social development and spiritual civilization construction, and Party building—i.e., political commitment in Party leadership with a special emphasis on maintaining and strengthening Party monitoring and enforcement capacity. The 1995 Notice was replete with possible reasons by which leadership cadres could explain their failure in work accomplishment. A fair performance evaluation might need to take into account subjective and objective factors, natural conditions, local work situations, and any unexpected natural disasters. A fair performance evaluation would have to distinguish long-term from short-term benefits, comprehensive or national from local or regional interests, and individual from collective responsibility. In particular, the 1995 Notice recognized a trade-off between the pursuit of social development and the construction of spiritual civilization and Party building. Although it did not spell out a way to deal with this trade-off, an outstanding rating award was an instantly recognizable accomplishment in Party building. Party building appeared to take a prime position over all other performance measures.

The 1995 Notice released an attachment entitled “The 1995 Trial Run Standards of Performance Evaluation on Work Accomplishment of the Leadership Corps of Party Committee and the Government” (hereafter referred to as the 1995 Paper). The 1995 Paper discussed various approaches and methods for conducting the

performance evaluation of the entire leadership corps. It required the self-appraisal of each leading cadre and the entire leadership corps with respect to job requirements and the fulfillment of these requirements, decision making, implementation and effectiveness of the tasks and, if needed, any extenuating circumstances to account for contingencies beyond the cadre's control. The paper listed different ways of gathering opinions regarding performance from different sources—that is, individual and small-group meetings, opinion polls, surveys based on quantified questionnaires, and inspection of evaluation materials, presentations on task accomplishment, field visits, and the like. Local variations in gathering evaluation opinion aside, the 1995 Paper specified that the Party committee at the next higher level and its organization department were given the exclusive authority to carry out the performance evaluation of the lower-level leadership corps. This measure helped the Party in centralizing cadre personnel authority over the bureaucracy.

In particular, the 1995 Paper listed the components of the criteria and the specific indicators of each item (see Table 1.1). It also made a provision to allow localities to assign weights for each item and scores for each criterion, to establish a growth index for each indicator. More importantly, this attachment also stipulated, as a safeguard measure, that the Party committee at the next higher level would monitor and control the data of all performance indicators. This measure was in line with the Party cadre personnel organizational principle of one-level-down management authority, which in fact allowed two levels of Party authority over the performance appraisal of leading cadres.

**Table 1.1: Criteria and Indicators on Evaluation of Local Leadership Corps  
(The 1995 Paper)**

<b>Basic items</b>	<b>Criteria</b>		<b>Assessment specific indicators</b>
<b>Economic construction</b>	Economic production/development speed/per capita production	1	Gross domestic product (GDP) and its increasing rate
		2	Per capital GDP and its increasing rate
	State tax collection and local financial capacity	1	Tax collection of central government and its increasing rate
		2	Local financial income and its increasing rate
	Living standard of peasants and city residents	1	Per capita peasants' income and its increasing rate
		2	Rate of nonpoverty in poor population
		3	Per capita city residents' living income and its increasing rate
		4	Retail price index
	5	Consumer price index (CPI)	
Agricultural production and rural economic development	1	Acreage of farming lands	
	2	Production of major rural products and its increasing rate	
	3	Acreage of irrigation lands	
Management of state-owned assets	-	Increasing rate of the value of state-owned assets	
Management and development of enterprises	1	Profits of state-owned enterprises	
	2	Increasing rate of profit tax from state-owned enterprises	
	3	Profits of township-owned enterprises	
	4	Tax collection from state-owned enterprises	
Standard of infrastructures such as transportation, resources, telecommunication, construction of cities and townships, farming land, water supply, and so on	-	Investment rate (amount) on construction of infrastructure	

<b>Social development and spiritual civilization construction</b>	Population and birth control	-	Birth rate according to the birth plan
	Social stability and security situation	1	Decreasing rate of criminal cases
		2	Rate of solving major criminal cases
	Situation of education, technology, culture, health, and physical education	1	Implementation rate of nine-year compulsory education
2		Decreasing rate of young and adult illiterate population	
3		Contribution rate of science and technological development	
4		Implementation rate of medical treatment/prevention/health check in rural areas	
Environment protection	1	Standards of dealing with waste water/waste gas/waste materials	
	2	Preservation and development of forests and grass lands	
<b>Party building</b>	Ideology education	-	No specific indicators
	Construction of leadership corps	-	No specific indicators
	Construction of democratic dictatorship	-	No specific indicators
	Construction of Party branches	-	No specific indicators
	Dealing with corruption	-	No specific indicators

*Source: The Notice on Strengthening and Improving the Evaluation of Work Accomplishment of the Leadership Corps of Party Committee and Government at the County (Municipal) Level, 31 August 1995, released by the Central Party Organization Department, internal document.*

As can be seen from Table 1.1, the meaning of “performance” (work achievements)<sup>31</sup> in the 1995 Paper does not adhere to the internationally sanctioned interpretation in performance management studies. In the public administration field, “performance” is usually described by the 3Es: economy, efficiency, and effectiveness. Input, output,

<sup>31</sup> The phrase “work achievements” is usually used interchangeably with “performance” in academic papers on the topic of performance management in China. See the articles written by Li, 2005 and the Project Report of Chinese Public Administration, 2006.

and outcome are three widely adopted indicators to measure the 3Es (Epstein, 1984; Cave, Kogan & Smith, 1990; OECD, 1997; Berman, 2006). However, in the 1995 Paper, “work achievements” referred to the “actual accomplishment of the leadership corps and its members in following the Party’s basic line, regulations, and policies, in fulfilling their job duties, and in achieving tasks within their terms.” In fact, the meaning of “work achievements” is similar to Mao’s definition of “merits” in 1938: being politically loyal to the Party and faithfully implementing the policies and tasks assigned by higher levels. The description shows the authorities’ intention to ensure local cadres’ responsiveness to political directions from above.

Nevertheless, the 1995 Opinion also reflects that the authorities have not attempted to build a rigid local bureaucracy that responds to the central directives like a puppy. The center certainly needs the assistance of local governments to drive the nation’s economic development. Therefore, it would be inconceivable to consider taking away the economic decision-making authority of Party committees at various levels. The center needs to keep the balance between maintaining local officials’ political responsiveness and their incentives to promote local economy. Put in this light, Section 2 of the 1995 Opinion allowed lower-level authorities to assign weights and scores as well as to establish a growth index on each proposed performance criterion, which is subject to the approval of the next higher-level principal departments and offices with functional authority over them. Thus, to some extent, local officials are given policy flexibility to develop performance measurement standards that are adaptable to local situations, and to negotiate with their higher-level principal leaders with pertinent functional portfolios in formulating some performance targets, especially economic tasks. In this regard, “work achievement” as laid out in the 1995 Paper is a relative term, the details of which varied from localities.

## CONCLUSION

Comparative public administration teaches us that there is considerable variation in the operation of administrative structures and techniques in different political, economic, and cultural settings. Public organizations can share the structural features of Max Weber's ideal type of bureaucracy, yet play different political roles and exhibit radically different administrative cultures (Weber, 1958). Consequently, it may not be surprising that performance management works differently in the PRC as compared to major Western democracies. In Western liberal democracies, one basic use of performance measurement is to communicate with the public in order to enhance democratic accountability (Epstein, 1984). For citizens, the lack of information and thus the impossibility to communicate with the government is the main reason why government accountability is needed. Hence, by making government performance reports and the annual budget process open to citizens, public servants are held accountable for achieving their targets. Reporting and analyzing performance information can provide a mechanism for citizens to determine if a government's activities are successful. This is surely the case at the local level of government since the impacts of a local government's actions are more immediate, more focused on the intended audience, and more easily monitored by the public (Bernstein, 2000).

By comparison, performance management in China is akin to reinforcing centralized Party personnel authority over the bureaucracy and ensuring the local accomplishment of the Party's policy objectives than with impartially appraising the work of cadres. In short, performance management is used to improve the political responsiveness of lower-level cadres. As shown in this chapter, under the unified cadre personnel management system, the Chinese bureaucracy is not politically

neutral in the Weberian sense. The CCP monopolizes authority tightly over personnel matters in general, and leadership selection in particular. Cadres at different ranks are locked in the *nomenklatura*, which guarantees that pertinent Party organization departments with management authorization control the career advancements of cadres holding key positions. In this regard, the role of political patronage in career processes beginning from recruitment, appointment, promotion to retirement or removal is both visible and important (Lieberthal, 1995; Li, 2001, pp.87-174). In addition, unlike the position classification method adopted by major Western democracies, the Chinese rank-equivalent classification system emphasizes a cadre's grade, title, and seniority rather than the fulfillment of job duties and work performance. The difference between position-based performance evaluation in the United States and the rank-sensitive performance measurement in China indicates two different approaches in personnel management—one rests largely on protections by the merit system, while the other clearly permits politics to take command.

Under this backdrop, Chinese performance management systems are highly politically charged. Document analysis on the three systems—political investigation, performance appraisal, and the objective responsibility system—shows that performance evaluations are conducted in a complete top-down approach led by Party organization departments with corresponding management jurisdictions. The political attributes of a cadre, evidenced by Party membership, loyalty to the Party, capacity to implement the Party's policies, dedication to the revolutionary causes of communism, and the like, have remained to be a crucial criteria in cadre evaluation and selection. The purpose of implementing performance management in China departs far from the dominant theme of “reinventing a businesslike government” as adopted in Western countries that aims to improve administrative efficiency, flexibility, decentralization, privatization, and the like (Osborne & Gaebler, 1992;

Self, 1993; Dunleavy & Hood, 1994).

## **CHAPTER TWO: METHODOLOGY**

This chapter explains the methodology used in conducting this research project. It introduces the main research strategy, the data collection methods, the data analysis process, evaluates the quality of data, and finally discusses the limitations of the research methods. This study is by nature an explorative research. It aims to interpret how performance management functions locally in China, the distinct features of its implementation, and the role that performance management plays in China's market economic reforms. This study adopts a research strategy that combines the advantages of both documentary analysis and the case study approach. Data were collected in three ways: in-depth narrative interviews with local officials, collection of sufficient local documents, and a small-scale questionnaire survey. Triangulation was used in the coding process to establish confirming data and disconfirming data. The quality of the confirming data was guaranteed by rigorous interpretation and critical analysis of official documents.

### **RESEARCH DESIGN**

The research design begins by identifying the research questions to be addressed. The main question of this thesis is "Will performance management, a tool instituted in Western democracies to reinvent governments by market principles, perform similar functions in Marxist-Leninist states, especially one which is moving toward a market economy"? It relates to some specific questions:

1. What purpose does implementing performance management in Chinese local governments serve?

2. What are the distinct features of the Chinese performance management systems?
3. How can performance management be understood and interpreted in a Marxist-Leninist state?
4. How can the findings of this study shed light on contemporary China's administrative and political reforms?

The main argument of this study is that performance management is primarily used as an instrument to ensure the accomplishment of key higher-level policies in local areas. This project is an exploratory research since previous studies which dealt with the issue are scarce. This study examines how performance management is used to ensure policy accomplishment in local regions and consequently helps strengthen the CCP's control of local cadres from a political perspective. Given that the CCP monopolizes the authority over personnel management affairs, it would be superficial to take performance management as a purely technical issue. Thus, this study emphasizes the political dynamics of conducting performance management in China.

Given the inadequate studies on Chinese performance management, this project needs sufficient first-hand evidence to support its main argument. In order to write a "thick description" on the practice of performance management, this project adopted documentary analysis and the case study approach as two main research strategies. These strategies are useful in understanding the contexts and meanings of phenomena and grasping most accurately the policy intention of CCP officials (Wu, 1995; White, 1998).

## **DOCUMENTARY ANALYSIS**

The theoretical underpinning of selecting the method of documentary analysis is that

Chinese politics is by nature “documentary politics,” which means that the center rules all political bodies by documents conveying vital information. The concept of “document” (*wenjian*) here has a broader meaning than the word that is its closest English counterpart. It covers all kinds of official paperwork produced by governing bodies at various levels, and is distinguished from official’s speeches, personal papers, media publications, and other kinds of nongovernmental documents.<sup>32</sup>

Wu (1995) illustrated the nature of “documentary politics” by explaining the formulating process of official documents. He indicated that Chinese policy making is led by an oligarchy instead of a personal dictatorship, which was called a “collective leadership.” A group of leaders built consensus, formalized personal preferences, and gained ideological legitimacy by means of formulating a document. The meaning of this collective leadership was equal to the Politburo and its Standing Committee—the *de facto* decision-making center in China. Under the collective leadership, if a hegemonic leader hoped to carry out his/her personal preferences, he/she had to transfer his/er ideas into collectively endorsed documents. Therefore, a released document was a major symbol of collective approval on specific issues.

After the rule of Deng Xiaoping whose ruling legitimacy still came from personal

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<sup>32</sup> Chan (1992) specified nine kinds of documents according to their rubrics. (1) Administrative regulations (*xingzheng fagui*) and administrative decrees (*xingzheng guizhang*) are vested with the power to enact regulations and decrees with a general legal binding effect. The former refers to the regulations issued by the State Council and the latter to the regulations issued by the designated administrative authorities. (2) Administrative orders (*xingzheng zhiling*) refer to the decisions given by administrative authorities with regard to the internal discipline of organizations, which include orders of authorization, employment, reprimand, dismissal, and the like. (3) Decisions (*jueding*) refer to judgment on important actions and arrangements for administrative-related matter. Resolutions refer to those on implementing policies and decisions made. (4) Directives (*zhishi*) refer to rules issued, either in verbal or written form, by higher administrative authorities addressing lower authorities with instructions of tasks to be attained. (5) Official replies (*pifu*) refer to the official, written replies from superior bodies to subordinate ones. (6) Notifications (*tongzhi*) refer to those sent out by an administrative authority to a third Party. (7) The acceptance of a case (*shouli*) refers normally to the decision of an administrative authority to accept a case for further administrative actions to be taken. (8) Attestation (*zhengming*) refers to the act of an administrative authority to attest to the status, usually a legal one, of a third Party, to certify the status of a legal fact, or to clarify the status of the legal relationship of the person/parties concerned. (9) Rectifications (*qieren*) refer to the act of an administrative authority to rectify, after going through specific formal or legal procedures, the legal status of a third person, the status of a legal fact, or the legal relationship of the person/parties concerned.

charisma, documents based on collective approval replaced personal instructions as a significant means by which the ruling group reached consensus and compromise, and enhanced legitimacy. The role of documents has a threefold significance: first, the documents conveyed information that was vital for operating the highly centralized Chinese Communist regime; they worked like the nervous system that linked all political bodies, especially between the brain (the decision-making organ) and the rest. Second, the documents functioned as a main bridge linking abstract ideology to daily politics. Official ideology therefore provided the Chinese regime with legitimacy, and offered the basic value system for political judgments and a criterion for policy choices. Third, official documents functioned as a propaganda tool. In China's closed political system, the privilege of obtaining documents that contained vital information that was later disseminated step by step through the ranks of the political hierarchy could help officials to control the masses. Therefore, "documentary politics" was the essential feature of Chinese politics, which was different from the "rule of law" in a democracy and "rule by a single dictator" under an autocracy (Wu, 1995, pp 26-27).

Lieberthal (1978) further emphasized the extreme crucial role that central documents have played in Chinese politics. He indicated that central documents could reflect the most accurate policy intention of the "nerve center" (Politburo and its Standing Committee). The drafting process of the central documents involved the major interested groups. Before the full Politburo reached a decision on a topic, major bureaucracies in that issue area were called upon to contribute to the drafting of an appropriate policy paper. Geographically defined bureaucratic interests might also be drawn into this process, and initial drafts were revised repeatedly to reflect additional views. Sometime, the process also contained a limited public opinion by conducting "investigations" of the situation in local areas (Lieberthal, 1978, p.75).

During this process, compromise, negotiation, and communication occurred among different interest groups. Then as the result of the policy outcome, the final pieces of central documents reflected the conflicts of different interests groups. Although some opinions might be added into the documents, they became rhetoric and remained, in spirit, in the implementation stage. The system of central documents has been “a bureaucratic instrument closely attuned to the political needs of the Party leadership and reflective of the changing relations of these leaders to the political system as a whole and to each other” (Lieberthal, 1978, p.19). In other words, the system of “rule by documents” is the essential approach for the center to govern local agents and to interact with the systems around it.

Given the significance of “rule by documents”, documentary analysis has become a particularly effective method of analyzing China’s political affairs and administrative reforms because it can reveal the policy intention of the CCP most according to fact. Wu (1995, p.35) suggested that documentary politics was crucial in understanding Chinese Communist oligarchy politics, to clarify some key characteristics, and to aid in understanding its nature, operation, and expression. In fact, many scholars rely heavily on this method to analyze government reforms (briefly, Rosenbloom, 1971; Ng-Quinn, 1982; Lee, 1984; Manion, 1985; Burns, 1988; Light, 1997; Chan, 2003, 2004; Chan & Li, 2007). By abstracting and distilling the reasons and causes of administrative change from the documents, scholars provide compelling narratives that serve as building blocks for further analysis and theory building. For example, Manion (1985) examined the fundamental process of Chinese politics by analyzing the 1983 Handbook. Burns (1994) and Chan (2004) used key central documents to develop their arguments on the evolution of the Chinese *nomenklatura* system. Scholars in the United States, including those outstanding contributors to the field of public administration such as David Rosenbloom, Donald

Kettl, Laurence Lynn, and Gerald Caiden, also used documentary analysis to examine American politics and public management reforms.

To develop this project, I gathered in total around 390 official documents. These documents include two series: 190 open-published and 200 internal ones. The open documents include 9 central key pieces and 181 local files<sup>33</sup> collected by searching the Partybuilding Web sites of organizations in 23 provinces, 4 municipalities directly under the central government, and 2 autonomous prefectures which are Inner Mongolia and Guangxi. The time range of these documents is from 1979 (when the center released the first official document on performance management) to 2006 (when the researcher finished the last search of pertinent documents from the Internet).<sup>34</sup> All the open-published files are on the performance management of Party and government cadres, excluding those personnel work in state-owned enterprises and social service institutions. Table 2.1 shows a brief statistics of these open-published documents. Moreover, the field trip allowed for the collection of 190 local documents that were internally circulated within the localities, including 150 performance contracts. All local files were promulgated within the past five years.

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<sup>33</sup> This is the number of all documents which were assessed online by mid-2006. Many local governments may upload new documents on performance management before the end of this dissertation. However, it is impossible to search all of the Web sites of local governments since there are too many local governments in China. Therefore, the number may not be an accurate one.

<sup>34</sup> For example, <http://www.bjdj.gov.cn>—Partybuilding Web site of Beijing Municipality, which contains data on performance management.

**Table 2.1: A Brief Statistic of Official Documents Collected via Internet**

<b>Location</b>	<b>Number of Documents</b>	<b>Number of Organizations That Produced the Documents</b>	<b>Categories of Documents</b>
Central Committee	9	---	APA/ORS/PI
Beijing	1	1	APA
Shanghai	4	3	APA/ORS
Tianjin	1	1	APA
Chongqing	4	2	APA/ORS
Anhui	3	3	APA/ORS
Fujian	8	5	APA/ORS
Gansu	1	1	ORS
Guangdong	8	5	APA/ORS
Guangxi	1	1	APA
Guizhou	2	1	APA
Hebei	1	1	ORS
Heilongjiang	5	4	APA/ORS
Henan	5	4	APA/ORS/PI
Hubei	7	3	APA/ORS
Hunan	10	4	APA/ORS
Inner Mongolia	8	2	APA/ORS
Jiangsu	15	14	APA/ORS/PI
Jiangxi	4	2	APA/ORS
Jilin	6	4	APA/PI
Liaoning	6	4	APA/ORS
Shaanxi	12	10	APA/ORS/PI
Shandong	19	7	APA/ORS
Shanxi	3	3	APA/PI
Chongqing	3	2	APA/ORS
Sichuan	2	1	APA
Xinjiang	4	4	APA/ORS/PI
Yunnan	13	5	APA/ORS/PI
Zhejiang	34	19	APA/ORS/PI*
<b>In Total</b>	<b>190</b>	<b>116</b>	---

*PS:*

\* APA: Documents on annual performance appraisal of leading and non-leading cadres;

ORS: Documents on objective responsibility system;

PI: Documents on political investigation.

By examining the central documents, this study hopes to understand the top leader's policy intentions on implementing performance management. As policy outcomes approved by collectively leadership after negotiation, bargaining, and comprise, every central document reflects the top leader's decision on establishing or developing the performance management system in China. Among the nine documents, three were taken as milestone pieces by this project: the 1979 Opinion, the 1995 Notice, and the 2002 Regulations. The 1979 Opinion established the performance appraisal system which marked the commencement of performance management implementation in contemporary China. Although performance appraisal experienced several rounds of change, the basic content set by the 1979 Opinion, for example, in terms of evaluation indicators, procedures, and goals of implementation, is to a considerable extent effective today. The 1995 Notice, although with an experimental nature even up to now, is the only official document which implements the objective responsibility system in local regions. The attached 1995 Paper (see Table 1.1) offered a clear framework of measurement indicators, which were widely adopted in local practices. The 2002 Regulations is currently the most authoritative document which proposes the role of political investigation on Party and state leadership appointment and selection. The promulgation of this document clearly emphasizes the importance of political criteria over work performance in selecting leading cadres.

The analysis of local documents is indispensable. On one hand, it may discover to what extent central policies are implemented smoothly in reality, and on the other

hand, it shows how local cadres have discretion to formulate their own measurement systems in accordance with the central requirements. This study gives an emphasis on analyzing the internal local documents collected from the field trips. The analysis of these documents will aid in understanding the policy meaning of the central pieces and variations in the application.

However, as true with most research methods, documentary analysis has its own limitations. First, the theoretical description stipulated by the documents might be different from the real-world scenario. Some crucial documents, such as the 2002 Regulations, were written in very general terms in order to give local cadres certain discretion to make their own performance management systems adaptable to local situations. Unfortunately, an examination of such documents cannot offer a clear picture of how the political investigation system works in the real world. Moreover, and more often than not, there are some “hidden rules” in politics that cannot be explained by paperwork. Second, documentary analysis is not so strong in interpreting the positive or negative implications of the application of performance management systems. For example, the selective implementation of central policies was rampant in local China. Scholars found that performance targets may conflict with one another; for instance, rapid economic growth might conflict with the goal of environmental protection, attracting foreign investments might lead to more corruption cases, and the like. As a result, local cadres tended to implement some priority policies such as family planning but ignored others that were welcomed by the villagers such as the rule of law (see O’Brien & Li, 1999). Obviously, documents alone cannot explain why at times, central policies were twisted in the local implementation stage.

In sum, documentary analysis is the best method to explore the Chinese authorities’ policy intentions. However, it is short in providing in-depth information

on how the target groups perceive the policies, how they actually implement the policies, and how effective these policies are toward the achievement of their intended goals. To determine the role of performance management in Chinese local governments, it is therefore necessary to understand both policy intentions (for example, the purpose of implementing performance management) and the real-world scenario (how performance management works in practice). Documentary analysis can then help this paper realize part of its mission. To grasp more in-depth information, a case study approach is adopted as well in order to make up for the shortcomings of the documentary analysis method.

### **THE CASE STUDY APPROACH**

The case study approach is widely used in studies on public administration and politics. A certain percentage of published doctoral dissertations and academic papers in *Public Administration Review* in the past two decades adopted case studies as its main strategy (see White & Adams, 1994). Undoubtedly, the case study approach has many advantages. The first one is that it often locates its findings in its particular historical and cultural context. This merit is especially obvious in studying politics because the case study does not isolate political events from their surroundings (Peters, 1998, p.141). In this regard, the case study is “holistic” rather than dealing with “isolated factors” (Denscombe, 2003, p.31). Another advantage is that it is the superior method for process tracing or for identifying potential logics that drive the changes in particular events (Bennett, 1999, p.2). Bartolini (1993, p.141) indicated that using the case study was the foundation for understanding fundamental political processes better. This is because the case study can look directly at the sequence of events that produced an outcome, rather than just the outcome. Therefore, an

in-depth case study method is most appropriate when the research objective is to identify the mechanism behind phenomena which are not well understood unless a strategy to obtain the possible correlation between these phenomena is used (Ragin, 1987, p.44). The third strength of the case study approach is that it allows the researcher to use multiple sources and multiple methods as part of the investigation (Denscombe, 2003). The observation of events within the case study setting can thus be combined with documentary analysis and in-depth interviews with the people involved. A further justification for applying the case study approach in this project is the constraint in collecting empirical materials, particularly in the case of China which is so big. It is preferable to opt for a small-N analysis given the practical constraints of arranging an extensive field trip in China.

This study looks at local governments closely to examine performance management in China. This method is guided by the assumption that systemic changes can often be observed at the local level first (Edin, 2003). Many new policy initiatives are tried out in local areas. Usually, though not necessarily, experiments at different localities provide important feedback for further policy deliberations, formulations, and alignments.<sup>35</sup> Besides, only at the local level can we completely observe the function of all the three sub-systems of performance management.<sup>36</sup> Therefore, this study limits the scope in the countryside, including governments at both the county and township levels. The field trips were also arranged in counties and townships in north-west China.

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<sup>35</sup> In February 2006, He Guoqiang, head of the Central Party Organization Department, requested that the staff of the Central Party Organization Department and local Party organization departments jointly experiment with new comprehensive evaluation methods and conduct tests at selected localities in Inner Mongolia, Zhejiang, and Sichuan provinces; News Report (2006, February 12). To take one more step to improve cadre evaluation work. *People's Daily*, p. 2.

<sup>36</sup> As mentioned in Chapter Two, the objective responsibility system is only conducted at and below the county level.

## CASE SELECTION

It is necessary to justify the selection of cases in this study because “understanding the critical phenomena depends on choosing the case well” (Yin, 1989; Patton, 1990; Vaughan, 1992). Denscombe (2003, p.33-34) indicates that the standard for good case selection is “suitability,” which means that the case selected is appropriate for the purposes of the research. Upon this ground, researchers have four general choices: typical case, extreme instance, test-site for theory, and least likely instance.<sup>37</sup> As mentioned previously, the purpose of this study is to discover how performance management is used as an instrument to ensure policy accomplishment in local governments. The thesis seeks to generate theories that can be further tested by future empirical studies. Therefore, it hopes to analyze a typical case whose findings may apply to other cases with similar features. “Typical” here means the case is an ordinary case instead of a particular one. The study thus selects two inland<sup>38</sup> localities in north-west China to meet its purpose.

China is so huge that it is not feasible to conduct extensive field studies in both inland areas and costal areas with limited time and financial resources. As a small-scale project, this study will give a priority to inland counties. This decision is taken because the study of inland cases has been considered of utmost importance given the bias toward cases representative of costal areas in the academic field at

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<sup>37</sup> A typical instance means that the particular case is similar in crucial aspects with others that might have been chosen, and the findings from the case study can therefore likely be applied elsewhere. An extreme instance is selected on the grounds that far from being typical, it provides something of a contrast with the norm. The logic is to allow the influence of the factor to be more easily seen than it would be in the average-size authority. A test-site for the theory case is selected to test the theories and build on them. A least-like instance is selected to test the validity of the “theory” by determining if it occurs in an instance where it might be least expected. See Denscombe, M. (2003). *The good research guide for small-scale social research projects* (2<sup>nd</sup> ed.). Buckingham: Open University Press.

<sup>38</sup> Generally speaking, “inland” regions refer to mainland China as a whole entity as compared to Taiwan province and the two special administration regions of Macau and Hong Kong. However, within the mainland, inland areas usually refer to the north-west part compared with east-south costal areas. “Inland cases” in this study adopts the second meaning.

present, especially in south-east China, such as Jiangsu, Guangdong, Shanghai, Shandong, and Zhejiang (see Ho, 1994; Brown, 1998; Edin, 2000 & 2003; Whiting, 2001, 2004 & 2006). A review of the literature shows that the previously mentioned scholars have carried out case studies in the developed areas. Their works have produced a great deal of data on the objective responsibility system in these regions. Among the scholars, the most representative figures are Maria Edin and Susan Whiting. They interviewed local cadres in order to know how the objective responsibility system worked in the grass-root governments in costal areas. Their studies' findings showed that the objective responsibility system was the main driving force for local cadres to promote economic development. In the wealthier counties, the cadre evaluation system offered a high-powered incentive because local cadres could get high payoffs if their performance were strong. Hence, the cadre evaluation system (with a market-type incentive mechanism) motivated local cadres to be more loyal to the Central Party and thus helped strengthen the Party rule.

These findings are valuable. However, the validity of these studies is unavoidably limited by such a case selection. In her thesis, Edin (2000, p.145) admitted that, "The main focus [of her study] is on the developed areas. However, any explanation would remain incomplete if the manner in which it relates to the less-developed areas was not also addressed." Although she found that the high-powered incentive system in the developed areas was distorted in the poor areas, she did not give a detailed interpretation. However, most Chinese counties are not as developed as the costal counties; indeed, counties in inland areas are more representative of the average level of economic growth, policy innovation, and bargaining power with the center.<sup>39</sup> In this regard, costal counties are largely not "typical;" instead, they are more like

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<sup>39</sup> One similar example is that developed cities such as Guangzhou, Shenzhen, Beijing, Shanghai, and Shandong cannot reflect the actually average level of Chinese cities' economic development.

extreme cases. For example, local governments in Zhejiang, Shandong, and Guangdong have been considered by scholars as the front line of trials in performance management reforms, private economic reforms, and the hometowns of a rising civil society (Foster, 2003; Zhang, Zhang & Liu, 2004). More often than not, the policy initiatives carried out by counties in coastal regions cannot be easily replicated in inland counties given their lower-level economic capacities and limited reform experience. Case selection in coastal counties is better used for explaining new experiments on administrative reforms rather than building a general theory. Therefore, this study chooses to examine inland counties to meet its goal.

### Site Selection

This study closely looks at two counties under Xi'an City, Shaanxi Province in north-west China. Xi'an City is the capital city of Shaanxi Province. In 2006, it had an estimated population of 7,417,000, making it the largest city in Shaanxi.<sup>40</sup> It administrates nine districts (with 75 street offices), four counties, and 102 townships.<sup>41</sup> In 2005, the local GDP of Xi'an City was 127 billion *yuan*, and its annual growth rate was 13.1%.<sup>42</sup>

The two counties selected by this study—Hu County and Zhouzhi County—represent an average level of counties under the administration of Xi'an City in terms of their population, local GDP, and administration jurisdiction (*xingzheng guanxiaquan*). According to official statistics in 2005, the average population of the counties under the administration of Xi'an (Hu County, Zhouzhi

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<sup>40</sup> See official statistics at <http://www.sxsdq.cn/Html/Article/sqgk/sxqk/35313900.html>

<sup>41</sup> The nine districts are Xincheng, Beilin, Lianhu, Baqiao, Weiyang, Yanta, Yanliang, Lintong and Chang'an. The four counties are: Lantian, Hu, Zhouzhi, and Gaoling.

<sup>42</sup> See official statistics at <http://www.xa.gov.cn/cenweb/xagov/zwgk/show.jsp?id=ABC0000000000004987>

County, Lantian County, and Gaoling County) was 521, 299 people. The average local GDP of the counties was 2.4 billion with an annual growth rate of 13.7%. The average number of territorial organizations (including towns, townships, and other local organizations such as traveling zones) administrated by the counties was 17. Comparatively, in 2005, Hu County had a population of 576,845, and its local GDP was 3.7 billion with an annual growth rate of 13.7%. There were 16 territorial organizations under the administration of Hu County. Zhouzhi County had a 2005 population of 634,369, and its local GDP was 2.1 billion with an annual growth rate of 13%. It administrated 22 territorial organizations in 2005.<sup>43</sup> The numbers show that the two selected counties are fairly “typical” in terms of population size, economic capacities, and administrative jurisdictions. The findings in the two localities may apply to other local governments under the administration of Xi’an City. In addition, *The Sixth Report of Assessment on Competitiveness of Counties in China* published in 2006 shows that the local GDP of most counties is within 9%-17%.<sup>44</sup> The two selected counties displayed annual growth rates around 14% during the first half of the 2000s, which showed that they were among the most ordinary counties in China.

Moreover, three other criteria were also used in selecting the field sites. Some criteria were chosen on the “pragmatic” ground, which is indeed important in the practical world of research (Denscombe, 2003). However, the site selection was primarily based on suitability, along with the consideration on access to information.

Maturation: Maturation has been considered an important criterion in case studies by previous performance management scholars. Bernstein (2000) argued that the amount of experience in implementing performance evaluations was crucial to the

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<sup>43</sup> See official statistics at <http://www.xa.gov.cn/cenweb/xagov/xazl/xanianjian.jsp>

<sup>44</sup> The report is accessed at <http://www.China-county.org/xianyupingjia6/baogao-002.htm>

assessment of the study's extent of external validity. Only when the performance management systems had accumulated considerable experience through implementation could local leaders be able to gain a comprehensive and objective view and to make a judgment on the extent to which the intended objectives were achieved, and then to identify and deal with the factors that would impede an effective implementation. Most Chinese local officials are very cautious in sharing information for academic purposes. Thus, it is not feasible to ask local leaders to judge their performance management activities if the systems are not mature enough. Moreover, information on the use of performance measures, and intended and unexpected effects and consequences would be easier to collect if the formal use of such measures has been in place for more than three years. In this regard, the two counties were selected because they have extensive experience on performance measurement. Zhouzhi County has practiced the objective responsibility system for more than a decade. Hu County took on some innovative efforts on performance management in 2005, which means that to some extent, the measurement systems are mature and are ready to take on changes.

Leadership Support: This case study is illustrative of relating leadership support to the experience in implementing performance management within a context where the level of economic, political, and societal growth of inland counties considerably varies from those of the counties of wealthier costal regions. The information gathered from Hu and Zhouzhi Counties exhibited a high level of leadership support in implementing performance management. For example, *Xi'an Daily*, the official newspaper of the Xi'an territorial Party Committee, made three special reports to widely publicize Hu County's achievement in performance management on September 5, and October 12 and 15, 2004, respectively. The mouthpiece of the Party's controlled Propaganda Department, *Shaanxi Forum*, also made a wide

coverage of how successful performance management was being conducted in four out of its 12 issues in 2005. Furthermore, the Party Organization Department of Hu County produced a book (entitled Reform and Innovation of the Performance Appraisal Method of Leading Cadre [Internal Document]) that compiled all related information and materials on performance management in 2004. This book was sent to all cadres with portfolios on performance evaluations so as to prepare for the 2005 countryside performance evaluations. In China's particular context, the production of this document played a significant symbolic role in its political life and functioned as a means by which the ruling group reached consensus and compromised and enhanced legitimacy.

Access: Access to archival documents and leadership approval in conducting surveys and interviews were crucial given the nature of this study. Without access, it would not be possible to carry out the research design as proposed. In China, access to internal documents has remained a main obstacle for scholars to conduct qualitative studies. Access to these materials highly depends on the reliability of researchers such as Party membership, positions, and titles. As a local Chinese, I was provided with full access to the sites selected, and all materials requested were provided either during or shortly after the site visit.

## **DATA COLLECTION**

Previous studies provide valuable second-hand data upon which this study is predicated. However, the main findings presented in this project heavily depend on first-hand data gathered from two rounds of field trips to the two selected localities in 2005-2006. The data collection methods are in-depth personal interviews, collection of local documents especially performance contracts, and a small-scale questionnaire

survey. The county organization departments usually helped arrange the required interviewees, and provided documents and other information on specific issues. The interviews adopted a narrative method to discover how cadres perceived and conceptualized the relations between performance measurement and their career lives. The survey was used to collect the basic information of local cadres and to cross-check the interview data. The narrative interviews combined with analysis of local documents take center stage in this design.

### **A NARRATIVE APPROACH**

It is argued that as an interpretative approach, the narrative inquiry can strengthen the quality of research in public administration, especially those looking for the meaning of policies that are unique in specific contexts (for example, White, 1999; Ospina & Dodge, 2005). Different from the dominant explanatory approach which requires social scientists to keep “value neutral,” the narrative mode argues that seeing and knowing the political realities and functions of public policies can “only happen from inside the world, and the it is always bridged by conversation” (Ospina & Dodge, 2005, p.146). In both political science and applied fields such as public administration and organization management, researchers’ emphasis is changing from behavior explanation to narrative and storytelling to update the positivists’ methodology. Researchers have extensively used the narrative approach in their empirical investigations to examine issues such as political events and their implications (Cohen, Jones & Tronto, 1997; Tetreault, 2000), policy making (Stone, 1988; Fiske, 1993; Dryzek, 1982; Jennings, 1987; Roe, 1992), organizational performance and culture (Martin, 1992; Corvellec, 2003), and citizen perceptions of the policies implemented (Schram & Neisser, 1997).

The narrative inquiry has become popular, especially in the public administration research realm, because of the following reasons. First, it provides an internally consistent research approach that uncovers the meaning of data rooted in context and thus promotes interpretation. Second, it strengthens the quality of public administration research by matching methods to lens, attending to context, voice, and perspective, and tapping into the unique kind of knowledge that is communicated through stories and narratives. Third, it connects theory to practice as well as academic researchers to practitioners (briefly, Yanow, 1996; Denzin, 1997; White, 1999; Gill, 2000; Feldman et al, 2002; Riessman, 2002; Ospina & Dodge, 2005).

Back to this study, recording the reality of performance management is necessary, but capturing individual interpretation in the realities is more important. Hence, a narrative inquiry is motivated. In-depth interviews were used to encourage the interviewees to express their feelings and perceptions on the investigated issues<sup>45</sup>. In total, 30 leading cadres were formally interviewed in the two selected sites (see Table 2.2).

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<sup>45</sup> Usually, the researcher provided a list of interviewees (in the form of their positions or working units, such as the head of the personnel bureau) to the organization departments. Then the department provided the contact details and arranged the meetings' time and venue.

**Table 2.2: Codes of Interviews in Xi'an Local Governments in 2005-2006**

Places	Positions	Units	Dates	Codes
HU COUNTY	Head	Organization Department of County Party Committee	7 July 2005	HC-1-20050707
	Deputy Heads (Two)	Organization Department of County Party Committee	8 July 2005	HC-2-20050708
	Deputy Head	Personnel Bureau	11 July 2005	HC-3-20050711
	Director	The Establishment Commission	14 July 2005	HC-4-20050714
	Head	Price Bureau	15 July 2005	HC-5-20050715
	Head	Water Bureau	19 July 2005	HC-6-20050719
	Head	Forest Bureau	22 July 2005	HC-7-20050722
	Section Chief	Personnel Management Office under Auditing Bureau	23 July 2005	HC-8-20050723
	Director	Commission of Family Planning	27 July 2005	HC-9-20050727
	Director	Commission of Economy and Planning	3 August 2005	HC-10-20050803
	Secretary	Work Committee for Units directly under the Party Committee	5 August 2005	HC-11-20050805
	Deputy Secretary	Commission of Political and Legal Affairs	8 August 2005	HC-12-20050808
	Party Secretary	Wuzhu Township	12 August 2005	HC-13-20050812
	Party Secretary	Yuxia Township	15 August 2005	HC-14-20050815
	Party Secretary	Zu'an Township	16 August 2005	HC-15-20050816
	Party Secretary	Ganting Township	17 August 2005	HC-16-20050817
	Head	Organization Department of Zhouzhi Party Committee	8 July 2006	ZZ-1-20060708
	Section Chief	Cadre Management Section	9 July 2006	ZZ-2-20060710

<b>ZHOUZH COUNTY</b>		under the Organization Department		
	Section Chief	Office of Management by Objectives under the Personnel Bureau	9 July 2006	ZZ-3-20060719
	Deputy Head	Agriculture Bureau	11 July 2006	ZZ-4-20060711
	Section Chief	Personnel Management Section under the Agriculture Bureau	11 July 2006	ZZ-5-20060711
	Secretary	Work Committee for Units directly under the Party Committee	12 July 2006	ZZ-6-20060712
	Director	Bureau of Civilization and Physical Education Affairs	13 July 2006	ZZ-7-20060713
	Head	Bureau of Township-owned Enterprises Management	15 July 2006	ZZ-8-20060715
	Member	Standing Committee of the County People's Congress	17 July 2006	ZZ-9-20060717
	Party Secretary	Furen Township	18 July 2006	ZZ-10-20060718
	Party Secretary	Erqu Township	18 July 2006	ZZ-11-20060718
	Director	The Women's Federation	20 July 2006	ZZ-12-20060720
	Deputy Head	The Security Office of Erqu Township	20 July 2006	ZZ-13-20060720

The study includes two cycles of data collection. The first round started from Hu County in August 2005. The researcher conducted in-depth interviews with 17 local leading cadres. At that time, all the leading cadres were responsible for conducting performance management at least in their work units (*gongzuo danwei*). The interviews adopted the narrative approach to determine how the interviewees perceived and conceptualized the relations between performance measurement and their career lives. Furthermore, the interviews were semi-structured in that the researcher had some questions in mind to guide the interviewees once they went too

far from the research topic. First, the researcher asked specific information about the interviewees and their work units, for example, how long they have been serving in their position, the amount of cadres and established posts in their units, and what kinds of work their units were mainly responsible for. Then they were asked to talk freely about their observations, feelings, and experiences with regard to performance management work in this county, for example, how the Party organization department conducts performance appraisal and measurement, what purposes their current evaluation program serves, what kinds of problem they have encountered in previous experiences of conducting performance management, and if such performance evaluation directly affected their career mobility. Lastly, the researcher discussed with the informants the political, cultural, and social context that affects the selection of targets in the performance contracts.

The time of interviews in the first round varied from at least half an hour to at most four hours. Most interviewees liked to share their experiences and knowledge in conducting performance management work. The interviews found that most informants had rich experiences in cadre evaluation and selection because they have served in townships and county liner bureau key positions for an average of 10 years. From their stories and narratives, some preliminary findings are established. First, performance management is easily influenced by political factors. It may be used as an approach to select the “right” persons who are not always good performers. Second, the accomplishment of performance contracts is not necessarily linked to higher remuneration or extra benefits and power. Although some monetary rewards are offered by the county, the amount is not sufficient enough to motivate cadres to perform better. Third, work achievements may be important for local leaders to keep their current positions, but these have limited influence in getting them selected for higher positions.

The second round of field trips started from Zhouzhi County in July 2006. The researcher employed a more targeted approach to collect further information and test thematic propositions derived from the early research. This time, the interviews focused on specific issues of the project.<sup>46</sup> In total, the researcher interviewed 13 local leading cadres. As usual, all interviews were conducted after the permission of Party organization departments was sought. This time, the researcher prepared a research guide to direct the in-depth interviews (see the Attachment). These interviews were shorter than those in the first time, and they lasted for an average of one hour. The findings show that performance management was used to ensure the accomplishment of high-level policy goals in local regions. This is one way for the Central Party to monitor and control the behavior of local cadres. Negotiation on the establishment of performance standards was not allowed in the selected counties. It is therefore fair to say that the findings in the second round of research corroborated, to a large extent, the propositions established in the first round and collected more information crucial to the development of the main arguments of this study.

## **COLLECTION OF DOCUMENTS**

As mentioned earlier, this study collected 190 local documents on performance management via Internet search. Using Party-building Web sites as the main sources of these documents is feasible because China has been rapidly constructing an e-government in recent years. Moreover, Party and governments offices as well as organizations at various levels are all required to build their own Web sites. The Party-building Web sites contain all kinds of information about Party affairs,

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<sup>46</sup> Although the emphasis was on the more specific issues, the interviews also contained questions that double-checked the information collected from the first round of research.

including personnel management, building Party branches, conducting propaganda work, and introducing the latest policies, meeting reports, and official speeches. They are especially useful in finding documents on performance management. Since 2000, the central authorities have required that local governments build and regularize a performance appraisal and objective responsibility system. As a result, local governments produced many documents on these issues. The researchers also collected about 200 internal documents on performance management in the field trip. All these documents, two-thirds of which are performance contracts, are circulated within the Party committees and governments and are never shown to the public. The rest of the documents are about methods to conduct performance management, distribution of performance targets, responsible organizations for performance targets, and the like<sup>47</sup>.

### **A SMALL-SCALE SURVEY**

In addition, the data used in this study were also derived from a survey based on a six-page questionnaire which contained 39 questions. Except for the last one, the questions were close-ended. In general, these questions could be divided into the following seven clusters:

- (1) Collection of personal biographical information (such as Party membership, personal grade, year of service in the current post and in the state sector, the particular functional system that they work in, and the like);
- (2) The method by which performance evaluation of various kinds are conducted,

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<sup>47</sup> This project focuses on documents collected in the field trip. Analysis of the open published documents will be used to supplement the analysis of internal documents.

in particular the objective responsibility system (the key tool of this was the performance contract system);

- (3) Local cadres' opinions with respect to the various aspects of performance evaluation;
- (4) Indication of the ranking and importance of performance criteria with regard to the objective responsibility system, where appropriate and applicable;
- (5) Indication of the relation between the objective responsibility system and local cadres' incomes;
- (6) Indication of the importance and effectiveness of political investigation, particularly for cases waiting for recommendations for promotion and appointment to a senior level position.

The last question, which is the only open-ended one in the list, invited them to suggest ways to resolve the most urgent problem in the performance evaluation system. The front page of the questionnaire introduced the survey and ensured the preservation of the anonymity rule. Participants were expected to finish the questionnaire in about 15 minutes. In total, 50 questionnaires were sent out. As 48 copies were returned, the questionnaire return rate was very high (96%). The data were used mainly to cross-check the interview information<sup>48</sup>.

The findings of questionnaire survey showed three points: Firstly, all Party and state organizations are categorized into four functional systems. Among the 48 returned questionnaires, 17 indicated that they were Party offices and organizations, 11 were offices and organizations for comprehensive management, 12 were offices and organizations for economic management, and 8 were township offices and

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<sup>48</sup> As illustrated before, the study in itself is not amenable to statistical analysis because in the first place, there are few theories available from which to derive hypotheses concerning possible correlations which could then be empirically tested.

organizations. Secondly, 34 questionnaires indicated that their organizations adopted some common targets to measure organization performance, for example, safety production, Party building, family planning and maintaining social security. Selection of the remaining indicators, however, might depend on the job functions of organizations in different functional systems and specific requirements of the higher level government<sup>49</sup>. These data were consistent with targets in performance contracts. Thirdly, there is no obvious relation between local official's month income and their work performance. Local cadres' month income is more dependent on their rank. For example, the questionnaires showed that no matter which organizations local cadres worked in, the total income (including basic salary and bonuses) of a cadre at the section-level (*keji*) was around 1,000 *yuan*, whereas the total income of a cadre at the deputy county-level (*fuchuji*) was around 1,500 *yuan*. The information was confirmed after double-checking with interview data.

## DATA ANALYSIS

The data collected from the survey questionnaire and the in-depth personal interviews were coded and analyzed on the basis of a standard twofold fieldwork method.

First, triangulation was used to establish the confirming or disconfirming data. Information that passed double or triple checks by different sources were kept as confirmed data, and those controversial data were sorted out. For example, anti-corruption was mentioned as a target with "veto power" by just one township Party secretary. However, government documents and interviews with other township Party secretaries in the same county did not express the same opinion. Hence, this

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<sup>49</sup> The other 14 copies did not give opinions on this question.

study did not categorize the target as one with veto power.

The second step was to codify the confirming data. Miles and Huberman (1993) described the coding process in content analysis as a search for structured and patterned regularities in text. In this study, interviews were recorded using a notebook computer, thus creating texts for analysis. In most cases, nearly verbatim paraphrased notes were taken to record interviews. Interviews were analyzed using a variation on content analysis which is called discourse analysis. Rather than requiring strict definitions and literal word counts to derive meaning from the frequency of responses, as in the content analysis, the content variables were not pre-determined and fixed in discourse analysis but were rather evolved (Truex, 1996; Bernstein, 2000). Since the interviews were semi-structured, interviewees' responses to each question were grouped together. Patterns of reflecting commonly held opinions or perceptions became apparent and were then reflected in the case studies. Contrasting opinions were occasionally included for emphasis. Here, I paid special attention to the context of interviewees' responses, which meant their opinions and perceptions were not separated from their whole stories. Basic information, such as personal biographic information, was attached with each question. This was done in order to interpret their responses as accurately and completely as possible.

Basically, data were codified by three systems of performance management, and some data were categorized to common items in all the three sub-systems: (1) how the system works in the investigated organization, including procedures, general results, rewards and punishment measures, and the like, (2) the purpose of carrying out the system, including both interpretation of government documents or personal experiences, (3) the extent to which the interviewees feel that performance management affects their lives, both in their career prospects and personal lives, (4) barriers to the effective use of the system, and (5) interviewees' perceptions on the

role that the system plays in the investigated localities.

Some data were categorized into items under different systems. For political investigation, such items included the role of political investigation in leadership selection, how to balance work achievements and political qualities in selecting a cadre, what kinds of approach the investigation group used to testify a cadre's political qualities, and the like. For performance appraisal, such items included the process of grading cadres by their performance, the effectivity of rewards and punishments to motivate their performance, the significance of performance appraisal in practice, how to integrate the objective responsibility system with performance appraisal, and the like. For the objective responsibility system, such items included the process of deciding on performance targets, the relation between targets and local contexts, local leader's bargaining process with higher levels on targets that may be hard to achieve, the evolution of performance contracts during the past two decades and its dynamics, differences in implementation of performance contracts in districts and counties, and consequences of the accomplishment of performance contracts.

Documents were codified first by localities, then by contents for the convenience of making comparison of the same policies in different localities. Performance contracts were categorized by different functional systems (Chapter Four will explain the functional systems in detail).

### **“VALIDITY” AND “RELIABILITY” OF DATA**

People might question the quality of data in this study for two reasons: first, if the quality of data collected through narrative inquiry is ensured, and second, if it is at all possible to rely on information provided by interviews with the CCP officials. The

answers are not only important to this project but are also critical to all interpretative research in studies on China.

## **HOW TO ENSURE THE QUALITY OF NARRATIVE DATA**

To answer the first question, we must start from the debates on different standards of data quality separately adopted by explanatory research and interpretative research. Interpretative scholars have argued that the standards of quality commonly recognized in assessing explanatory research, such as validity and reliability, are not consistent with the logic of interpretive approaches such as narrative inquiry (Mishler, 1990; Box, 1992; White, 1999; Dodge, Ospina & Foldy, 2005). As Riessman (1993, p.65) pointed out, “traditional notions of reliability simply do not apply to narrative studies, and validity must be radically reconceptualized.”

The root of the inconsistency lies in the different concerns with the two primary dimensions of research quality: rigor and relevance. For positivists, “rigor” has been defined as the accurate and systematic application of theory and method, which determines whether research activities can ensure some level of validity, reliability, and objectivity (Lincoln & Guba, 2000). “Relevance,” which assumes an automatic connection to rigor, refers to the potential of research findings to enable practitioners to come up with wiser solutions to practical problems (White, 1999). Post-positivists such as interpretative scholars, however, explain rigor and relevance in a different way. They also honor rigor as the application of method, but they assume that no method can deliver an ultimate truth because no method guarantees an objective approximation of an external, independent reality. Instead, they stress the rigor of interpretation, that is, the researchers truly depart from the academy and enter into the insider’s world and then rigorously interpret the meaning and intention of the

resulting data. Drawing from this notion of rigor, relevance is not just about capturing a truth or a reality but pursuing worthwhile human purposes. In other words, research becomes relevant because it accurately captures the truth, or the local truths, that are meaningful for people in the world (Reason, 2003; Dodge, Ospina & Foldy, 2005, pp.288-290).

Hence, interpretive scholars have developed standards that suit this mode's underlying assumptions about the nature of reality and knowledge construction to judge the quality of their work. They have reframed positivist standards and developed new quality standards that would help researchers become interpretively rigorous. For example, Lincoln and Guba (1985) developed credibility, dependability, confirmability, and transferability. Meanwhile, Riessman (1993) indicated persuasiveness, correspondence, coherence, and pragmatic use as the four standards that would ensure the quality of interpretive research. More recently, Dodge, Ospina, and Foldy (2005) adopted credibility, dependability, and confirmability in assessing their research on leadership. Although their standards are different, these studies successfully testified the quality of the data they have gathered through narrative inquiry.

Therefore, interpretative standards must be used to testify the data consisting of interviews in this study. Three standards developed by previous studies are adopted: credibility, dependability, and confirmability, and coherence (Lincoln & Guba, 1985; Dodge, Ospina & Foldy, 2005).

Validity<sup>50</sup> is replaced with credibility as a test of the plausibility of argumentation. There are three ways to ensure the credibility of narrative data. First of all, credibility can be ensured through the extensive documentation of findings.

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<sup>50</sup> In positivist research, "validity" refers to the goal of getting as close as possible to the essence of reality.

Writing “thick descriptions” and backing up claims with raw data, for example, helps establish that the researcher is deeply familiar with the research sites and participants. Second, credibility is also ensured by carefully distinguishing data from analysis and the informants’ voices from that of the researchers. The third way is to use triangulation to enhance credibility (Denzin, 1989; Goetz & LeCompte, 1984; Hesse-Biber & Leavy, 2006). In this study, I triangulated data sources by generating field notes and by collecting organization documents in addition to interview data. I also triangulated methods by complementing narrative inquiry with questionnaire survey and documentary analysis. I interviewed some non-leading cadres (these people were not listed in Table 2.2) to testify on the words of their supervisors. The documents collected and the data from the in-depth interviews are sufficient to write a thick description of the empirical findings.

In this study, reliability is reconsidered as well. Dependability and confirmability represent the interpretivist counterpoints to reliability. From the view of the interpretivist, the reliability of data is concerned with whether the research process and its products can be judged as fair, unbiased, or coherent by people who are external to the process (Lincoln & Guba, 1985). The key to this criterion is the transparency of methods. To demonstrate the dependability of this study, I have described the research strategies, data collection, and data analysis methods in detail in the previous part of this chapter. Furthermore, I have also clarified how I have gained access to the research site as well as sufficiently explained the methods used in conducting the interviews. Moreover, the interviewees’ original opinions will be explicitly stated and cautiously interpreted according to their meaning in the following chapters. Finally, I make sure that I stick to moral and aesthetic standards in interpreting the research findings. All of these efforts aim to build the trustworthiness of this study. Some criteria may seem like verbal promises, but

interpretive scholars confirmed the effectiveness of these criteria because they “ensure that such issues as prolonged engagement and persistent observation are attended to with some seriousness” (Lincoln & Guba, 2000, p.178).

The recent work of Dodge, Ospina, and Foldy (2005, p.296) also suggested that interpretive scholars needed to develop new standards because those mentioned above “may not fully or explicitly reflect the logic of the interpretive approaches to inquiry, and their concerns with interpretive rigor.” They thus raised three new standards: participation, practicality, and coherence. For this study, the third criterion is relevant. Coherence highlights the distinct contribution of narrative inquiry. In data collection, I asked the participants to tell stories about their work to illustrate underlying assumptions and implicit practices that could be difficult to find in official documents. I also treated the narratives as a complete story with a beginning, middle, and end, or partial narratives grounded in contexts to keep place and time connected to action. Narratives are preserved without fracture, and respondents’ ways of constructing meaning are fully respected. These methods are advocated by previous scholars (e.g., Riessman, 2002). As mentioned, this study does not aim to find solutions to practical problems but to discover the dynamics of a particular phenomenon. Therefore, practical application and participation as “coresearchers” for practical solutions do not fit this study.

Thus, by rigorously applying research methods based on credibility, dependability and confirmability, and coherence on the narrative interviews gathered, it is possible to ensure the quality of data in this study.

## **IS IT POSSIBLE TO BELIEVE IN CCP OFFICIALS?**

Some people may wonder whether the CCP officials lie or hide the truth from the

investigators. Some debates in the academic world show that the truth is sometimes not easy to find in Chinese affairs, especially those related to politics, such as the Tiananmen Papers.<sup>51</sup> However, lying or hiding the truth can be overcome if one cross-checks the sources of information. Edin (2000, p.14) emphasized the use of cross-checking and confirmed its effectiveness through her empirical studies on local Chinese governments. She agreed that due to limitations with regard to the openness and transparency of the system of government, it may be even more necessary to carefully scrutinize one's sources and to cross-check with as many alternative sources as possible. Actually, in this study, the information provided by one source has been double- and triple-checked against other sources. For example, if one county bureau head stated that the accomplishment of a performance contract does not bring attractive rewards, this statement was checked with official documents on this issue and then double- or triple-checked against information from other bureau heads and the county government which offered the rewards. If one township Party secretary stated that he did not get higher positions in the county Party committee although he performed excellently, this statement was checked with explanation from the evaluation committee members and statements from other township Party secretaries within the same county to see if similar things happened. In addition, cross-checking information again against information from other areas has proven to be very useful. The empirical findings in this study were double-checked from all localities under investigation. Those considered to be uncertain findings were not presented. Furthermore, my familiarity with central policies and local documents was helpful in checking the interviewees' statements because usually, if local cadres noticed that the researcher was very familiar with local situations and related policies,

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<sup>51</sup> Chan, A. L., & Nathan, A. J. (2004). The Tiananmen Papers Revisited. *The China Quarterly*, 177, 190-214.

they would not lie. Finally, if some interviewees did not cooperate, it was possible for the researcher to ask the organization department to arrange an interview with another person who ranked at an equal level and served in the same functional system. These approaches, therefore, guarantee the truthfulness of the information provided by local officials to a certain extent.

### **LIMITATIONS ON METHODOLOGY**

As with any social science research, limitations on methodology in this study should be acknowledged. The main limitation comes from the case study approach. Scholars pointed out that the case is a “bounded system;” in other words, every case is specific in nature (Stake, 2000). Hence, for all case studies, the generalization of the findings is affected by the method of case selection. The findings of this study, therefore, may be more applicable to inland areas than in costal areas. Moreover, since the focus in the case study approach is on the depth of knowledge available from a limited number of sites as opposed to a breadth of knowledge from a larger number of sites, it would be impossible to represent the variety of government structures and motivations for developing performance management systems. It is unrealistic to expect that the performance management system of one jurisdiction could be adopted without adjustments for local contexts, purposes, and needs. The transferability of lessons learned from these case studies needed to be enhanced by thoroughly describing the research context in each site (Trochim, 1999; Schein, 1984; Bernstein, 2000).

However, this study does not ambitiously want to build a grand theory whose conclusions can be universally applied in China. Instead, it examines how performance management actually works by closely investigating localities in the

selected inland province. The theories generated by this study are in no way grand in the sense of providing universal laws of human and social behavior. In addition, it is hoped that rigorous data collection and analysis would lead to a better understanding of the role that performance management system plays. Documentary analysis will aid to ensure the high quality of data, thereby enhancing the generalizability of the findings.

## **CONCLUSION**

This chapter presented the methodology that was used in conducting this research. It laid down the basis for further discussion on the empirical study. The research design was discussed, including a presentation of the main questions, because research methods must be selected according to the specific purpose of each study.

This project aims to examine how and why performance management becomes a political instrument in local Chinese governments. To meet this goal, two main research strategies were adopted: documentary analysis and the case study approach. Through an analysis of key official documents on performance management, this study could discover the intentions of the top leaders and local officials of the CCP in implementing performance management. The case study in two inland localities further revealed how performance management works in reality. These sites were selected because they reflect the average level of counties in China.

In the field trip, narrative interviews were used as one of the main methods to gather data. A number of internal documents, such as performance contracts, were also collected and analyzed to enrich the interpretation of the interview data. A small-scale survey helped triangulate the accuracy of data, while reviews of previous works and some published government documents, work reports, and leaders' speeches helped improve the quality of data gathered from interviews. These data

were useful in writing a “thick description” of the cases selected so that this study could build some knowledge and theories based on in-depth information.

This chapter especially explained the process of ensuring the quality of the interview data. The reason is rooted in the fact that interpretive research, particularly the narrative approach, has different philosophical grounds compared with the traditional explanatory research. New standards that replaced validity and reliability adopted by the explanatory research were also developed to attest to the quality of narrative data. This study examined four criteria developed by former interpretive researchers: credibility, coherence, dependability, and confirmability. In addition, the cross-checking of data was effectively used to sort out disconfirming data.

As with any other social science research, given the limitation of the case study approach itself, the findings of this study may be more applied in inland areas. In other words, contexts in different areas may affect the generalizability of the findings. Nevertheless, it is hoped that the rigorous collection and interpretation of data and critical analysis of official documents may control the limitation. These empirical findings will be examined in detail in the next chapter.

**CHAPTER THREE:**  
**EVOLUTION OF PERFORMANCE TARGETS IN CHINESE LOCAL**  
**GOVERNMENTS: AN EMPIRICAL STUDY IN SHAANXI PROVINCE**

**INTRODUCTION**

Current studies on performance management in China, as the first chapter described, indicated that the Chinese performance management system had experienced considerable development process during the past three decades. The “hard” evidence provided by many scholars, for example, was the proliferation of specific criteria in the evaluation of local officials’ work performance in recent years. These criteria were concrete, quantified, measurable, and performance-oriented targets, for example, the value of investments in fixed assets, the incident of unplanned births, the number of crimes committed, the number of mass complaints, and the like. The accomplishments of these targets might bring local cadres extra monetary benefits and promotion opportunities, both of which formed a high-powered incentive mechanism for performance enhancement. Therefore, many scholars considered that the institutionalization of performance management in China helped turn the local bureaucracy into a more businesslike one, especially in some wealthier coastal counties (O’Brien & Li, 1999; Edin 2000 & 2003; Whiting, 2001 & 2004).

Yet the proliferation of cadre evaluations raises the interesting question of their effects. Has the development of more scientific, quantifiable, and performance-based criteria replaced the more subjective evaluation of performance dealing with patron-client relations as portrayed in past analyses (Walder, 1986; Oi & Walder, 1999)? Have quantitative devices overshadowed qualitative assessments, which then led to promoting greater institutionalism and bureaucracy that are less susceptible to

political interference and invasion by the Chinese Communist Party? Moreover, given the proliferation of cadre evaluations, will managerial considerations counterweigh political considerations in China's cadre personnel management? Unfortunately, current studies did not answer these critical questions because they had a static view of the recent proliferation of cadre evaluations.

Institutional studies inform us that institutions simply cannot be understood if they were uprooted from their historical evolution (Patterson, 1995, p.14). Each institution and organization has its own history and time-dependent line of development, and how a social system develops and operates affects its structure and capacities for action (Scott, 1995, p.135). Put in this light, the institutionalization of performance management in China, like any other particular institutions, is a process occurring over time that affects what structures develop and then persists afterwards. Therefore, a longitudinal study of the development of performance management in China is necessary to determine the institutionalization of cadre evaluations in recent years and its implications to Chinese local bureaucracy by nature.

From a historical perspective, this chapter examines the evolution of performance targets in Chinese local governments (from the early 1990s to date) and the subsequent implications of this development. The discussion is drawn from performance contracts and internal documents officially produced by Xi'an local governments during the past three decades. Interview data are used as well to interpret the rationale behind the evolution of performance targets in selected counties.

The chapter shows two points. First, it is the targets assigned by higher-level authorities that have proliferated in recent years; these assigned targets include tasks on economic growth (titled as "core targets"), and targets on Party affairs and social development (titled as "common targets"). Since local officials tend to comply with

directives from superior governments (see analysis in Chapter Two), they place high priority on these assigned targets upon implementation. As a result, local leadership cadres tend to accomplish the key policy objectives allocated by higher-level authorities. In this regard, cadre evaluation becomes an instrument to ensure the accomplishment of higher-level policies in local regions.

Second, the Chinese performance management system has emphasized the importance of political tasks in cadre evaluation. In the early 1990s, when Xi'an local governments began to experiment on performance management, politics-oriented targets such as Party building, ideology education, and anti-corruption were defined fairly vaguely and were therefore difficult to operate. However, in recent years, there was a trend to use specific, meticulous, and quantifiable indicators to measure these targets. As a result, the political targets became operationally easier to measure than before. The increasing measurability of politics-oriented targets implies that performance management is used to guarantee local leadership cadres' accomplishment of political tasks.

The proliferation of cadre evaluations, therefore, suggests that Chinese authorities do not primarily aim to use performance management as an instrument to institutionalize market principles, such as administrative efficiency, customer-driven services, and performance-related rewards, into the local bureaucracy. Alternatively, performance management is used to ensure the accomplishment of key policy goals in local regions and enhance the state's capacity to control lower-level agents. As a result, the CCP is actually capable of greater institutional adaptability than it is usually given credit for (Edin, 2003, p.36).

This chapter adopts a case study approach, an apt and useful way to examine the rationale behind political and administrative events which are rooted in particular institutional and historical contexts (Denscombe, 2003). It will closely look at the

evolution of performance contracts in two inland counties in the north-west region of China. The chapter particularly introduces the functions of the objective responsibility system, analyzes the evolution of performance targets by examining the contracts produced in 1991, 1998, and 2005 in the two bureaus, and discusses how the Chinese local government's practice of performance management departs from Western experiences.

### **THE PERFORMANCE CONTRACT SYSTEM**

The modern era of performance management in Xi'an local governments began from the early 1990s when counties under the administration of Xi'an City began to experiment performance measurement in the Party and in government organizations and townships. In general, performance management was conducted on a basis of different functional systems. All Party and government organizations were categorized into different functional systems depending on their job duties, such as Party affairs, planning, economic and construction, political science and law, finance and trade, agriculture, industry, education, health, and the like. Such a categorization was made for the convenience of making objective comparison on the work of organizations with similar functions (Interview YT-2-20060706). The four functional systems were as follows:

1. Party offices and organizations (*dang xitong*)—offices and departments responsible for Party affairs such as Party building, spiritual civilization construction, ideology education, propaganda, personnel and labor affairs, judicial, procuratorate, mass organization work, and the like.
2. Offices and organizations for comprehensive management (*zonghe guanli*)

*xitong*) — offices and departments responsible for daily affairs of county management, including price control, local development and economic planning, auditing, public health, and the like.

3. Offices and organizations for economic management (*jingji guanli xitong*)—offices and departments responsible for concrete economic development tasks, such as revenue collection, agricultural production, forest construction, water supply, transportation, management of township-owned enterprises, and the like.
4. Local, township offices and organizations (*defang xitong*)

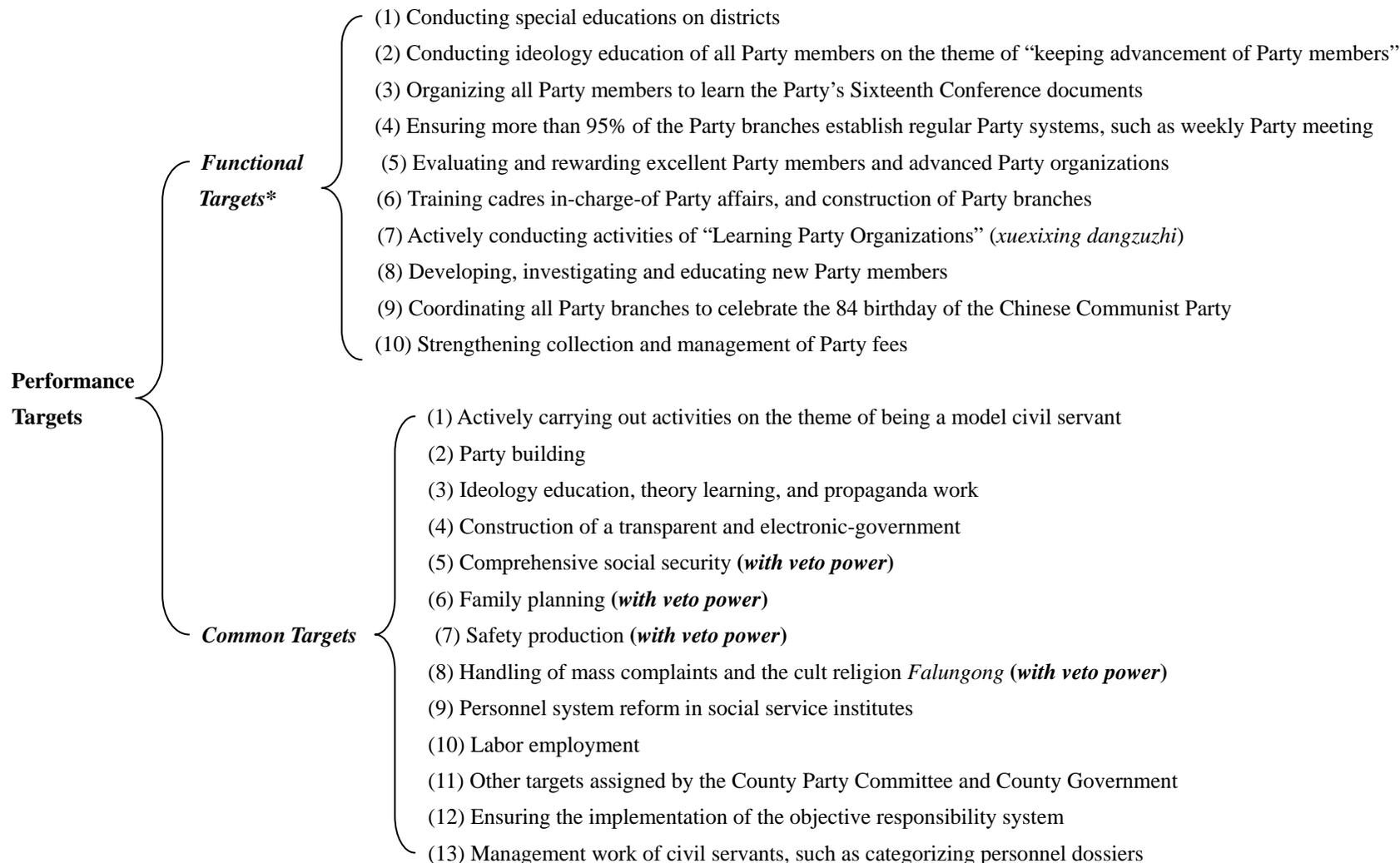
All Party and government organizations, no matter which functional system they belonged to, adopted performance contracts that contained all kinds of targets and performance indicators. Counties under the administration of Xi'an City adopted two types of performance contracts: collective and individual. Collective contracts were drawn up between organizations at different levels, while individual contracts were signed between the organization and individual cadre who took charge of a specific work. Most contracts were collective, signed between heads on behalf of their organizations and county Party committees or county governments. The heads of Party offices and organizations signed performance contracts with pertinent county Party committees, while the heads of organizations directly under the county government and townships signed performance contracts with pertinent county governments. After collective contracts were signed by both sides, the heads in all the Party and state organizations will distribute performance targets to individual cadres, thus creating the individual contracts.

As may be observed, it was only the leadership corps of the Party and government organizations that were directly accountable to county Party committees

and county governments. Then by individual contracts, accountability was distributed to everyone in the form of concrete performance tasks, including cadres at the lowest ranks in the organizations. As a result, a net of performance targets was formed within local governments at various levels where every cadre had a specific task to fulfill and was held responsible for his/her accomplishments of these targets.

The 150 performance contracts collected in the fieldwork showed that Xi'an local governments had flexibility in designing performance contracts in a way that was easy to understand and convenient for evaluation. Therefore, the format and structure of the performance contracts varied across localities. To identify the essential feature of these performance contracts, a more accurate way is to examine the performance targets that all contracts contained. Figures 3.1(1) to 1(4) show how the performance targets were adopted by four offices or organizations in Hu County. Each of the four offices and organizations was under one functional system. In addition, Figure 3.2 gives a summary of the categories of performance targets that were adopted by offices and organizations in Xi'an local governments. To clarify the categories and use of performance targets, the following part will specify the evolvement of these targets.

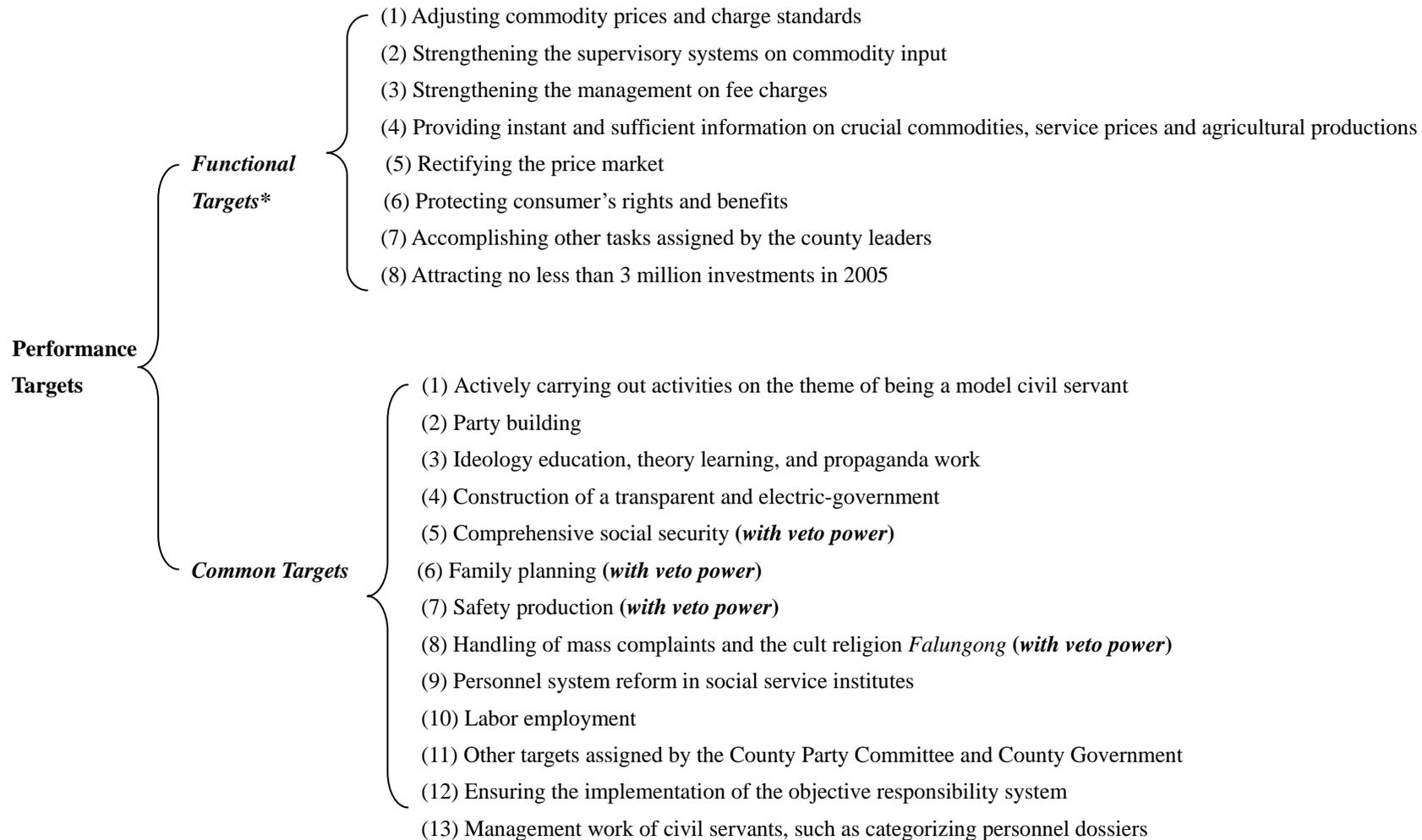
**Figure 3.1(1): Performance Targets of the Work Committee for Organizations directly under the Party Committee of Hu County in 2005  
(Party offices and organizations)**



\* For Party offices and organizations, the functional targets are equivalent to job-specific targets since these units do not have core targets.

**Source:** Performance Contract of the Work Committee for Units directly under the Party Committee of Hu County in 2005, internal document.

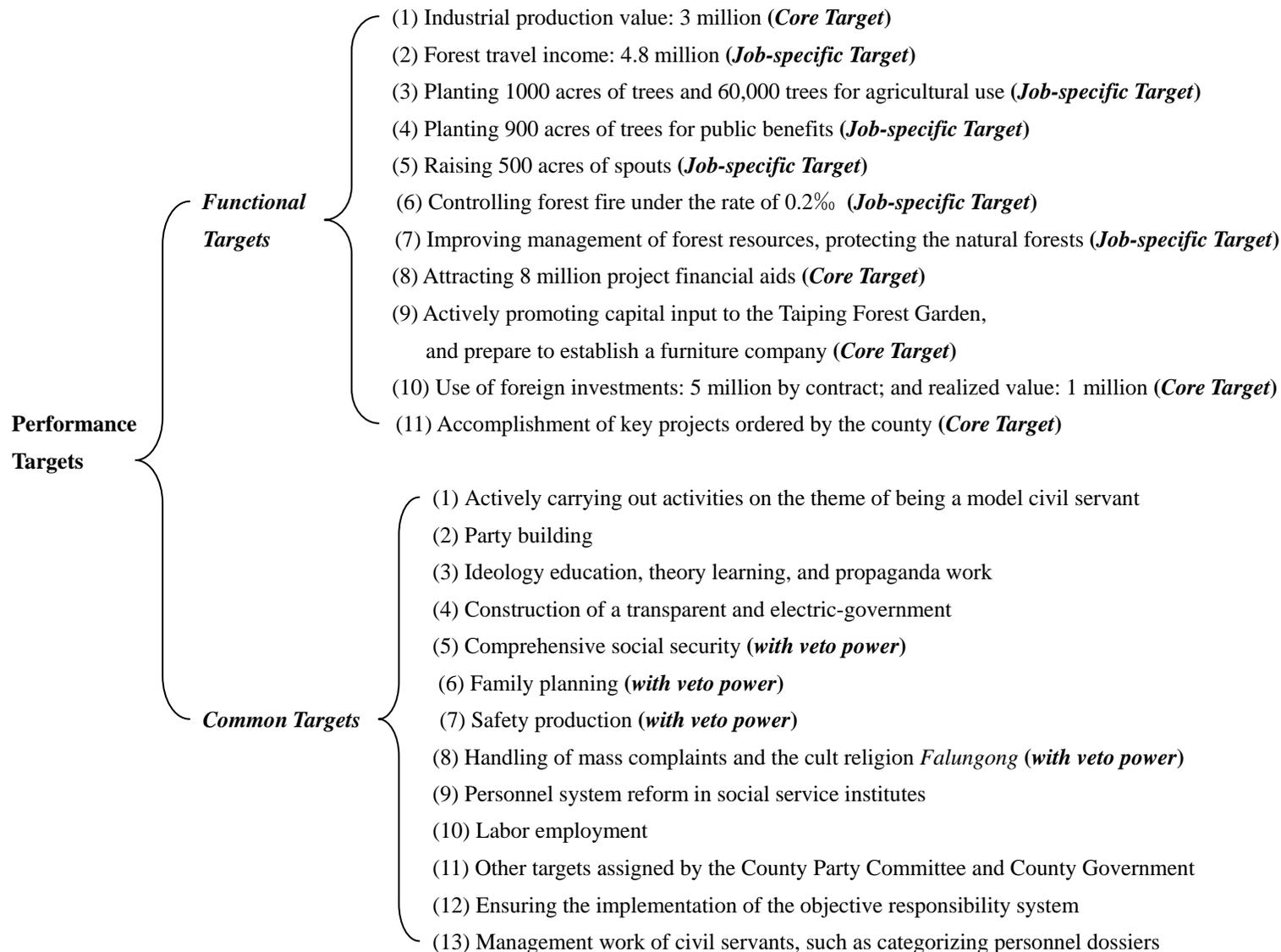
**Figure 3.1(2): Performance Targets of the Price Bureau of Hu County in 2005  
(Offices and organizations for comprehensive management)**



\* For offices and organizations for comprehensive management, the functional targets are equivalent to job-specific targets since these units do not have core targets.

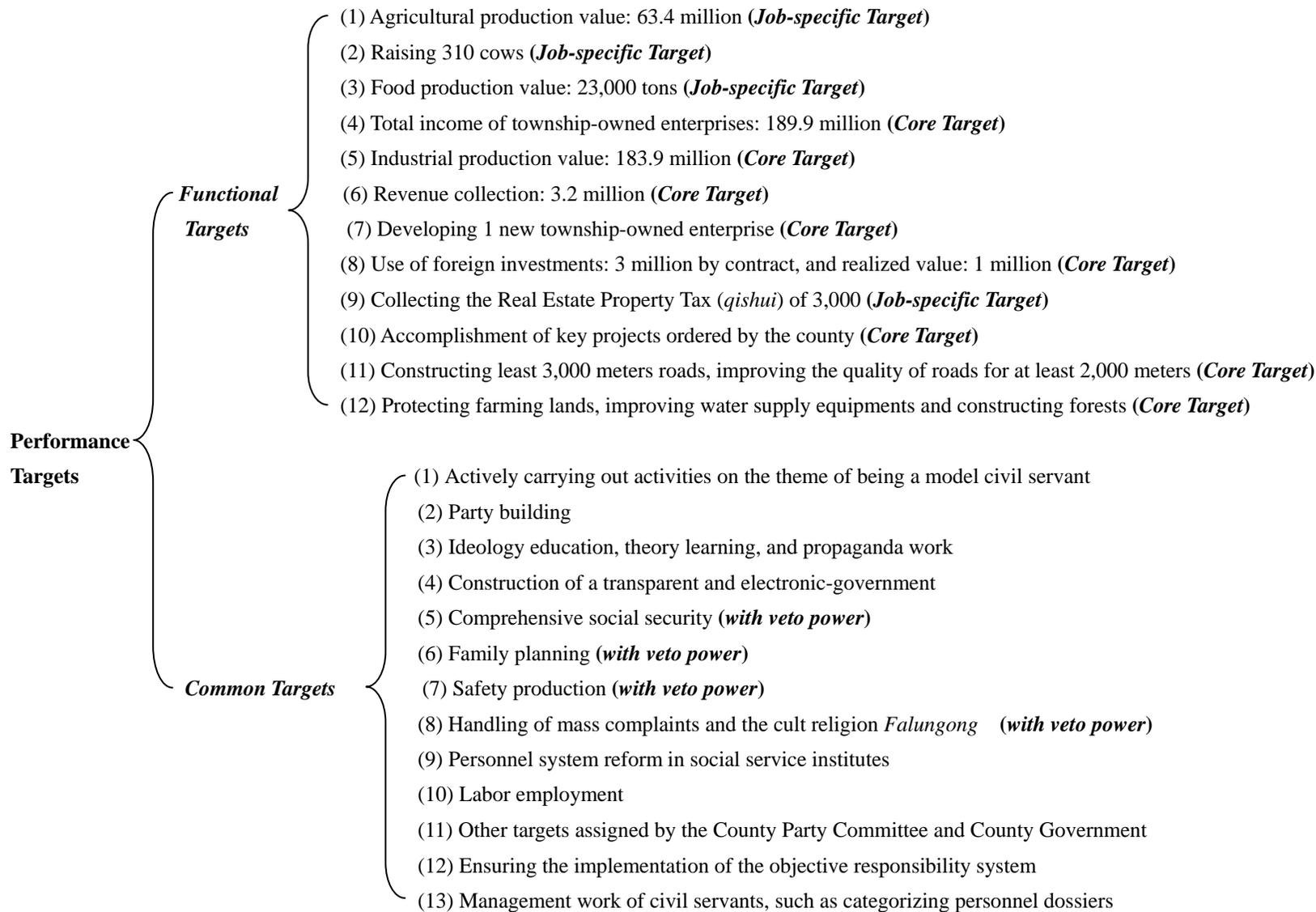
*Source: Performance Contract of the Price Bureau of Hu County in 2005, internal document.*

**Figure 3.1(3): Performance Targets of the Forestry Bureau of Hu County in 2005  
(Offices and organizations for economic management)**



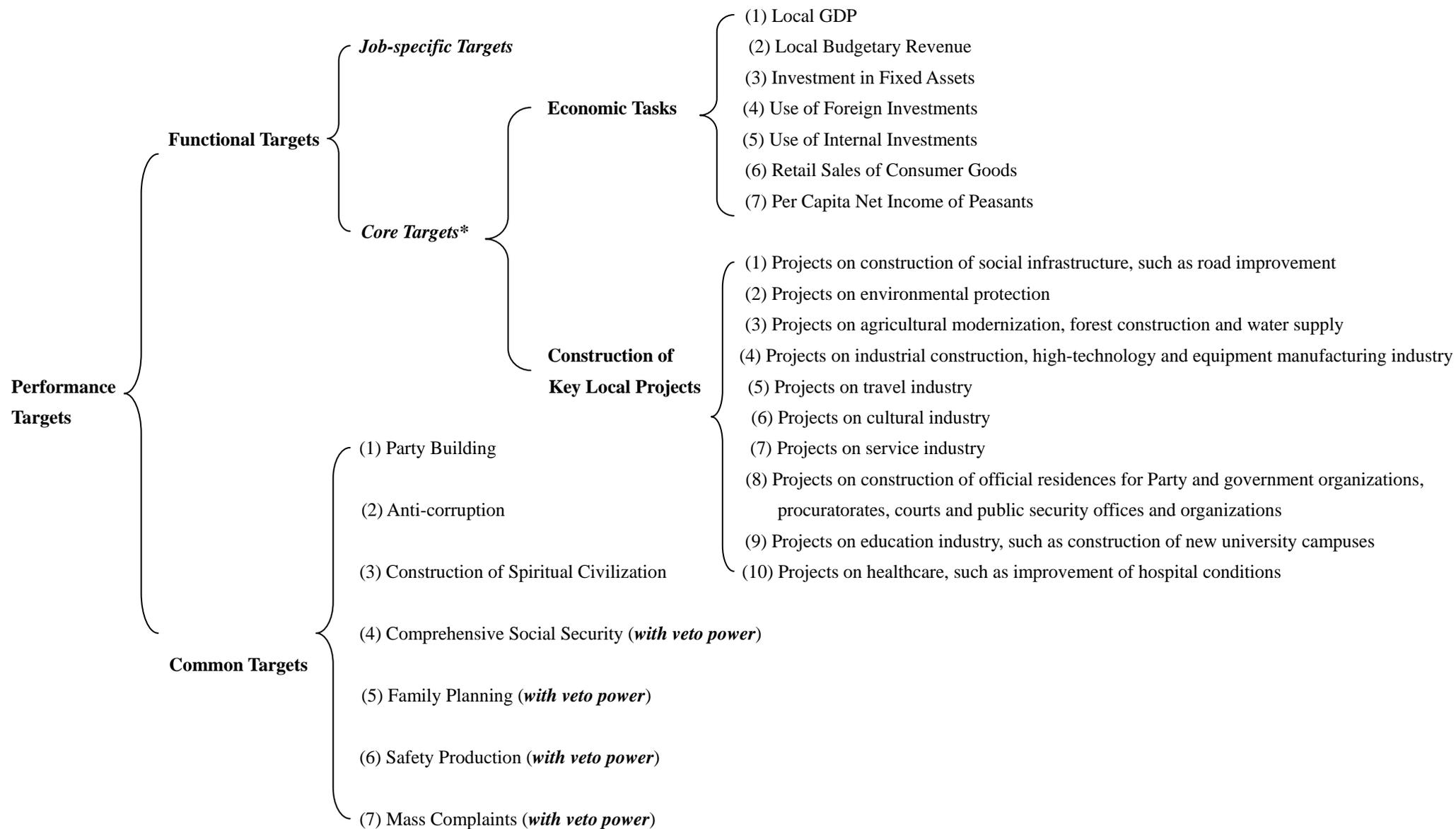
*Source: Performance Contract of the Forestry Bureau of Hu County in 2005, internal document.*

**Figure 3.1(4): Performance Targets of Zu'an Township of Hu County in 2005**  
**(Local and township offices and organizations)**



*Source: Performance Contract of Zu'an Township of Hu County in 2005, internal document.*

**Figure 3.2: A Summary of Performance Targets adopted by Xi'an Local Governments in 2006**



\* Core Targets are mainly applicable for offices and organizations for economic management, local, town and township offices and organizations, and a few offices and organizations under the comprehensive management system.

## **EVOLUTION OF PERFORMANCE TARGETS IN XI'AN LOCAL GOVERNMENTS**

Table 3.1 shows the evolution of performance targets in two bureaus in Zhouzhi County from 1991 to 2005. The two bureaus were selected because they belonged to different functional systems. The Forestry Bureau was selected as a representative of offices and organizations with economic tasks (organizations and offices for economic management and local, township and town offices and organizations), while the Culture and Sports Affairs Bureau was selected as a representative of offices and organizations without economic targets to fulfill (Party offices and organizations and offices and organizations for comprehensive management). Since many proliferated targets were economic tasks, a comparison of the evolution of performance targets between the two bureaus is thus meaningful in identifying the distinct features of the proliferation of cadre evaluations in recent years. The following discussion will give a detailed explanation on Table 3.1.

**Table 3.1: Evolution of Performance Targets in Two Bureaus in Zhouzhi County from 1991 to 2005**

	1991	1998	2005
<b>Forestry Bureau</b>	<p>(1) <b>Functional targets:</b> (for example)</p> <ul style="list-style-type: none"> <li>Constructing 1,400 acres of new forests in plains</li> <li>Raising 100 acres of new spouts</li> <li>Producing 7,300 tons of woods</li> </ul> <p>(2) <b>Spiritual civilization construction:</b></p> <ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Ideology and political work</li> <li>Comprehensive social security</li> <li>Construction of leadership corps</li> <li>Conducting activities of promoting the Party's revolutionary spirits</li> </ul> <p>(3) <b>Family Planning</b></p>	<p>(1) <b>Functional targets:</b> (for example)</p> <ul style="list-style-type: none"> <li>Constructing 90 acres of forests in plains</li> <li>Planting 2,100 acres of trees besides the Yellow River</li> <li>Double the growth of forest areas and amount of wood production</li> </ul> <p>(2) <b>Spiritual civilization construction:</b></p> <ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Comprehensive social security</li> <li>Party building</li> <li>Construction of the leadership corps</li> <li>Spiritual civilization construction</li> <li>Management of retired cadres</li> <li>Dealing with the mass complaints</li> <li>Family planning</li> </ul> <p>(3) <b>Objective management work:</b> efforts to shape performance contracts, to distribute targets and to evaluate accomplishment of targets</p>	<p>(1) <b>Functional targets:</b> (for example)</p> <ul style="list-style-type: none"> <li>Construction of 8,300 acres of forests</li> <li>Protecting forest resources, preventing forest fires</li> <li>Total value of attracting investments and capitals: RMB 4.8 million; (<i>core target</i>)</li> <li>Attracting RMB 18 million policy funding (<i>core target</i>)</li> <li>Investing RMB 48 million in the fixed assets (<i>core target</i>)</li> </ul> <p>(2) <b>Common targets:</b></p> <ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Party building</li> <li>Spiritual civilization construction</li> <li>Comprehensive social security (<i>veto power</i>)</li> <li>Safety production (<i>veto power</i>)</li> <li>Dealing with the mass complaints (<i>veto power</i>)</li> <li>Family planning (<i>veto power</i>)</li> </ul>
<b>Cultural and Sports Affairs Bureau</b>	<p>(1) <b>Functional targets:</b> (for example)</p> <ul style="list-style-type: none"> <li>Conducting activities to fight against unhealthy life styles and to promote patriotism</li> <li>Improving the civilization level of the masses, such as publishing books and creating more art products</li> <li>Protecting historical relics</li> </ul> <p>(2) <b>Spiritual civilization construction:</b></p> <ul style="list-style-type: none"> <li>Political learning of central documents</li> <li>Conducting activities of learning from the advanced Party members</li> <li>Strengthening communication with the masses</li> <li>Improving transparency of the bureau's work</li> </ul> <p>(3) <b>Family Planning</b></p>	<p>(1) <b>Functional targets:</b> (for example)</p> <ul style="list-style-type: none"> <li>Conducting activities to enrich people's civilization lives, such as organizing patriotism movie shows</li> <li>Recommending readings to the masses, and promoting art creations;</li> <li>Protecting historical relics</li> </ul> <p>(2) <b>Spiritual civilization construction:</b></p> <ul style="list-style-type: none"> <li>Strengthening political learning</li> <li>Party building</li> <li>Anti-corruption</li> <li>strengthening moral education on Party members and cadres</li> <li>Strengthening management of the culture market</li> <li>Family planning</li> </ul> <p>(3) <b>Objective management work:</b> efforts to shape performance contracts, to distribute targets and to evaluate accomplishment of targets</p>	<p>(1) <b>Functional targets:</b> (for example)</p> <ul style="list-style-type: none"> <li>Organizing patriotism movie shows;</li> <li>Monitoring visits to the illegal websites</li> <li>Protecting historical relics</li> <li>Investing RMB 15.4 million in the fixed assets (<i>core target</i>)</li> <li>Value of use of domestic investments: 1 million (<i>core target</i>)</li> <li>Attracting RMB 5 million policy funding (<i>core target</i>)</li> </ul> <p>(2) <b>Common targets:</b></p> <ul style="list-style-type: none"> <li>Anti-corruption</li> <li>Party building</li> <li>Spiritual civilization construction</li> <li>Comprehensive social security (<i>veto power</i>)</li> <li>Safety production (<i>veto power</i>)</li> <li>Dealing with the mass complaints (<i>veto power</i>)</li> <li>Family planning (<i>veto power</i>)</li> </ul>

## **PERFORMANCE TARGETS IN THE EARLY 1990S**

The earliest performance contracts were found in Zhouzhi County in 1991, signed between the Zhouzhi County Government and 33 organizations directly under the County Government. Among the 33 government organizations, 19 were offices and organizations for comprehensive management, while 14 were offices and organizations for economic management. The performance contracts of these organizations, although quite primitive in fashion, contained three performance items: job-specific targets (*yewu zhibiao*), spiritual civilization construction, and family planning.

The job-specific targets of offices and organizations for comprehensive management and Party offices and organizations tended not to be quantifiable since these organizations were chiefly involved in promoting social public goods. By comparison, the job-specific targets of offices and organizations for economic management and townships were much more specific, quantifiable, and measurable. Table 3.2 shows the comparison between the job-specific targets in the two bureaus of Zhouzhi County in 1991 and 1998.

**Table 3.2: A Comparison of Job-specific Targets in Two Bureaus of Zhouzhi County in 1991 and 1998**

Year	Forestry Bureau (Offices and Organizations for Economic Management)	Cultural and Sports Affairs Bureau (Offices and Organizations for Comprehensive Management)
1991	<ul style="list-style-type: none"> <li>(1) Planting 1 million trees, with 200,000 besides roads and water pipes;</li> <li>(2) Constructing 1,400 acres of new forests in plains;</li> <li>(3) Raising 100 acres of new spouts;</li> <li>(4) Planting 1,200 acres of man-made forests, sowing 25,000 acres of seeds by plane;</li> <li>(5) State-owned tree farms should plant 230 acres of forests;</li> <li>(6) Raising 1,250 acres of young forests;</li> <li>(7) Closing 12,600 acres of mountain areas for forest constructions;</li> <li>(8) Producing 7,300 tons of woods, with 5,500 tons produced by state-owned factories;</li> </ul>	<ul style="list-style-type: none"> <li>(1) Conducting activities to fight against unhealthy life styles and to promote patriotism;</li> <li>(2) Improving the civilization level of the masses, such as publishing books, showing more patriotic movies, writing positive movie reviews and creating more art products;</li> <li>(3) Protecting historical relics, strengthening management of the historical relics markets and improving propaganda of regulations on cultural relics protection;</li> <li>(4) Ensuring work accomplishment of organizations for art production, such as the county art school, the county theatrical troupe and the county theatre.</li> <li>(5) Improving spiritual civilization construction work;</li> </ul>
1998	<ul style="list-style-type: none"> <li>(1) Constructing 90 acres of forests in plains;</li> <li>(2) Planting 2,100 acres of trees besides the Yellow River;</li> <li>(3) Planting 666 acres of trees which can bring economic benefits for 1,000 families;</li> <li>(4) Double the growth rate of forest areas and the amount of wood production;</li> <li>(5) Ensuring the verification rate of legal occupation of the woodlands reach 100%; ensuring the verification rate of illegal cases of misusing woods reach 95% or above;</li> <li>(6) Establishing forest management systems, such as management of wood markets and tree farms, and strengthening rule by law in forest management;</li> <li>(7) Protecting wild animals, forest resources, and actively preventing forest fires;</li> <li>(8) Calling on all residents to plant trees voluntarily;</li> </ul>	<ul style="list-style-type: none"> <li>(1) Promoting cultural arts in Zhouzhi County: finishing two television program scripts, performing twelve dramas for the masses, and collecting manuscripts for the book “Temple Festival in Zhouzhi”;</li> <li>(2) Promoting the civilization levels of the masses, such as holding shows of calligraphy and paintings, Karaoke competitions, evening parties for festivals, and helping the masses to appreciate orchestral music;</li> <li>(3) Conducting the activity of “Reading in Holidays”, and recommending excellent readings for the masses;</li> <li>(4) Continuing to show patriotic movies to the public;</li> <li>(5) Effectively protecting historical relics such as Xianyou Temple and Daqin Temple, and carving a white marble statue for the Chinese ancient famous philosopher Laozi;</li> </ul>

**Sources:**

- (1) *Performance Contract of the Forestry Bureau of Zhouzhi County in 1991*, internal document.
- (2) *Performance Contract of the Culture and Sports Affairs Bureau of Zhouzhi County in 1991*, internal document.
- (3) *Performance Contract of the Forestry Bureau of Zhouzhi County in 1998*, internal document.
- (4) *Performance Contract of the Culture and Sports Affairs Bureau of Zhouzhi County in 1999*, internal document.

The second performance item of “spiritual civilization construction” was defined rather vaguely in the 1991 performance contracts of Zhouzhi County. For example, the 1991 contract of the Forestry Bureau divided this item into five performance criteria: anti-corruption, ideology education, comprehensive social security, construction of the leadership corps, and conducting activities of “learning from comrade Leifeng” (a measure to promote the Party’s revolutionary spirits and political lines to the masses). Each of the five criteria was defined by abstract and sloganistic sentences. For example, “anti-corruption” was evidenced by “resolutely preventing abuse of power or wood for private gain (*yiquan mousi*), adhering to the ‘four modernization’ standards in making personnel decisions, sticking to strict supervision on wood trade, and keeping and carrying forward the tradition of hard struggle and plain living.” “Comprehensive social security” was measured by “eliminating unhealthy life styles, resolutely implementing laws and regulations in forest management, and resolutely preventing the illegal trade of wood.”

In addition, the criteria to measure “spiritual civilization construction” varied across bureaus. For example, the performance contract of the Cultural and Sports Affairs Bureau of Zhouzhi divided this item into four performance criteria: political learning of central documents, conducting activities of learning from the advanced Party members, strengthening communication with the masses, and improving transparency of the bureau’s work—these targets were entirely different with the five criteria adopted by the Forestry Bureau. Clearly, in the early 1990s, each Party and government organization had discretion to choose the performance criteria to measure spiritual civilization construction work.

The third item, “family planning,” was widely adopted by government organizations in 1991, and in fact, all the 33 performance contracts of government organizations in Zhouzhi County contained the task of family planning. However, this item was defined vaguely as well. For example, in both the Forestry Bureau and the Cultural and Sports Affairs Bureau, this target was assessed by the

“implementation of family planning policies, propaganda of family planning work, and no unplanned birth.”

In circumstances that allowed considerable flexibility in selecting performance criteria, it is fairly difficult to say which performance target was more important than others by then. What was clear was that given the more precise and quantifiable criteria, the job-specific targets of offices and organizations for economic management in 1991 were easier to evaluate. Many interviewees took the example of family planning to demonstrate this point. According to them, though family planning was not evaluated by specific and quantifiable criteria at the time, it had been a crucial target since the 1980s when the central government decided to conduct birth control nationwide. This target was especially important for town and township governments that directly faced a large portion of population.

#### **PERFORMANCE TARGETS SHORTLY AFTER THE PROMULGATION OF THE 1995 NOTICE<sup>52</sup>**

Since the mid-1990s, performance management was given substantial emphasis by the Shaanxi Province leaders after the state civil service system was introduced in 1993. On 18 June 1994, the Xi'an City Government began to require all districts, counties, and organizations directly under the city government to experiment on performance appraisal as an important method to evaluate civil servants' work accomplishments and to provide information that will facilitate crucial personnel decisions such as promotion and salary increase. In 1996, the Personnel Bureau of Xi'an City established the Office of Evaluation Commission for Objective Responsibility System (hereafter referred to as the Objective & Responsibility Office),<sup>53</sup> which was a deputy bureau-level organization under the City Personnel

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<sup>52</sup> *The Notice on Strengthening and Improving the Evaluation of Work Accomplishment of the Leadership Corps of Party Committee and Government at the County (Municipal) Level*, 31 August 1995, released by the Central Party Organization Department, internal document.

<sup>53</sup> It is simultaneously called “the Division of Civil Service Management,” see official Web site:

Bureau. This office was responsible for comprehensive performance management work (i.e., organizing, implementation, reporting, rewarding, and the like.) in Party and government organizations at various levels, mass organizations, and social service institutions.

The rising importance of performance management in local areas was actually caused by the center's efforts to improve methods of measuring local cadres' work accomplishments in the mid-1990s. As mentioned in Chapter Two, the promulgation of the 1995 Notice was a milestone in the development of performance management in China. Through the document, the central government stipulated for the first time official standards on the evaluation of local leadership corps' work achievements. The attached 1995 Paper (see Table 1.1) categorized three performance items according to their contents<sup>54</sup> to evaluate the work accomplishment of local leadership cadres: economic construction, social development and spiritual civilization construction, and Party building. Each item was subdivided into several criteria, and each criterion was further divided into some specific indicators. These standards became national guidelines for the localized implementation of measurement on local officials' work performance.

The 1995 Paper was instructional by nature; therefore, it was written with a certain degree of flexibility to allow localities the option of making variations from national guidelines in accordance with local situations. Nevertheless, the performance contracts of Xi'an local governments reflected three trends implied by the 1995 Paper. A comparison between local performance contracts and the 1995 Paper is helpful in illustrating these three tendencies.

### **Adoption of “Party Building” in Performance Measurement**

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[www.xars.gov.cn](http://www.xars.gov.cn).

<sup>54</sup> In this regard, “functional target” and “common target” were categorized by their nature, i.e., if the targets were specifically pertinent to a unit's job or if the targets were adopted by all units. Therefore, it is not feasible to apply the concepts of “functional target” and “common target” to explain the three performance items described by the 1995 Paper—economic construction, social development and spiritual civilization, and Party building.

First, after the promulgation of the 1995 Paper, the Xi'an local government began to adopt "Party building" as a criterion in assessing the work accomplishments of local leadership corps. As may be observed in the 1991 contracts of government organizations in Zhouzhi County, although the target of "spiritual civilization construction" included some political targets such as ideology education and anti-corruption, "Party building" was not a criterion to measure local cadres' work performance. By comparison, the 1995 Paper clearly emphasized the importance of "Party building." The document stipulated that "Party building" was one of the three main performance items to measure the work achievements of local leadership corps (see Table 1.1).

The CCP's intention to emphasize the importance of "Party building" was particularly stressed in the *Decisions on the Central Committee on Several Important Issues of Strengthening Party Building*, which was approved in the Party's 4<sup>th</sup> Plenum of the Fourteenth Party Congress on 28 September 1994. The decision gave emphasis on three aspects of the work of "Party building:" thought education construction (*sixiang jianshe*), construction on work style (*zuofeng jianshe*), and organization construction (*zuzhi jianshe*). However, among the three aspects, organization construction has particular importance,<sup>55</sup> which was evidenced by three criteria: strengthening the democratic dictatorship, strengthening the building of the Party's local branches, and training and selecting leadership corps by both political virtue and work ability. The 1995 Paper fully reflected the requirement in the 1994 decision, using the stipulated criteria to evaluate the performance item of "Party building" (see Table 1.1).

Under the instructions of the 1995 Paper, Xi'an local governments made corresponding revisions to performance contracts. In 1998, the performance contracts

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<sup>55</sup> The decision stipulated that "At present, strengthening the Party's organizational construction has become a particular(ly) important issue (*tuchu huanjie*) when the Central Committee's deployments on ideology construction and construction of work style were completely conducted." See <http://www.China.org.cn/Chinese/archive/131752.htm>.

of government organizations in Zhouzhi County contained three performance items: job-specific targets, spiritual civilization construction, and objective management work.<sup>56</sup> Compared with the 1991 contracts, both the Forestry Bureau and the Cultural and Sports Affairs Bureau added “Party building” as a criterion to measure the item of “spiritual civilization construction” in their 1998 performance contracts. Furthermore, the Forestry Bureau was ahead of others by developing seven specific indicators for Party building in order to give recognition to its importance in performance management:

- (1) The strengthening of ideology education in organizations directly under the Forestry Bureau, the ability to educate on Marxism and socialism, and the ability to strengthen the host spirit (*zhurenweng jingshen*) of cadres in the Bureau;
- (2) The strengthening of work on the Party’s ideology, organization and work style, the ability to recruit new Party members, and the ability to build Party branches within the Bureau;
- (3) The strengthening of work on education for cadres through trade unions and study associations and the ability to learn from advanced units and members;
- (4) The incorporation of ideology education into, and the accomplishment of, performance contracts;
- (5) The strengthening of work on Party discipline inspection and rule by law;
- (6) The ability to instill socialism in the minds of the staff; and
- (7) The strengthening of work on staff welfare and on ensuring safe production and availability of daily necessities.

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<sup>56</sup> The item “objective management work” referred to local officials’ efforts to shape performance contracts, to distribute targets, and to evaluate the accomplishment of targets. The targets of this item were the kinds of job requirements that had no performance orientation. On a 100-point scale, evaluation indicators in the first item (functional targets) weighed 70 points, the second (spiritual civilization construction) weighed 25 points, and the third (objective management work) weighed 5 points. Obviously, little importance was attached to the evaluation indicators of the third item. As such, evaluation indicators of this item were rhetoric in that these targets were devoid of specific contents.

## **The Use of Specific and Quantifiable Indicators for Political Work**

Second, Xi'an local governments began to use specific and quantifiable indicators to evaluate "spiritual civilization construction" as the 1995 Paper implied. The 1995 Paper stipulated that the performance item "spiritual civilization construction" comprised four criteria: family planning, comprehensive social security, environmental protection, and situation of education, technology, culture, health, and physical education. Each criterion was divided into specific indicators. For example, local officials' performance on "comprehensive social security" was measured by two indicators: "decreasing rate of criminal cases" and the "rate of solving major criminal cases." "Environmental protection" was measured by indicators such as "standards of dealing with waste water/waste gas/waste materials," while "family planning" was assessed by "birth rate according to the birth plan" (see Table 1.1). These stipulations of the 1995 Paper showed that the center encouraged local governments to adopt more specific indicators in measuring local cadres' work achievements on social development and spiritual civilization construction.

Correspondingly, the performance contracts of Xi'an local governments reflected this trend as well. In Zhouzhi County, government organizations for economic management began to use specific and quantifiable indicators to evaluate the accomplishments achieved under "spiritual civilization construction." For example, in the 1991 contract of the Forestry Bureau, "anti-corruption" was evidenced by abstract indicators such as "resolutely preventing abusing power or woods for private gain (*yiquan mousi*), adhering to the 'four modernization' standards in making personnel decisions, sticking to strict supervision on wood trade, and keeping and carrying out the tradition of hard struggle and plain living." However, in the 1998 contract, "anti-corruption" was evaluated by three indicators, two of which were quantifiable and more specifically described than before—(1) conducting democratic

life meeting every half a year, (2) improving the reporting system for corruption cases, and (3) ensuring that the reception fees (using public funds for reception) should be less than the amount for the previous year. Similarly, in the 1998 contract of the Forestry Bureau, family planning was measured by “the incident of unplanned birth” (*wu jihuawai shengyu*) and “birth control rate at 100%” (*jiyulv*). The two indicators were both precise and quantifiable.

Nevertheless, not all government organizations in Zhouzhi County adopted specific and quantifiable indicators to measure work accomplishments on “spiritual civilization construction.” Among the 25 performance contracts produced by Zhouzhi’s government organizations for economic management in 1988, 10 did not adopt quantifiable indicators in measurement. This is probably because common targets were not put in place until 2003 to standardize evaluation on political work such as anti-corruption, safety production, maintaining comprehensive social order, and the like. Therefore, government organizations had discretion to formulate indicators to measure performance targets as they did in the early 1990s.

For example, the Cultural and Sports Affairs Bureau measured “anti-corruption” by “strengthening self-discipline and financial management, improving transparency of the bureau’s work, and preventing abuse of power for private gains.” Clearly, these indicators were not precise and quantifiable. In addition, in 1998, the Cultural and Sports Affairs Bureau continued to adopt criteria that were different with those used by the Forestry Bureau to measure “spiritual civilization construction.” The criteria adopted by the Forestry Bureau were as follows: anti-corruption, comprehensive social security, Party building, construction of the leadership corps, spiritual civilization construction,<sup>57</sup> management of retired cadres in the forestry function (*linyexitong*), dealing with mass complaints, and family planning. Meanwhile, the Cultural and Sports Affairs Bureau adopted six criteria:

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<sup>57</sup> The “spiritual civilization construction” here is a criterion of the performance item, “spiritual civilization construction.” This target referred to efforts to improve the civilization level of the masses and implement activities to create the good image of the Party and its state organizations.

strengthening political learning, Party building, anti-corruption, strengthening the moral education of Party members and cadres, improving the management of the cultural market, and implementing family planning. Although both bureaus used three overlapping criteria, namely, Party building, anti-corruption, and family planning, some criteria they adopted were still related to their job functions, for example, “strengthening management of the cultural market” for the Cultural and Sports Affairs Bureau. It is noteworthy that although the adoption of more specific and quantifiable indicators was not a systematic change in Xi’an local governments in the late 1990s, the trend was much clearer after the promulgation of a crucial official document by Xi’an City in 2003.<sup>58</sup>

### **Insignificant Changes on Job-specific Targets**

Third, the 1998 contracts of government organizations in Zhouzhi County showed that the promulgation of the 1995 Paper did not have substantial impacts on the job-specific targets of Xi’an local governments (see Table 3.2). Compared with the job-specific targets of the Forestry Bureau in 1991, the targets remained concrete, quantified, and performance-oriented in 1998. Most revisions on the targets in the 1998 contract were only made in numbers. These changes, i.e., the amount of wood production and the acres of forest construction, were actually made every year based on local situations and requirements from above. In fact, as one interviewee said, these revisions were just routine changes (HC-7-20050722).

Similarly, the job-specific targets of government organizations for comprehensive management in 1998 were not quantifiable as in 1991, although some targets became more concrete. The Director of the Bureau explained the revisions on these targets as a kind of routine change. He said, “Since 1989, job-specific targets [in the bureau]

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<sup>58</sup> The *Notice on Carrying Out the Objective Responsibility System in Organizations in Xi’an City* (the Xi’an City 2003 Notice), internal document. The following part will give a more detailed discussion of this document.

change every year according to the bureau's job requirements and work plans. The changes, however, were made regularly. For example, the bureau needs to hold a 'Shaanxi Opera (*qinqiang*) Competition' every three years and hold parties for the Spring Festival, the National Day, New Year's Day, and other events every year. These tasks were contained by the performance contracts, but they were by nature routine work of the bureau" (ZZ-7-20060713).

## **PERFORMANCE TARGETS IN RECENT YEARS**

Since 2000, great efforts have been made to institutionalize performance management in Xi'an local governments. Moreover, districts and counties formulated and experimented on performance management systems that were adaptable to local situations. Each year, district and county governments would report to the Objective and Responsibility Office for their annual progress in terms of accomplishing their performance contracts. On 17 December 2003, the Objective and Responsibility Office promulgated the *Notice on Carrying Out the Objective Responsibility System in Organizations in Xi'an City* (hereafter referred to as the 2003 Xi'an Notice), which specified in details the evaluation criteria for the work accomplishments of the leadership corps of all organizations under the administration of Xi'an City, the procedures of conducting evaluation, and the rewards and penalties related to the achievement or non-achievement of performance contracts. It likewise established the guidelines for conducting performance management in Xi'an local governments. The information gathered from Xi'an Party-building Web sites show that all districts and counties formulated local performance management systems under the instructions of the Xi'an 2003 Notice. By 2005, local governments in Shaanxi Province have widely adopted performance management and developed their own systems with local features. In addition, there was a proliferation of performance targets that were more concrete, quantified, performance oriented, and

richer in categories in Xi'an local governments.

### **Proliferation of Core Targets**

As was mentioned, the 2003 Xi'an Notice regularized and standardized the categories of performance targets of districts and counties under the administration of Xi'an City. Article 5 stipulated two types of performance targets that all districts and counties should adopt, namely, functional targets (*zhineng zhibiao*) and common targets (*gongxing zhibiao*). For offices and organizations for economic management and territorial organizations, functional targets comprised two kinds of targets: first, the job-specific targets of each organization, such as establishing the amount of agricultural productions in a fixed period and protecting a certain amount of farming lands for the Agricultural Bureau, and second, core targets on economic development, such as local GDP, the value of investments in fixed assets, local budget revenue, and the like. For offices and organizations for comprehensive management work as well as Party organizations, functional targets were equivalent to job-specific targets, for example, "protecting historical relics" for the Zhouzhi Cultural and Sports Affairs Bureau (see Figure 3.2).

**Table 3.3:**  
**A Comparison of Functional Targets in Two Bureaus of Zhouzhi County in 2005**

	<b>Forestry Bureau (Offices and Organizations for Economic Management)</b>	<b>Cultural and Sports Affairs Bureau (Offices and Organizations for Comprehensive Management)</b>
<b>Job-specific Targets</b>	<ul style="list-style-type: none"> <li>(1) Construction of 8,300 acres of forests;</li> <li>(2) Protecting forest resources and preventing forest fires;</li> <li>(3) Sales income of 0.6 billion for selling flowers and trees;</li> </ul>	<ul style="list-style-type: none"> <li>(1) Holding a “Competition of Shaanxi Opera”;</li> <li>(2) Organizing patriotic movie shows and ensuring each student see at least 4 movies in 2005;</li> <li>(3) Monitoring visits to illegal and unhealthy websites;</li> <li>(4) Strengthening protection of historical relics and folk arts;</li> </ul>
<b>Core Targets</b>	<ul style="list-style-type: none"> <li>(4) Taxes submitted to the county government: 100,000 <i>yuan</i>;</li> <li>(5) Total value of attracting investments and capitals: 4.8 million;</li> <li>(6) Value of attracting policy funding: 18 million;</li> <li>(7) Value of investments in fixed assets: 48 million;</li> <li>(8) Investing 3.2 million on construction of Heihe Wetland Project;</li> <li>(9) Investing 1.5 million on construction of Forests for Keeping Water Sources Project;</li> </ul>	<ul style="list-style-type: none"> <li>(5) Value of investments in fixed assets: 15.4 million;</li> <li>(6) Value of attracting internal funding: 1 million;</li> <li>(7) Value of attracting policy funding: 5 million;</li> </ul>

**Sources:**

- (1) *Performance Contract of the Forestry Bureau of the Zhouzhi County in 2005*, internal document;
- (2) *Performance Contract of Erqu Township of the Zhouzhi County in 2005*, internal document

As compared to the performance contracts of the two bureaus in 1991 and 1998 (Table 3.2), the adoption of core targets in 2005 led to an obvious decrease of job-specific targets. Subsequently, local officials gave more emphasis to the former than the latter in terms of implementation. Thus, the primary concern of local

officials was transferred from job-specific targets to core targets (HC-13-20050812; HC-14-20050815; ZZ-3-20060719; ZZ-10-20060718).

Core targets received high attention from local leadership cadres because they were allocated by higher-level authorities. Generally speaking, since core targets were mainly focused on economic tasks and the construction of social infrastructure, offices and organizations for economic management and local, town, and township offices and organizations took main responsibility in accomplishing these targets. Most offices and organizations for comprehensive management work and Party offices and organizations did not need to fulfill core targets. Therefore, as mentioned, functional targets became equivalent to their job-specific targets in these organizations. Moreover, in some localities, a few government offices and organizations for comprehensive management had core targets as well. For example, in the case of Zhouzhi, four bureaus under comprehensive management had core targets in 2005. The Cultural and Sports Affairs Bureau was one of them.<sup>59</sup>

Unlike job-specific targets that were established by each organization according to job duties and functions, core targets were decided and distributed by governments at higher levels. Core targets were first of all established by the central government as macroscopic objectives for the state's social and economic development. Then the center would assign these objectives to local governments at various levels in the form of more specific, concrete, and quantified indicators. For example, in 2005, the central government stipulated that the annual growth rate of national GDP from 2005-2010 should be 7.5%.<sup>60</sup> When this target was distributed to Shaanxi Province, the annual growth rate of Shaanxi GDP was required to reach 11% by the end of 2010; at a lower level, Xi'an Municipality required that the percentage should be 13%.<sup>61</sup>

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<sup>59</sup> The other three bureaus were the Development and Planning Bureau, the Education Bureau, and the Public Health Bureau.

<sup>60</sup> *The Outline of the Eleventh Five-Year Plan for National Economic and Social Development of the People's Republic of China*, 16 March 2006, <http://www.xinhuanet.com>;

<sup>61</sup> *The Outline of the Eleventh Five-Year Plan for National Economic and Social Development of Shaanxi Province*, 22 Jan 2006, <http://www.shaanxi.gov.cn>; *The Outline of the Eleventh Five-Year*

In 2006, the Development and Reform Commission of Xi'an City promulgated the *Management Methods of Key Construction Projects in Xi'an Municipal* in 2006 (hereafter referred to as Xi'an City 2006 Management Methods of Key Projects), listing seven kinds of key projects that were allocated by the central state, provincial government, and city government:

- (1) Projects that can promote the ratio of service industry, such as the processing of famous agricultural products (i.e., kiwi fruits);
- (2) Projects that can promote the development of five major industries (*zhudao chanye*) in Xi'an City, namely, high-technology industry, equipment manufacturing industry, travel industry, tourism industry, and modern service industry;
- (3) Projects that can promote the development of the four special economic development zones and the two high-technology bases;
- (4) Projects that can promote development of a recycle economy (*xunhuan jingji*), save energy, and protect the natural resources and environment of the city;
- (5) Projects that can promote the development of education, social welfare, employment, and healthcare services;
- (6) Projects that can promote the development of city infrastructure, such as transportation, information communication, water supply, electricity supply, heat supply, natural gas supply, and the like;
- (7) Other projects that are supported by the central and local governments, as well as projects brought about by the investment of foreign capital.

These key projects were then allocated to counties and further down to townships and offices, as well as to organizations for economic management. For example, in

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*Plan for National Economic and Social Development of Xi'an Municipal*, 19 Feb 2006, <http://www.xa.gov.cn>;

2006, Xi'an City required Zhouzhi County to meet the following core targets:<sup>62</sup>

- (1) 8 economic tasks—local GDP, local budget revenue, value of investments in fixed assets, value of foreign investments by contracts, realized value of foreign investment, realized value of internal investments, retail sales of consumer goods, and per capita net income of peasants;
- (2) Key projects including the following:
  - 15 key projects assigned by Xi'an City, such as values of investments on roads, bridges, and shopping-mall construction, on developing technology information systems, on building junior and high schools, on the improvement of Zhouzhi County's infrastructure, on civil residents' communities, and the like;
  - 15 key projects assigned by the Zhouzhi County Government, such as the construction of new forests and water supply infrastructure, value of investment on planting vegetables, financial support to poverty-stricken townships and villages, value of investment on building new signal bases of mobile phones, and the like.

The Zhouzhi County Government then distributed these core targets to all the 22 townships and 58% (18 out of 31) of the offices and organizations for economic management. All townships then shared 10 core targets, including local budget revenue, food production, road construction, per capita net income of peasants, and the like, but the value assigned on each concrete target (such as the value of investment in fixed assets) varied across townships due to different local situations. Offices and organizations for economic management usually had five or six core targets that were adaptable to their economic capacities.

The Forestry Bureau, as Table 3.3 mentioned, received six core targets from the

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<sup>62</sup> *Notice on Accomplishing Economic and Social Development Targets and Key Projects in Zhouzhi County*, 24 February 2006, internal document.

County Government, including four economic tasks and two key projects. The Cultural and Sports Affairs Bureau received three core targets, all of which were economic tasks. Under the unified cadre personnel management system and the one-level-down management principle, the supervisors were given full authority in making personnel decisions on the subordinates. Put in this light, it is understandable that local officials gave quite a high emphasis on the accomplishment of core targets simply because these targets were assigned by the government at a next upper level.

**Table 3.3:**  
**A Comparison of Functional Targets in Two Bureaus of Zhouzhi County in 2005**

	<b>Forestry Bureau (Offices and Organizations for Economic Management)</b>	<b>Cultural and Sports Affairs Bureau (Offices and Organizations for Comprehensive Management)</b>
<b>Job-specific Targets</b>	<ul style="list-style-type: none"> <li>(1) Construction of 8,300 acres of forests;</li> <li>(2) Protecting forest resources and preventing forest fires;</li> <li>(3) Sales income of 0.6 billion for selling flowers and trees;</li> </ul>	<ul style="list-style-type: none"> <li>(1) Holding a “Competition of Shaanxi Opera”;</li> <li>(2) Organizing patriotic movie shows and ensuring each student see at least 4 movies in 2005;</li> <li>(3) Monitoring visits to illegal and unhealthy websites;</li> <li>(4) Strengthening protection of historical relics and folk arts;</li> </ul>
<b>Core Targets</b>	<ul style="list-style-type: none"> <li>(4) Taxes submitted to the county government: 100,000 <i>yuan</i>;</li> <li>(5) Total value of attracting investments and capitals: 4.8 million;</li> <li>(6) Value of attracting policy funding: 18 million;</li> <li>(7) Value of investments in fixed assets: 48 million;</li> <li>(8) Investing 3.2 million on construction of Heihe Wetland Project;</li> <li>(9) Investing 1.5 million on construction of Forests for Keeping Water Sources Project;</li> </ul>	<ul style="list-style-type: none"> <li>(5) Value of investments in fixed assets: 15.4 million;</li> <li>(6) Value of attracting internal funding: 1 million;</li> <li>(7) Value of attracting policy funding: 5 million;</li> </ul>

**Sources:**

(1) *Performance Contract of the Forestry Bureau of the Zhouzhi County in 2005*, internal

document;

(2) *Performance Contract of Erqu Township of the Zhouzhi County in 2005*, internal document

### **Using More Specific Indicators to Measure Common Targets**

The 2003 Xi'an Notice categorized targets on Party affairs and social development, such as Party building, ideology education, family planning, conduction rule by law and anti-corruption, and the like, as "common targets." Unlike functional targets that were much more pertinent to an organization's job duties, common targets were adopted by all Party and government organizations. Towns and townships needed to fulfill a wider scope of common targets set for village elections, land protection, and work on dealing with villager complaints.

Compared with targets of "spiritual civilization construction" in 1991 and 1998, one significant change was that in recent years, common targets have become more specific in content and thus easier to evaluate. For instance, Xi'an local governments established quantifiable targets to measure work achievements on common targets. Table 3.4 shows the process of measuring "Party building" in Weiyang District in 2004.

**Table 3.4: Specific Evaluation Indicators of “Party Building” in Weiyang District in 2004**

(Responsible Unit: The Organization Department of Weiyang District)

No.	Performance Items	Performance Criteria	Weights	Performance Indicators
1	Organization Construction (25 points)	Establishment of Party branches	5 points	(1) Failed to establish committees of the Party branches—a reduction of 3 points (2) Failed to conduct reelection for members of the Party branches—a reduction of 2 points
		Organization of Party building work	8 points	(1) Failed to institutionalize Party systems—a reduction of 3 points (2) Failed to establish more than one “model Party branches”—a reduction of 5 points
		Construction of leadership corps in Party branches	5 points	(1) Failed to establish the leadership corps—a reduction of 2 points (2) Failed to unify and cooperate— a reduction of 3 points
		Education, recruitment and development of Party members	7 points	(1) Failed to take ideology education seriously— a reduction of 2 points (2) Failed to well manage cadres—a reduction of 2 points (3) Failed to regularize education and recruitment of new Party members— a reduction of 2 points (4) Failed to appoint a person responsible for collecting and managing Party fees—a reduction of 1 point
2	Ideology Construction (25 points)	Holding training courses for grass-roots Party schools	5 points	(1)Failed to establish an annual training plan— a reduction of 2 points (2) Failed to implement intensive training twice a year— a reduction of 3 points
		Conducting education sessions on current events and international affairs	5 points	(1) Failed to promote relationship with the masses— a reduction of 2 points (2) Failed to conduct learning sessions on current events and international affairs at least 2 times a year—a reduction of 3 points
		Building model units on Party building	8 points	(1) Failed to build model units on Party building— a reduction of 5 points (2) Failed to recommend qualified advanced Party members and advanced Party branches— a reduction of 3 points
		Democratic evaluation on work of Party members	7 points	(1) Failed to convene sessions for self-reflection and self-criticism for Party members—a reduction of 3 points (2) Failed to conduct effective democratic evaluation on work of Party members—a reduction of 3points (3) Failed to keep meeting minutes on democratic evaluation—a reduction of 1 point

No.	Performance Items	Performance Criteria	Weights	Performance Indicators
3	Construction on Work Style (20 points)	Promotion of clean civil service	5 points	(1) Failed to establish healthy work style—a reduction of 2 points (2) Failed to maintain transparency of work—a reduction of 3 points
		Education on the Party's disciplines and regulations	5 points	(1) Failed to establish an education plan— a reduction of 2 points (2) Failed to effectively conduct the plan— a reduction of 3 points
		Promotion of close relationship with the masses	5 points	(1) Failed to connect with the masses at least at least 3 times a year—a reduction of 3 points (2) Failed to appoint a responsible mentor on communication with the masses—a reduction of 2 points
		Supervision of the mass organizations	5 points	(1) Failed to support the work of the mass organizations— a reduction of 2 points (2) Failed to ensure that mass organizations had conducted rich and varied activities—a reduction of 3 points
4	Construction on Party systems (20 points)	Strengthening Party systems	5 points	(1) Failed to deal with an identified problem in the Party system—a reduction of 2 points (2)Failed to comply with rules and regulations on Party building work—a reduction of 3 points
		Meeting and reporting systems	5 points	(1) Failed to keep meeting minutes—a reduction of 2 points (2) Failed to examine Party building work 3 times a year— a reduction of 3 points
		Upholding related systems of the Work Committee of Organizations directly under the Party Committee	5 points	Failed to comply with related systems of the Work Committee of Organizations directly under the Party Committee—a reduction of 1 point for each time
		Establishment of the objective responsibility system on Party building	5 points	(1) Failed to produce an implementation plan on Party building—a reduction of 2 points (2) Failed to keep implementation records and reports—a reduction of 3 points
5	Construction on cadres corps (10 points)	Deployment of Party cadres and directors	3 points	(1) Failed to appoint a person responsible for Party building work— a reduction of 1.5 points (2) Failed to appoint a director responsible for Party building work—a reduction of 1.5 points
		Training Party cadres	2 points	(1)Failed to produce an implementation plan—a reduction of 1 point (2) Failed to effectively conduct training on Party cadres—a reduction of 1 point
		Institutionalizing an investigation system	3 points	(1) Failed to establish at least one investigation projects—a reduction of 1 point (2) Failed to effectively conduct investigations—a reduction of 2 points
		Construction of amateur Party schools	2 points	(1) Failed to establish any amateur Party schools—a reduction of 1 point (2) Failed to make the amateur Party school perform well—a reduction of 1 point

Table 3.4 shows examples of using quantifiable and specific indicators to evaluate common targets. As is shown, “Party building” was assessed by five performance items: organizational construction, ideology construction, work style construction, system construction, and construction of cadre corps. Each item was divided into several criteria, and each criterion was evidenced by specific indicators with concrete weights. To accomplish this target, the leadership cadres of the Weiyang District had to fulfill a total of 42 tasks in 2004, and failure in each of these 42 tasks may cause a corresponding reduction in assessment points. Although some targets, such as keeping connection with the masses and following procedures to develop Party members were easy to achieve, some targets needed the efforts of local officials for their accomplishment, i.e., building a certain number of Party branch commissions and training Party cadres.

In order to overcome the abstractness and subjectivity in evaluating the performance of Party building, Weiyang District authorities resorted to the “reverse point” evaluation (*fanxiang kaohe*) method—that is, points would be taken away if offices or organizations failed to perform the tasks as specified. In fact, the reverse point evaluation method was not a novel idea. The materials collected in the fieldwork indicated that it was already adopted by a number of county authorities under Xi’an City, such as the Lantian County, as early as 1998. However, its popularity in other districts and counties is yet to be empirically examined. This means that if widely adopted, this method could be an effective tool in regularizing the evaluation of political work and social development in township governments in Shaanxi’s local governments.

Under this meticulous evaluation system, as some interviewees pointed out, “in the past, it was not easy to measure achievements on Party building due to the absence of clear and measurable indicators. Evaluation [on Party building] depended on the purely subjective judgments of the evaluation committee. However, in recent years, “Party building” was measured by more objective, concrete, and specific

indicators. With clear standards, local cadres have to exert some effort to accomplish this work” (ZZ-10-20060718; HC-11-20050805; HC-14-20050815).

### **Increasing the Importance of Common Targets**

The third significant change was the increasing importance of common targets in Xi’an local government during recent years. The importance of common targets was twofold: first, some common targets had veto power in measuring the work accomplishment of the local leadership corps. Second, all offices and organizations in counties and townships ceased to have any discretion in specifying and formulating their common targets any more as they did in the 1990s. Under the one-level-down management principle, the pertinent county authorities could impose common targets and their accompanying indicators to their subordinate offices and organizations, particularly the ones with veto power.

First of all, some common targets, such as family planning, maintaining social order and handling mass complaints, and the like were given top implementation priority by local officials in recent years. These targets were so crucial that they had “veto power” in the evaluation of the work performance of local leadership cadres. If local officials failed to meet these targets, they would lose the opportunity to attend the year-end evaluation no matter how successfully other targets were met. Moreover, their failure might cause severe penalties for local officials, such as salary decrease, demotion, or even removal from current positions. All interviewees agreed that targets with “veto power” were the most important task for leadership cadres, and that the accomplishment of targets with veto power brought great pressure for local officials, especially for cadres in the leadership corps who were directly accountable for the failure of veto targets on behalf of their organizations.

The 2003 Xi’an Notice stipulated 11 targets with “veto power” in Article 18:

- (1) Anti-corruption;
- (2) Leadership selection<sup>63</sup>;
- (3) Adherence to policies made by the city Party committee and city government;
- (4) Maintaining social stability;
- (5) No mass complaints, illegal mass demonstration, and mass striking;
- (6) Comprehensive social security;
- (7) Family planning;
- (8) No extra birth rate;
- (9) Safety production;
- (10) Environmental protection;
- (11) Other illegal activities that would break Party's disciplines and laws.

Performance contracts collected in the fieldwork sites and interview information showed that these 11 targets with veto power did not have equivalent importance in practice. Family planning, production safety, handling mass complaints, and comprehensive social security were the most important targets since they were adopted by all of Xi'an local governments. In addition, some districts under the administration of Xi'an City, such as Yanta District, gave veto power to anti-corruption as well.

Second, local authorities centralized the power of imposing common targets and their accompanying indicators. This design ensured that political objectives as well as objectives of social development, such as family planning, handed down by higher-level authorities would be met. As mentioned, in 1991 and 1998, the Forestry Bureau and the Cultural and Sports Affairs Bureau of Zhouzhi County adopted different criteria to measure targets of "spiritual civilization construction." Some

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<sup>63</sup> This item means that in the leadership selection, no units could violate the 2002 Regulations on Selecting and Appointing Party and State-Leading Cadres, promulgated by the Central Organization Department on 9 July 2007.

targets were especially established for the bureaus; for example, the Forestry Bureau adopted “management of retired cadres,” while the Cultural and Sports Affairs Bureau adopted “strengthening the management of cultural market.”

However, in 2005, the Zhouzhi County Party Committee and Zhouzhi County Government issued the *Notification about the Implementation of Management Methods of Key Construction Projects in Zhouzhi County in 2005* (hereafter referred to as the 2005 Zhouzhi Methods). The document stipulated that all Party and government organizations as well as townships in Zhouzhi should adopt the following seven common targets, four of which were given veto power:

- (1) Party building;
- (2) Anti-corruption;
- (3) Construction of spiritual civilization;
- (4) Comprehensive social security (*with veto power*);
- (5) Family planning (*with veto power*);
- (6) Safety production (*with veto power*);
- (7) Dealing with mass complaints (*with veto power*).

In addition, the Zhouzhi County Government also laid down the performance indicators for each of the seven common targets (see Table 3.5). As a result, all Party and government organizations and townships used the same set of indicators to evaluate their work accomplishments on the common targets. By specifying and formulating the performance indicators of common targets, especially those with veto power, the Zhouzhi County Government was more possibly able to ensure the accomplishment of the political tasks of subordinate offices and organizations. For example, the county required that one indicator to measure “dealing with the mass complaints” was included to “ensure (that) all cases allocated by the central, provincial, and city government were handled.” Even organizations that seldom

needed to deal with mass complaints, such as the Cultural and Sports Affairs Bureau, had to adopt this target and its accompanying indicators. For such organizations, this common target may be *pro forma* by nature. However, the County Government enhanced its capacity to control mass complaints because every leading cadre in the county was actually responsible for the achievement of this target. In addition, “dealing with mass complaints” was a target with veto power. Since failure to meet such targets brought about severe penalties for leadership cadres, local officials thus had to take this measurement seriously.

**Table 3.5:**

**Indicators of the Common Targets Laid Down by the Zhouzhi County Government in 2005**

<b>Common Targets</b>		<b>Assessment Criteria</b>
<b>Party Building</b>	<ol style="list-style-type: none"> <li>1</li> <li>2</li> <li>3</li> <li>4</li> <li>5</li> <li>6</li> <li>7</li> </ol>	Ideology education: learning the “Three Represents” as important ideas; Conducting activities for “Maintaining the Advancement of Party Members”; Building Party branches in all non-public economic organizations; Building Party branches in resident communities; Conducting investigation of Party building work; Developing new Party members; Strengthening the management of Party fee collection;
<b>Anti-corruption</b>	<ol style="list-style-type: none"> <li>1</li> <li>2</li> <li>3</li> <li>4</li> <li>5</li> <li>6</li> </ol>	Making anti-corruption plans this year; Implementing the anti-corruption responsibility system of the leadership corps; Being a self-disciplined leading cadre; Seriously studying possible problems that anti-corruption work may encounter; Reporting promptly to the higher governments on anti-corruption situations; Strengthening education and propaganda against anti-corruption;

<p><b>Family Planning (with veto power)</b></p>	<p>1 2 3 4 5 6 7 8 9 10</p>	<p>Establishing responsible organizations for family planning work such as working offices and the like;</p> <p>Conducting the birth control responsibility system of the leadership corps;</p> <p>Ensuring that every member of the organization or 90% of the population know and understand family planning policies, regulations, and rules;</p> <p>No extra birth in the organization;</p> <p>No extra birth of 98% of the floating population managed by the organization;</p> <p>Shouldering all expenses on birth control;</p> <p>Establishing birth control dossiers for the unemployed and the floating population;</p> <p>At least 95% of immigrants must have certificates of immigration;</p> <p>At least 80% of women’s diseases should be under control; All women get birth control surgeries;</p> <p>No mass complaints on birth control;</p>
<p><b>Dealing with Mass Complaints (with veto power)</b></p>	<p>1 2 3 4 5 6 7 8 9</p>	<p>Making a practical plan for dealing with mass complaints;</p> <p>There is a leading cadre who is especially responsible for handling mass complaints;</p> <p>Studying and discussing problems on mass complaints frequently;</p> <p>Establishing reception spots for mass complaints and taking reception records;</p> <p>Ensuring that 70% of complaints are handled;</p> <p>Ensuring that 100% of complaint cases allocated by the central, provincial, or city governments (90% of cases allocated by the county government) are examined and solved;</p> <p>Controlling collective petitioning to higher authorities. No collective petitions to Beijing officials, Shaanxi provincial officials, and Xi’an city leaders;</p> <p>Strictly controlling skip-the-level petitions; the rate should be controlled within 0.1%;</p> <p>Actively conducting propaganda on the newly revised “Regulations on Letters and Visits”;</p>
<p><b>Safety Production (with veto power)</b></p>	<p>1 2 3 4 5 6</p>	<p>Signing safety production contracts with subordinate enterprises and service institutes;</p> <p>There are full-time professionals responsible for safety inspection work;</p> <p>Establishing monitoring systems for regular checks on safety production;</p> <p>Disseminating the importance of safety production;</p> <p>Carefully preventing serious issues on safety production;</p> <p>Once more than three people die in an event within a year, all the other work achievements of the leadership corps will be disregarded in the year-end evaluation;</p>

<b>Propaganda Work and Spiritual Civilization Construction</b>	1	Conducting propaganda work centered around publications of the county;
	2	Actively conducting discussion forums on implementing scientific development;
	3	Coordinating with the County Government to celebrate the New Year and special holidays;
	4	Reporting on social situations and people's thoughts regularly;
	5	Conducting moral education among the youth;
	6	Conducting moral education with the theme of "Civilized Zhouzhi and Civilized Me"
	7	Improving the spiritual and civilization level of work in the whole organization.
<b>Comprehensive Social Security (with veto power)</b>	1	Fighting against criminal cases through political, administrative, economic, and legal approaches;
	2	Making comprehensive social security as one of the most important tasks in a leader's term;
	3	Preventing potential dangers that could threaten people's safety;
	4	Ensuring that 95% of social conflicts are handled by means of negotiation and persuasion;
	5	Firmly conducting regular checks on the safety of work;

## CONCLUSION

Performance management is a primary tool that is often used by Western democracies such as OECD member countries to transform the public sector with the help of the entrepreneurial spirit since the late 1970s (Osborne & Gaebler, 1992, pp. x-xi; OECD, 1994 and 2003). The onset of performance management in these countries is characterized by the wide use of fundamental marketing principles and techniques to improve public agency performance. Notable examples of such principles and techniques are "value for money," total quality management, customer-driven service, performance-related incentives, cost/benefit and cost/effectiveness analysis, benchmarking, outsourcing, privatization, and decentralization to lower-level agencies (Caiden, 1991; Kotler & Lee, 2007). It has already been indicated in Chapter One that market-driven performance management systems are greatly shaped by factors which are deeply rooted in the political

foundations and histories of these countries. An example is the tradition of using the private sector's advanced management methods to improve government management since Frederick Taylor's time.

Undoubtedly, the PRC is in the process of marketization. What remains debatable, however, is whether marketization has brought substantial changes to government reforms in general and cadre personnel management in particular (Wedeman, 2003). Current studies support the viewpoint that the implementation of performance management has brought market forces into the Chinese local bureaucracy as in Western democracies. This is evident in the adoption of performance-related incentive and scientific evaluation criteria to measure the work accomplishments of local cadres in some counties. However, the empirical evidence that is presented in this chapter seems to point to a different conclusion. Some Chinese local governments might adopt some *pro forma* marketing mechanisms such as performance-related incentives<sup>64</sup>. The crucial question that still remains is what such performance management practice may lead to. Does the proliferation of cadre evaluations lead to a more customer-oriented service delivery or a more economic government? Or does the decentralization of public personnel management share power to the lower-level agencies in China?

The empirical findings in this chapter indicate that the proliferation of cadre evaluations leads to policy compliance of local organizations with different portfolios to their superior governments. Local officials, especially leadership cadres, have been evaluated more often by higher-level authorities on their assigned targets. Consequently, local officials have lost the authority to set the indicators to measure their own performance since this is now done for them by their superiors. The growing measurability of performance criteria in politics-oriented targets helps guarantee the accomplishment of policies and directives allocated by the ruling Party.

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<sup>64</sup> In fact, Chinese authorities rely more on a planning approach rather than a market approach to conduct performance management and to enhance their ruling capacity in local regions. Chapter Five will give a detailed analysis of this point.

As a result, the proliferation of cadre evaluations makes the Chinese local bureaucracies more responsive to political forces and more accountable to higher authorities.

The literature on the political control of the bureaucracy as represented by the principal-agent theory indicates that goal conflicts and information asymmetry between principals/politicians and the agents/bureaucracies lead to bureaucrats having both the incentives and the opportunities to shirk and to be unresponsive to their superior politicians (Mitnick, 1975; Waterman & Meier, 1998).<sup>65</sup> There were several actions by politicians that triggered the imposition of some control on the bureaucracies in Western liberal democracies. Wood and Waterman (1991) empirically examined the relative importance of various political stimuli such as appointments, budgets, reorganizations, oversight, and legislation. Their study found that political appointment was the most important instrument of political control in democratic countries such as the U.S. Chaney and Saltzstein (1998) indicated that politicians could influence the behavior of bureaucrats through the issuance of direct orders in the form of court orders, legislation, voter initiatives, or referenda. They can even exert their influence in a difficult-to-control setting depending on the actions of street-level bureaucrats. Furthermore, Bella (1998) suggested that elected officials could use administrative procedures that predispose agencies toward particular policy choices to impose constraints on bureaucratic decision making.

China's powerful central government is still unable to fully constrain the behavior of local bureaucracies that tend to shirk from implementing central policies. Researchers in the field showed that Chinese policy making and implementation were characterized by an enormous amount of discussion and bargaining among officials in order to reach outcomes that were acceptable to all stakeholders (Harding,

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<sup>65</sup> Because there is goal conflict between principals (politicians) and agents (bureaucracies), agents have the incentive to shirk (or engage in other non-sanctioned actions). The information asymmetry allows bureaucrats to be unresponsive to agents. Even in a case where there are relatively similar goals, conflict may exist over the exact means to use with an agent's desire to obtain slack resources that provide the incentive and the information asymmetry that provides the opportunity to shirk (Mitnick, 1975; Waterman and Meier, 1998).

1981; Huang, 1995; Lieberthal, 1995; Whiting, 2004). The central government needs and has used various ways to keep local bureaucracies politically responsive to higher-level authorities. Under the unified cadre personnel management system, the political appointment of key leadership positions is probably the most important approach to be done. Empirical findings in this chapter show that performance management has been increasingly used in recent years as an additional instrument to control local bureaucracies. The center assigns and distributes key performance targets that lower-level agents are obliged to achieve. The accomplishment of these assigned targets may not bring bonuses or career advancements for local officials but is crucial for them to keep their current positions.

Put in this light, the proliferation of cadre evaluations may signify the administrative commitments to achieve immediate, concrete, and measurable results. However, the value of instituting various forms of cadre evaluation lies on whether these measures can help enhance the Party-state's capacity to monitor and control lower-level cadres and to actualize the doctrine of "Party control of the cadres." The next chapter will specify how the CCP has enhanced its capacity to monitor local cadres and the capacity of policy implementation by conducting performance management.

**CHAPTER FOUR:**  
**PERFORMANCE MANAGEMENT: A PLANNING APPROACH TO**  
**ENSURE THE ACCOMPLISHMENT OF KEY POLICY GOALS**  
**IN LOCAL REGIONS**

**INTRODUCTION**

The previous chapter illustrated that the institutionalization of performance management during the past three decades did not primarily aim to use market principles such as performance-related monetary incentives to reform the Chinese local bureaucracy. On the contrary, the implementation of performance management tended to strengthen the political control of local bureaucracies by assigning performance targets to evaluate local cadres' work performance. Since the early 1990s, there was a proliferation of targets allocated by higher-level authorities (core targets and common targets) in cadre evaluation, whereas there was not much significant changes with respect to targets that pertained to an organization's job functions (job-specific targets). Under China's unitary cadre management system, local cadres tended to give strong emphasis on the accomplishment of the targets allocated by higher levels than the achievement of job-specific targets. As such, the Chinese authorities attempted to use performance management primarily as an instrument to control and monitor local officials' behavior rather than as a pure management tool to improve government productivity.

The implementation of marketization reforms since 1978 such as the adoption of the one-level-down management principle has gradually led to heavy local protectionalism in the PRC. Local governments tended to build "independent kingdoms" to protect local interests and sacrifice national goals. As a result, China's powerful central agency had difficulty in introducing a systemic reform in local areas (see Naughton, 1987; Shirk, 1990; Walder, 1995; Huang, 1996). A typical case

was the failure of a systemic peasant burden reduction in the 1990s. Local cadres tended to implement other more important policies such as attracting foreign investments since peasant burden reduction was not given top priority by the center (Lv, 1997; Bernstein & Lv, 2000; O'Brien & Li, 1999; Edin, 2003). Therefore, the central authorities had increasingly felt the necessity of developing an effective institution to monitor and control the behavior of local officials in order to guarantee the accomplishment of the most pressing central policies.

As shown in the previous chapters, some scholars had explained how the CCP enhanced the capacity to monitor and control lower-level agents by conducting performance management in Chinese local areas (Edin, 2003; Whiting, 2004 & 2006). They refuted the traditional assertion that the state capacity of the PRC was weakened by decentralization and marketization.<sup>66</sup> They considered that performance management was an effective instrument to attract local officials with the best performance to serve the Party by offering them sufficient incentives. Given the proliferation of more specific, quantified, and performance-based targets, it was easier to relate cadres' remunerations and career advancements with their work performance. Hence, the implementation of performance management led to the reduction of inefficient cadres because the successful and more committed cadres could obtain relatively high payoffs by working within the Party hierarchy. In addition, the Party also used some administrative institutions that were related to cadre evaluation to attract local cadres such as a regular cadre rotation system. Local cadres with the strongest performance might be transferred to a higher-level position. This was a more convenient way to obtain a higher rank than regular promotions. The CCP in turn strengthens the capacity to monitor local agents and ensures the

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<sup>66</sup> The traditional view is that decentralization and marketization would weaken the authority of the central state vis-a-vis local governments and enterprise conglomerates in China. See Wang S. G. (1995). The rise of the regions: Fiscal reform and the decline of central state capacity in China. In A. G. Walder (ed.), *The waning of the communist state: Economic origins of political decline in China and Hungary*. Berkeley: University of California Press; Wang, S. G. & Hu A. G. (2001). *The Chinese economy in crisis: State capacity and tax reform*. Armonk, NY: M.E. Sharpe; Hao, J. & Lin Z. M. (eds.) (1994). *Changing central-local relations in China: Reform and state capacity*. Boulder: Westview Press; White, L. T., III. (1998). *Unstately power: Local causes of China's economic reforms*. New York: M.E. Sharpe.

durability of Party rule by attracting local cadres to serve the Party.

As such, these scholars claimed that the implementation of performance management was a win-win situation. On one hand, the CCP institutionalized market forces such as competition and motivation into the local bureaucracy by conducting performance management. On the other hand, performance evaluation helped the Party to monitor and control local agents by incorporating successful cadres into higher levels of the Party hierarchy or into the *nomenklatura*. In other words, performance management was an effective instrument to institutionalize market forces into the local bureaucracy. This consequently led to a stronger control of the Party on the local agents.

The empirical findings of this chapter agree with the current literature that the CCP has used performance management to enhance the capacity to monitor and control local cadres. However, this chapter provides a different interpretation that the CCP relies more on a planning approach than a market-driven one to enhance the Party's monitoring capacity. Performance management is a planning and regulatory instrument to ensure the accomplishment of key policy goals in local governments and even below the county level. Policy goals that are crucial for national economic development, regional economic growth, and maintenance of social stability are assigned and distributed level by level down the administrative hierarchy. For example, the State Council plans and distributes national policy goals to provincial governments in the form of specific performance indicators, such as GDP, per capita GDP, family planning, and safety production. Under the one-level-down management system, provincial governments are required to comply with the central policies. Meanwhile, since provincial governments are given substantial discretion to manage local affairs, they usually add more tasks that are crucial to regional development such as budget revenue, investment values, and mass complaints into the high-level lists of key policy goals. These tasks are imposed on cities, counties, and townships. As such, the performance contracts signed between counties and

townships contain all policy goals assigned by higher-level authorities as well as locally stipulated objectives that are essential to the realization of policy goals set up at different levels and are important to maintain a vibrant local economy.

This chapter will clarify how a planning performance management approach was developed and used in Xi'an local governments to ensure the accomplishment of higher-level policies. It first introduces the attributes of performance targets that symbolized their priorities in implementation. Then it examines the distribution process of performance targets with different priorities down the administrative hierarchy level by level. Finally, it concludes with a discussion on how the planning performance management approach departs from the Western experience, and the CCP's main purpose to conduct a planning performance management during the market reform era.

## **A PLANNING PERFORMANCE MANAGEMENT**

The center had a weak control over local regions with respect to crucial economic decisions such as the collection of local government budget revenue, investment planning, credit control, and product allocation when China moved toward economic decentralization in the late 1970s. Local governments that were acting on their own economic interests were pursuing anti-regional trade and investment maximization policies. These were often to the detriment of the country's macroeconomic stability as a whole (Wong, 1985; Boisot & Child, 1988; Wang & Hu, 1993; Huang, 1996). A major problem caused by economic decentralization was that the central authorities had difficulties in ensuring the accomplishment of key national policies in local areas. The failure of peasant burden reduction policies was a typical case. The central authorities gave strong emphasis on the policy of eliminating arbitrary fees, fines, and apportionments in rural areas. However, their efforts to curb excessive

appropriation were frequently stymied by grass-roots cadres.<sup>67</sup> The center's efforts of using limited village election and establishing specific institutions to check cadre malfeasance were not entirely successful<sup>68</sup> (O'Brien & Li, 1999; Huang, 1995).

The empirical findings in Shaanxi local governments show that planning performance management was adopted to ameliorate the problems of policy accomplishment. Central policy goals were assigned level by level down the bureaucracy hierarchy in the form of performance targets. The performance standards and performance levels of each target were established and carefully planned by the authorities instead of the market. In addition, it is the authorities rather than customers or markets that determined the priorities of policy goals to be implemented. Monitoring and controlling mechanisms were established as well to ensure the accomplishment of higher-level policies in local regions.

## **THE CENTRAL POLICY GOALS AND THEIR ATTRIBUTES**

Communist China had a planning economy for nearly 40 years. The mark of China's

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<sup>67</sup> Since 1985, the Chinese authorities determined to eliminate the arbitrary fees, fines, and apportionments in rural areas. The Central Committee and State Council jointly issued over a dozen regulations and circulars forbidding these impositions. In addition, China's top leaders including Jiang Zemin, Li Peng, Qiao Shi, Tian Jiyun, and Zhu Rongji had urged restraint (Yang, 1996, pp.202-210; Bernstein and Solinger, 1996). However, local leaders often made unlawful levies vanish by inflating villagers' incomes, or they revoked an illicit fee when pressure was high only to reimpose it later. Sometimes, they simply ignore directives restricting appropriation and hoped they were not found out (O'Brien and Li, 1999, p.169). Scholars found that cadre resistance to lightening peasant burdens was almost universal in townships in the 1990s (Oi, 1996).

<sup>68</sup> Huang (1995) indicated since the late 1970s that reformist leaders had begun to stress the importance of monitoring the on-job performance of grass-roots cadres. Accordingly, they had developed specialized institutions to perform this task. In 1983, the General Auditing Office (GAO) was established to audit the investment and fiscal affairs of government agencies and firms. Then in 1987, the Ministry of Supervision (MOS) was reestablished in 1987 whose main task was to detect and discipline those officials engaging in illicit conduct. However, both institutions lacked sufficient independence from those government units they were assigned to monitor. The local bureaus of the MOS set guidelines for local operations, but it did not have authority over local personnel (which was controlled by local Party organization departments), although changes in the top leadership of the local bureaus did require prior clearance from the MOS. The MOS also had resident inspectors in other government units, but their administrative expenditures were shouldered by the units they were sent to monitor. The local bureaus of GAO payrolls were on the local budgets. In an attempt to enhance their independence, they were placed directly under the leadership of the provincial governors. Similar to the MOS, the GAO inspectors resident in other government units were on the administrative payroll of their resident units (also see Wang, 1990; Li, 1990). Thus, the two institutions could only perform limited monitoring over the misconduct of grass-roots cadres.

planning economy is the implementation of so-called “five-year” plans on economic and social development by governments at various levels. The five-year plans have been crucial in establishing the overall policy goals for national economic development and the construction of key national projects. The first five-year plan was established in 1953 following the industrial development model adopted by the former Soviet Union. Since then, the Chinese government has developed 11 five-year plans to date. Hence, the five-year plans are the basis for the central government to direct and control the economic and social development in local regions. In 1992, the Chinese government initiated to gradually establish a market economy with socialist characteristics. On the occasion of the CCP’s 16th Congress in 2002, the central authorities claimed that the socialist market economy system was primarily established. However, Chinese top leaders have kept the five-year plans as the blueprints for national economic and social development. The implementation of the five-year plans shows that China’s socialist market economy has been conducted with planning features.

On 16 March 2006, the Chinese central government released the *Outline of the 11<sup>th</sup> Five-Year Plan for Economic and Social Development of the People’s Republic of China* (hereafter referred to as the National 11<sup>th</sup> Five-Year Plan).<sup>69</sup> It specified 22 policy goals on economic and social development for the period 2006-2010. These policy goals covered broad issues that ranged from promoting economic growth, adjustment of industrial structure, natural resources protection to the improvement of public service quality, and others. For each policy goal, the outline gave an expected standard output in 2010. In order to facilitate the measurement of each policy goal, the central government also used quantified criteria to measure each policy goal (see Table 4.1).

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<sup>69</sup> See official Web site: <http://www.xinhuanet.com>.

**Table 4.1:**  
**Major Indicators of Economic and Social Development in the 11th Five-Year Plan in the PRC**

<b>Category</b>	<b>Indicator</b>	<b>2010</b>	<b>Annual average growth (%)</b>	<b>Attribute</b>
<b>Economic growth</b>	Gross Domestic Product (GDP) (Trillion <i>Yuan</i> )	26.1	7.5	Anticipative
	Per capita GDP ( <i>Yuan</i> )	19270	6.6	Anticipative
<b>Economic structure</b>	Ratio of Added Value of Service Industry (%)	43.3	[3]	Anticipative
	Unemployment ratio of service industry (%)	35.3	[4]	Anticipative
	Ratio of expenditure on R&D to GDP (%)	2	[0.7]	Anticipative
	Urbanization rate (%)	47	[4]	Anticipative
<b>Population resource environment</b>	Total national population (10,000 people)	136000	<8‰	Obligatory
	Reduction of Energy Consumption per Unit GDP (%)		[20]	Obligatory
	Reduction of Water Consumption per Unit Industrial Added Value (%)		[30]	Obligatory
	Efficient Utilization Coefficient of Agricultural Irrigation Water	0.5	[0.05]	Anticipative
	Comprehensive Utilization Rate of Industrial Solid Wastes (%)	60	[4.2]	Anticipative
	Total Cultivated Land (100 million hectares)		-0.3	Obligatory
	Reduction of Total Major Pollutants Emission Volume (%)	1.2	[10]	Obligatory
	Forest coverage (%)	20	[1.8]	Obligatory
<b>People life Public service</b>	Average Schooling Years of Citizens (Year)	9	[0.5]	Anticipative
	Population Covered by Basic Pension in Urban Areas (billion people)	2.23	5.1	Obligatory
	Coverage of the New Rural Cooperative Healthcare System (%)	>80	>[56.5]	Obligatory
	Newly Increased Urban Employment in Five Years (10,000 people)		[4500]	Anticipative
	Rural Labor Force Transferred in Five Years (10,000 persons)		[4500]	Anticipative
	Registered Urban Unemployment Rate (%)	5		Anticipative
	Per Capita Disposable Income of Urban Households ( <i>Yuan</i> )	13390	5	Anticipative
	Per Capita Net Income of Rural Households ( <i>Yuan</i> )	4150	5	Anticipative

*Source: The Outline of the Eleventh Five-Year Plan for Social and Economic Development of the*

People's Republic of China, 16 March 2006. Available at the official website: <http://www.people.com>.

*PS: The gross domestic product and urban and rural resident income are the price of 2005; those with [ ] are the accumulated number of the five years; major pollutants refer to sulfur dioxide and chemical oxygen demand.*

A key difference of the 11<sup>th</sup> National Five-Year Plan from the previous national five-year plans is that it developed two planning indicators, each with a unique attribute. The first one is the obligatory planning indicator (*yueshuxing zhibiao*).

Obligatory indicator is the indicator defined and developed on the basis of anticipation. It is the required work proposed by the Central Government for local governments and related public service departments of the Central Government. The government shall ensure its realization through a rational distribution of public resources and an effective application of administrative forces.

The second one is the anticipative planning indicator (*yuqixing zhibiao*).

Anticipative indicator is the nationally expected development objective and is achieved through the application of market forces. The government must create favorable macroscopic, institutional, and market environments, make macroscopic readjustment and development and consolidate strengths within a proper time frame, and comprehensively implement various policies to inform social resource distribution and make efforts to realize it.

Table 4.1 shows that the 22 policy goals included 8 obligatory indicators and 14 anticipative indicators. With the adoption of the market economy in China, all policy goals on economic development such as GDP, per capita GDP, and work on economic structure were anticipative indicators. Crucial national policies on social

development and public service delivery—i.e., population control, reduction of energy consumption, and coverage of basic medical pension system—were obligatory tasks. Among the 8 obligatory indicators, 6 were about population control, environmental and natural resource protection, while 2 were works on public service.

The National 11<sup>th</sup> Five-Year Plan particularly stipulated that “Obligatory indicators determined in this outline have legal force and should be incorporated into the comprehensive evaluation and performance measurement of accomplishment on economic and social development in all regions and local organizations. The obligatory indicators shall be disseminated to responsible departments. Indicators such as farmland retention quantity, reduction of energy consumption per unit, gross domestic product, and reduction of total discharge of major pollutants should be disseminated to all provinces, autonomous regions, and municipalities directly under the Central Government.” This statement clearly required that the obligatory indicators should be given top priority in the measurement of work achievements of local governments. The Director of the State Development and Reform Commission Ma Jian (2006) explained that such stipulations aimed to use performance management as an implementation system (*shishi jizhi*) of the National 11<sup>th</sup> Five-Year Plan. The outline’s emphasis on the measurement of targets on public service delivery, population control, and environmental and natural resource protection was supposed to counterweigh the overemphasis on economic development in local regions in recent decades.<sup>70</sup> This explanation implies that the central authorities planned to give emphasis to maintaining a harmonious society as well as continuous economic development during the coming five years.

## **DISTRIBUTION OF CORE TARGETS**

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<sup>70</sup> Ma Jian, “Creating Strategies and Deployments of the New Situations---An Interpretation of the National 11<sup>th</sup> Five-Year Plan”, 7 April 2006. See official Web site: [http://www.gov.cn/zwhd/2006-04/07/content\\_247930.htm](http://www.gov.cn/zwhd/2006-04/07/content_247930.htm)

The National 11<sup>th</sup> Five-Year Plan stipulated two national goals on economic growth: GDP and per capita GDP. By 2010, the national GDP was expected to reach 26.1 trillion *yuan* with an annual growth rate at 7.5%. On the other hand, the per capital GDP was expected to reach 19,270 *yuan* with an annual growth rate at 6.6%. The State Council also established four policy goals on economic structure, namely, the ratio of added value of the service industry, the unemployment ratio of the service industry, the ratio of expenditure on Research and Development to GDP, and urbanization rate. Each target had quantified standard and performance levels that lower-level governments were required to meet (see Table 4.1).

Meanwhile, the State Council delegated economic decision making power to the provincial governments and by extension, further down the municipal, county, and township governments to spur economic initiatives and to develop concerted measures to be able to properly implement all these initiatives. The local governments subsequently established their own five-year plans on economic and social development that were more adapted to the local situations. Since economic management has been localized and decentralized, then it is not surprising that local governments would incorporate new policy goals into the list of performance targets.

The Development and Reform Commission (DRC) of Shaanxi Province was responsible for transferring the central overall policy goals on GDP and per capita GDP to indicators that were adaptable to local situations. The Auditing Bureau of Shaanxi was responsible for supervising the accomplishment of the two policy goals. In addition, the Shaanxi Provincial Government developed four other indicators to measure economic development, namely, local government budget revenue, total investment in fixed assets, total value of import and export, and total value of foreign investment (see Table 4.2). All the four targets were anticipative indicators. The DRC of Shaanxi Province established quantified criteria to measure these

targets. They also distributed the targets to responsible organizations. The accomplishment of the four targets was under the supervision of specific responsible organizations whose job functions were pertinent to these targets. The responsible organizations conducted supervision with the assistance of cities<sup>71</sup> and the special economic zone (Yangling) which was at the same administrative level with other cities. For example, Table 4.2 shows that the Financial Department of the Shaanxi Province was responsible for the accomplishment of local budget revenue. The Department of Commerce was responsible for the accomplishment of the total value of import and export. Total investment in fixed assets was under the supervision of the DRC of Shaanxi Province.

The DRC of Shaanxi Province also converted the central policies of work on economic structure into indicators of key projects. Other central policies on public service and the construction of social infrastructure that were determined by the National 11<sup>th</sup> Five-Year Plan were also decomposed to indicators of key projects.<sup>72</sup> According to one official account, the DRC of Shaanxi Province transferred these central policy goals to 111 concrete key projects. This included 11 projects on agricultural development, forest construction, and water supply, 26 projects on public transportation, 23 on energy saving, 3 on the construction of city infrastructure, 41 on industrial and high-technology development, and 7 on social service delivery. Similarly, each key project was under the supervision of specific responsible organizations. Though performance contracts were not yet introduced at the provincial level, the heads of the responsible organizations were still held responsible for the accomplishment of these key projects (Table 4.2).

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<sup>71</sup> Shaanxi Province administrates 10 cities (Xi'an, Baoji, Xianyang, Weinan, Yan'an, Yulin, Tongchuan, Hanzhong, Ankang, and Shangluo).

<sup>72</sup> Since key projects covered broad activities that needed to be established according to local situations such as developing a high-technology industry, tree planting, and energy saving for the improvement of public service, it is not feasible to build a clear-cut connection between central policy goals and concrete local key projects here.

**Table 4.2:**  
**Policy Goals on “Economic Growth” and “Economic Structure”**  
**in the Shaanxi 11<sup>th</sup> Five-Year Plan**

Policy Goals		2010	Annual Growth Rate	Attributes	Responsible Organizations
<b>Economic Growth</b>	GDP (hundred million <i>yuan</i> )	6000	11%	Anticipative	Auditing Department
	Per Capita GDP ( <i>yuan</i> )	16000	10%	Anticipative	Auditing Department
	Local Government Budget Revenue (hundred million <i>yuan</i> )	1000	15%	Anticipative	Financial Department
	Total investment in fixed assets (hundred million <i>yuan</i> )	17000	20%	Anticipative	Development and Reform Commission
	Total value of import and export (hundred million USD)	300	N/A	Anticipative	Department of Commerce
	Total value of foreign investments (hundred million USD)	100	N/A	Anticipative	Development and Reform Commission
<b>Economic Structure</b>	Ratio of Added Value of Service Industry (%)	40		Anticipative	Technology Department
	Ratio of expenditure on R&D to GDP (%)	3.5		Anticipative	Technology Department
	Urbanization rate (%)	45		Anticipative	Department of City Construction

**Sources:**

*The Outline of the Eleventh Five-Year Plan for Social and Economic Development of Shaanxi Province*, 22 January 2006. Available at the official website: <http://www.shaanxi.gov.cn>.

**PS:** Indicators of “economic growth” were converted into economic tasks by the Development and Reform Commission of the Shaanxi Province. Indicators of “economic structure” were converted (by the same organization) into part of key projects in Shaanxi Province.

The Shaanxi Provincial Government distributed these policy goals to cities. The *Outline of the 11<sup>th</sup> Five-Year Plan for Economic and Social Development in Xi'an City* (hereafter referred to as the Xi'an City 11<sup>th</sup> Five-Year Plan) adopted the central and provincial policy goals and developed another indicator on economic growth: total retail sales of consumer goods.<sup>73</sup> The DRC of Xi'an City was responsible for distributing these policy goals to quantified performance targets that were adaptable to local conditions. Each target was under the supervision of a specific organization directly under the City Government (see Table 4.3). Table 4.3 shows that the responsible organizations in Xi'an City were usually the subordinate organizations within the same functional system with the responsible organizations in Shaanxi Province. For example, the targets "GDP" and "per capita GDP" were supervised by the Auditing Bureau of Xi'an City. The target of "local government budget revenue" was supervised by the Financial Bureau of the Xi'an City. Districts and counties assisted the responsible organizations in accomplishment of policy goals on economic growth.

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<sup>73</sup> Meanwhile, Xi'an City's 11<sup>th</sup> Five-Year Plan made the "use of foreign investment" as one indicator under the target of "total value of import and export."

**Table 4.3:**  
**Policy Goals on “Economic Growth” and “Economic Structure”**  
**in the Xi’an 11<sup>th</sup> Five-Year Plan**

Policy Goals		2010	Annual Growth Rate	Attributes	Responsible Organizations
<b>Economic Growth</b>	GDP (hundred million <i>yuan</i> )	2580	13%	Anticipative	Auditing Bureau
	Per Capita GDP ( <i>yuan</i> )	3600		Anticipative	Auditing Bureau
	Local Government Budget Revenue (hundred million <i>yuan</i> )	141	14%	Anticipative	Financial Bureau
	Total investment in fixed assets (hundred million <i>yuan</i> )	1910	18%	Guiding	Development and Reform Commission
	Total value of import and export (hundred million USD)	97	20%	Guiding	Department of Commerce
	Total Retail Sales of Consumer Goods (hundred million <i>yuan</i> )	1340	15%	Guiding	Commercial and Trade Bureau, Auditing Bureau
<b>Economic Structure</b>	Ratio of Value-added of High-technology Industry to GDP	13	1%	Anticipative	Technology Bureau
	Ratio of expenditure on R&D to GDP (%)	2.5		Anticipative	Technology Bureau
	Ratio of Non-public Economy to GDP	50	1.3%	Anticipative	State-owned Assets Supervision and Administration Commission
	Ratio of Primary, Secondary and Tertiary Sector	3:45:52		Guiding	Development and Reform Commission
	Urbanization rate (%)	68.8		Guiding	Bureau of City Construction

**Sources:**

*The Outline of the Eleventh Five-Year Plan for Social and Economic Development of Xi’an Municipal*, 19 February 2006. Available at the official website: <http://www.xa.gov.cn>.

**PS:** Indicators of “economic growth” were converted into economic tasks by the Development and Reform Commission of the Xi’an City. Indicators of “economic structure” were converted (by the same organization) into part of key projects in Xi’an City.

Other policy goals in the Xi’an City 11<sup>th</sup> Five-Year Plan were converted into around 200 key projects by the DRC of Xi’an City. Among the 200 key projects, 29 were on the construction of city infrastructure, 13 on environmental protection, 11 on agricultural modernization, forest construction, and water supply, 60 on industrial development, 13 on the development of travel industry, 13 on the development of the cultural industry, 38 on the development of the modern service industry, 5 on building government compounds, 6 on education, and 12 on healthcare. In total, 230.7 billion *yuan* would be invested on the construction of these projects. The DRC of Xi’an City also assigned principal responsible organizations for the accomplishment of these key projects (Table 4.4).

Table 4.4 shows that Xi’an City’s plan of key project construction gave emphasis to industrial development (*chanyehua fazhan*), which was in accordance with the plan of the provincial government. There were 124 projects on industrial development, including the five major industries of Xi’an City—high-technology industry, manufactory industry, travel industry, cultural industry, and modern service industry. In total, 129.5 billion *yuan* would be invested in the construction of these projects, which was 56% of the total investment values. In addition, the DRC of Xi’an explained that because Xi’an was the central city in north-west China, improving the city’s urbanization rate—especially the construction of rural and urban infrastructure—was a necessary and crucial task. The improvement of the city’s urbanization level was reflected in two aspects: gradually adjusting the urban-rural structure and enhancing government capacity on public service delivery. There were 71 key projects on improving the city’s urbanization level, including projects on city infrastructure construction, education, healthcare, agricultural modernization, water supply and environmental protection, and the like. In total, 100

billion *yuan* would be invested on the construction of these projects, which was 44% of the total investment values.

**Table 4.4:**  
**A Planning List of Key Projects of Xi'an City in 2006**

No.	Categories	Number of Key Projects	Total Investment in Five Years (trillion <i>yuan</i> )	Realized Investments in 2006 (trillion <i>yuan</i> )
1	Construction of infrastructure	29	69.01	5.348
2	Environmental Protection	13	18.68	1.197
3	Agricultural modernization, water supply and forest construction	11	8.09	1.254
4	Industry	60	32.17	6.385
4 (1)	High-technology Industry ▲	(23)	(12.13)	(1.433)
4 (2)	Manufactory Industry ▲	(19)	(9.3)	(1.896)
4 (3)	Other Core Industry	(18)	(10.74)	(2.845)
5	Travel ▲	13	11.85	1.524
6	Culture ▲	13	29.33	0.576
7	Modern Service ▲	38	33.73	3.313
8	Governmental Use	5	0.72	0.112
9	Education	6	2.54	0.393
10	Healthcare	12	2.51	0.175
<b>In Total</b>		<b>200</b>	<b>230.77</b>	<b>20.0851</b>

**Sources:**

1. "Construction of Key Projects in Xi'an City in 2006", 14 November 2006, promulgated by Development and Reform Commission of Xi'an City, see website: [www.xadrc.gov.cn/admin/pub\\_newsshow.asp?id=1000056&chid=100070](http://www.xadrc.gov.cn/admin/pub_newsshow.asp?id=1000056&chid=100070)

2. "The Notice of Sending Out the Plan of Key Project Construction in Xi'an City in 2006", see website: <http://www.xa.gov.cn/cenweb/xagov/zwgk/content.jsp?sABC=ABC000000000000003530>

*P.S:* The Industries with the symbol "▲" are the five major industries (*zhudao chanye*) in Xi'an City

It is noteworthy that Xi'an's 11<sup>th</sup> Five-Year Plan modified the attributes of its policy

goals. It retained the obligatory indicator, modified the anticipative indicator, and further introduced the third planning indicator—guiding indicators (*daoxiangxing zhibiao*).

Anticipative indicator is the indicator that is defined and further developed on the basis of higher-level government direction. It shows the objective that has been given emphasis by the pertinent government. The government must create a favorable macroscopic, institutional, and market environment, make macroscopic readjustment, and comprehensively implement various policies to inform social resource distribution and make efforts to realize it.

Guiding indicator is the expected development objective of the government and is achieved chiefly by the application of market forces. The government must create favorable macroscopic, institutional, and market environments to make the direction of the market agents' behavior align with the government's expected development objective.

The Xi'an 11<sup>th</sup> Five-Year Plan required local offices and organizations to accomplish all these policy goals no matter what their attributes were. However, the priority of these targets in implementation was different. The obligatory targets were not negotiable since they were the required work proposed by the central government, provincial government, and city government. Local cadres must make efforts to accomplish the obligatory targets. The management of anticipative indicators and guiding indicators was relatively more flexible because it was not reasonable for the higher-level authorities to establish concrete performance standards for these localized tasks. The guiding indicators are more negotiable than anticipative indicators because its application relies more on market forces. Thus, they are more likely to encounter irresistible and unforeseeable risks.

Xi'an City stipulated that GDP, per capita GDP, and local government budget revenue were anticipative indicators, while total investment in fixed assets, total retail sales of consumer goods, and total value of import and export were guiding indicators (see Table 4.3). Clearly, Xi'an City gave a higher emphasis on local government budget revenue than other economic tasks made locally because fiscal revenue was the main source for government administration management and service. Most targets on key project construction were guiding indicators. However, those projects with respect to economic affairs such as the ratio of expenditure on R&D to GDP and the ratio of the added value of the high-technology industry to GDP were given higher emphasis by the Xi'an City Government as these targets were anticipative indicators.

County governments under Xi'an City converted the central, provincial, and city policy goals into core targets and signed performance contracts with organizations and offices for economic management and township offices and organizations. At the county level, the indicator of "per capita net income of peasants" was used by the national plan to evaluate the performance of public service. Moreover, life quality was also converted by county governments into a core target indicator. With the assistance of county development and planning commissions (DPC) (*xian fajiwai*), county governments distributed the high-level policy goals to pertinent government organizations. The indicators of GDP and per capita GDP were supervised by the county DPCs together with the county auditing bureaus. The indicator of per capita net income of peasants was supervised by the county agricultural bureau and the county auditing bureau with the assistance of all townships (see Table 4.5). The leadership cadres of the townships and pertinent county offices and organizations were held responsible for the accomplishment of performance contracts.

**Table 4.5:**  
**Policy Goals on “Economic Growth” in Zhouzhi 11<sup>th</sup> Five-Year Plan**

<b>Policy Goals on “Economic Growth”</b>	<b>2010 (Expected)</b>	<b>Annual Growth Rate</b>	<b>Attributes</b>	<b>Responsible Organizations</b>
GDP (hundred million <i>yuan</i> )	41.77	13%	Anticipative	County Auditing Bureau
Per Capita GDP ( <i>yuan</i> )	6400	N/A	Anticipative	County Auditing Bureau
Local Government Budget Revenue (hundred million <i>yuan</i> )	N/A	10%	Anticipative	County Financial Bureau
Total investment in fixed assets (hundred million <i>yuan</i> )	28.3	17.6%	Guiding	Development and Planning Commission of Zhouzhi County
Realized Use of Internal Investments (hundred million <i>yuan</i> )	N/A	20%	Guiding	Trade and Commercial Bureau of Zhouzhi County
Use of Foreign Investment (hundred million USD)	N/A	20%	Guiding	Trade and Commercial Bureau of Zhouzhi County
Total Retail Sales of Consumer Goods (hundred million <i>yuan</i> )	11.96	16%	Guiding	Trade and Commercial Bureau of Zhouzhi County, County Auditing Bureau
Per Capita Net Income of Peasants	3315	7.4%	Guiding	County Agricultural Bureau, County Auditing Bureau

**Source:**

*The Outline of the Eleventh Five-Year Plan for Social and Economic Development of Zhouzhi County*, 26 October 2006. Available at the official website: <http://zhouzhi.mofcom.gov.cn>

**PS:** Indicators on key project construction such as work on economic structure were not included in this table because governments at and below the county level adopted various concrete and specific

projects. Please refer to Table 4.6 as an example.

County governments established specific, concrete, and quantified targets for each of the key projects. Table 4.6 takes one key project on construction of county infrastructures in Zhouzhi County as an example. The project was comprised of eight concrete targets, covering road construction, bridge improvement, electricity supply, and natural gas supply. The Zhouzhi County Government allocated the investment value of each target as well as set the time limit for the accomplishment of this project. Three organizations were responsible for the accomplishment of this specific project. These were the Erqu Township, the Construction Bureau, and the Electricity Supply Bureau. The heads of these three organizations were held responsible for the achievement of this project.

**Table 4.6:**  
**The Key Project of “Construction of County Infrastructure” in Zhouzhi County in 2006**

<p>Construction of County Infrastructure</p> <p>Total Investment: 36.4 million yuan</p>	(1) Investing 12.4 million yuan on rebuilding the road from Shahe Bridge to Yunta Square (2200 meters long, 30 meters wide);	<p>Invest 21.6 million yuan from January to June, accomplishing target (1), (2), (3), and (4);</p> <p>Invest 14.8 million yuan from July to December, accomplishing target (5), (6), (7) and (8)</p>	<p>Construction Bureau;</p> <p>Electricity Bureau;</p> <p>Erqu Township;</p>
	(2) Invest 3.6 million yuan on rebuilding the road from the old bridge to the new bridge (350 meters long, 30 meters wide);		
	(3) Invest 3.8 million yuan on the project of draining water in the West Nongshang Road;		
	(4) Invest 2.2 million yuan on construction of culverts in Huangcheng River Channel;		
	(5) Invest 3 million yuan on electrify supply of the County		
	(6) Invest 3 million yuan on the county’s environmental protection projects		
	(7) Investing 8 million yuan on the natural gas gasification project, providing natural gas for 2000 meters road, building 1 gas station in Beihuan Road;		
	(8) Investing 0.8 million yuan on improving the conditions of the county’s public toilets;		

**Source:**

*The Notice of Accomplishing Policy Goals for Economic and Social Development and Policy Goals for Key Projects in Zhouzhi County in 2006, internal document.*

**Monitoring on the Accomplishment of Core Targets**

Given that the core targets are anticipative and guiding indicators, negotiation is allowed within limits on the accomplishment of these targets. The *2006 Management Methods of Key Construction Projects in Xi’an Municipal* (the 2006

Xi'an City Management Methods of Key Projects), which was promulgated by the DRC of Xi'an, stipulated that the "management of key project is flexible...if the implementation or achievement of key projects is heavily affected by irresistible and unpredictable factors, the principal responsible organizations may file an application to make appropriate adjustment. Approval from the Development and Reform Commission of Xi'an City is required before the responsible organizations make corresponding adjustments."

Nonetheless, local governments adopted three methods to ensure that local officials exert efforts to realize the anticipative and guiding planning indicators. The first one was to offer an incentive mechanism. The 2006 Xi'an City Management Methods of Key Projects indicated that the City Government established a 500,000 *yuan* special funding as reward for advanced organizations (*xianjin danwei*) on the accomplishment of key projects. At a lower level, the Zhouzhi County Government stipulated that every responsible organization that had successfully accomplished key projects could get 3,000 *yuan* as a reward. Each of the 10 top-ranking organizations could get 5,000 *yuan*. If an organization was responsible for more than one key project, and if all these key projects were accomplished, the organization could get accumulated rewards without limits. A more attractive incentive was that local governments were allowed to retain a percentage of revenue (*shuishou liucheng*) once they accomplished the specified revenue objectives "assigned" by county authorities. For example, township tax offices under Hu County can now retain 15 percent of the revenue if they meet the specified tax revenue objective. On the other hand, other offices including comprehensive social security management offices, general offices of township governments, family planning offices, offices for attracting foreign and domestic investments (*zhaoshangyinzi bangongshi*), and social insurance offices can retain between 30 and 40 percent if they meet other specified objectives.<sup>74</sup>

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<sup>74</sup> Zhao, S. K. (2005) found that local officials were actually quite keen to key projects because the policy funding they obtained from higher-level authorities for the construction of key projects

Second, the General Office of the Small Leading Group of Inspection for the Implementation of Core Targets and Key Projects of Xi'an City (hereafter Xi'an City Inspection Team) would dispatch a municipal-level inspection team to monitor the performance of the county-level cadre on the achievement of the overall financial objectives on a quarterly basis. County governments would dispatch their own inspection teams to check on the progress (on a monthly basis) made by section-head level officials of the finance bureau, the local and state tax bureaus, land and resources bureau, and all tax offices in township governments on the accomplishment of the specified revenue objectives. A similar timeline was adopted by the county-level inspection team in checking the progress made on all indicators and the accompanying specified objectives, except for the indicators of GDP, which was inspected on a quarterly basis and the per capita net income of peasants which was inspected annually.

More importantly, the Xi'an City Inspection Team would review the progress made by subordinate districts and counties and publish a report on its official Web site. According to the 2006 Management Methods of Key Projects, the Xi'an City Inspection Team should evaluate key projects randomly on a monthly basis. It should also report the current achievements of the selected projects to the City Party Committee and City Government. All key projects should be evaluated on a quarterly basis in terms of criteria such as the realized investments, practical achievements of the project, management level of the projects (*xiangmu guanli chengdu*), and the like. Warnings would be given to the organizations that did not achieve their expected project goals. The Xi'an City Inspection Team would give a comprehensive evaluation on the achievements of all key projects twice a year and disclose the result to the public through the news media.

Table 4.7 is an example of regular reporting on the achievements of four main

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enhanced their opportunities to obtain more government financial income. Meanwhile, local officials could use the policy funding to do something beneficial for the public, such as building highways, better healthcare equipment, and more education institutions, and the like. See Zhao, S. K. (2005). Townships under the "Inverse accountability system". *China Reform (in Chinese)*, 2, 57-58.

core targets in Xi'an local governments—the local government budget revenue, annual growth of investments in fixed assets, use of foreign investments by contract, and key projects of districts and counties between January and November 2006. For each anticipative or guiding indicator, the Xi'an City Inspection Team outlined the expected goals, realized achievements on the indicator, and the percentage of goal accomplishment. Districts and counties were ranked by their accomplishment of these policy goals. The ranking result was also made open to the public. As such, local officials would be closely monitored with respect to the achievement of the policy goals allocated from higher-level authorities. Local officials had to make efforts to realize the policy goals to the point that even negotiation was allowed; otherwise, they would be exposed to the public.

**Table 4.7:**  
**Current Progresses in Achieving Part of the Economic and Social Development Targets in Xi'an City**  
**From January to November in 2006**

Districts and Counties	<i>Local Government Budget Revenue</i>				<i>Annual Growth of Investment in Fixed Assets</i>			
	Expected goal (10,000 yuan)	Achievement (Jan.-Nov.) (10,000 yuan)	Percentage of goal achieved (%)	Rank	Expected goal (%)	Achievement (Jan.- Nov) (%)	Percentage of goal achieved (%)	Rank
<b>Xincheng District</b>	67,350**	61,102	97.7	13	26	37.5	11.5	7
<b>Beilin District</b>	83,000	80,468	96.9	7	26	32.5	6.5	10
<b>Lianhu District</b>	81,890	75,930	92.7	10	26	26.6	0.6	13
<b>Yanta District</b>	60,530	59,137	97.7	5	28.5	66.2	37.7	2
<b>Baqiao District</b>	23,440	22,231	94.8	8	28	107.5	79.5	1
<b>Weiyang District</b>	35,770	35,080	98.1	4	28	29.8	1.8	12
<b>Yanliang District</b>	17,700	16,375	92.5	11	26	33.6	7.6	9
<b>Chang'an District</b>	35,750	34,874	97.5	6	27	30.2	3.2	10
<b>Lintong District</b>	20,930	19,607	93.7	9	26	39.6	13.6	5
<b>Lantian County</b>	5,000	4,552	91	12	26	38.5	12.5	6
<b>Zhouzhi County</b>	3,930	3,928	99.9	3	25	35.6	10.6	8
<b>Hu County</b>	12,690	13,170	103.8	2	24	51	27	3
<b>Gaoling County</b>	13,910	15,623	112.3	1	27	41.5	14.5	4
<b>Xi'an City (Total)</b>	9050 million	8730 million	96.5	N/A	20	33.6	13.6	N/A

**Table 4.7:**  
**Current Progresses in Achieving Part of the Economic and Social Development Targets in Xi'an City**  
**From January to November in 2006 (Continue)**

Districts and Counties	<i>Use of Foreign Investments (by contract)</i>				<i>Key Projects of Districts and Counties</i>		
	Expected goal (10,000 US\$)	Achievement (Jan-Nov) (10,000 US\$)	Percentage of goal achieved (%)	Rank	Number of key projects	Achieved investment (10,000 yuan)	Percentage of goal achieved (%)
<b>Xincheng District</b>	3,800	4,537.5	119.4	5	13	161,100	108
<b>Beilin District</b>	3,800	4,109.5	108.1	8	18	182,410	139.6
<b>Lianhu District</b>	3,800	4,031.9	106.1	10	16	120,655	114.2
<b>Yanta District</b>	4,200	5,003.8	119.1	6	18	217,398	114
<b>Baqiao District</b>	2,500	2,676.7	107.1	9	6	97,590	114.8
<b>Weiyang District</b>	4,200	4,350	103.6	12	10	161,175	138.9
<b>Yanliang District</b>	1,500	1,750	116.7	7	17	78,660	116.2
<b>Chang'an District</b>	1,500	2,260	150.7	1	9	245,733	130
<b>Lintong District</b>	1,400	1,462.1	104.4	11	14	86,170	112
<b>Lantian County</b>	1,000	1,216.9	121.7	3	13	42,945	104
<b>Zhouzhi County</b>	1,000	1,280	128	2	15	48,072	109.8
<b>Hu County</b>	1,200	1,451	120.9	4	9	171,687	213
<b>Gaoling County</b>	1,200	1,214.6	101.2	13	8	173,242	111
<b>Xi'an City (Total)</b>	74,200	72,000	97.6	N/A	166	1717.9 billion	125.2

Source: official website: [www.xa.gov.cn](http://www.xa.gov.cn)

The third way to monitor the accomplishment of crucial anticipative or guiding indicators was to give them veto power in the measurement of cadres' work performance. Chapter Four indicated that counties and townships under Xi'an City widely adopted four targets with veto power—family planning, safety production, comprehensive social order, and mass complaints. Giving “veto power” to a target is a way to attract local officials' attention on the accomplishment of the target. For example, in recent years, some of the Xi'an local governments began to give “local government budget revenue” veto power after the central state decided to phase out agricultural tax for peasants' financial burden reduction in 2003. Since the founding of the PRC in 1949, agricultural tax was always the main source of the country's coffer. This is especially the main source of local fiscal revenue in inland counties.<sup>75</sup> The abolition of agricultural tax led to a relative decrease of local financial income and consequently imposed financial burdens on local governments.<sup>76</sup> Therefore, ensuring the accomplishment of the “local government budget revenue” has become increasingly important in some inland counties. Similarly, in his survey of performance management in 20 inland counties, Zhao (2005) found that all the counties gave veto power to family planning; simultaneously, four counties gave veto power to the local government budget revenue, four counties gave veto power to maintaining social order, three counties gave veto power to anti-corruption, and one county gave veto power to the reduction of peasants' burden. The creation of different targets with veto power across localities shows that local governments have used this method to ensure the accomplishment of crucial targets. These targets could be obligatory indicators allocated by higher-level authorities (i.e., family planning), political tasks (i.e., anti-corruption), anticipative targets (i.e., local budget revenue), or guiding targets (i.e., reduction of peasants' burden). Whatever the attributes of these targets are, local officials need to make efforts to realize them once they are given the veto power. The succeeding discussion will explain in detail

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<sup>75</sup> See Web site: [http://english.people.com.cn/200601/01/eng20060101\\_232160.html](http://english.people.com.cn/200601/01/eng20060101_232160.html).

<sup>76</sup> See Web site: [http://www.fsa.gov.cn/web\\_db/sdzg2006/INTERNET/AGAME/sjzg/sjzg06-01.htm](http://www.fsa.gov.cn/web_db/sdzg2006/INTERNET/AGAME/sjzg/sjzg06-01.htm)

how to ensure the accomplishment of the central obligatory indicators in Xi'an local governments.

## **DISTRIBUTION OF OLIBGATORY INDICATORS**

As a blueprint, the National 11<sup>th</sup> Five-Year Plan contained the most pressing policy concerns of the central state. The National 11<sup>th</sup> Five-Year Plan stipulated eight obligatory indicators that were given the highest priority among all overall policies (see Table 4.1). It also required local governments to accomplish these national policy goals within the coming five years. Given that the population, natural resources, and economic capabilities are varied across localities, the center did not use a “one stroke with the knife” (*yidaoqie*) way to enforce the accomplishment of obligatory planning indicators. Empirical findings show that at the current stage, the indicator of population control has been tightly implemented in Shaanxi local governments. Some indicators are given increasing emphasis by local officials in recent years. For example, as the National 11<sup>th</sup> Five-year Plan stipulated, specific performance contracts were found in Shaanxi local governments on issues such as safety production, protection of cultivated lands, and energy saving. Predictably, some obligatory indicators would be given stronger emphasis in the near future such as the coverage of the new rural cooperative healthcare system and population covered by basic pension in urban areas.

The Shaanxi Provincial Government required that all the pertinent organizations directly under the Provincial Government must make efforts to realize the eight central obligatory planning indicators (see Table 4.1). The accomplishment of obligatory indicators should be supervised by specific responsible organizations. However, only four obligatory indicators, namely; total cultivated land, reduction of energy consumption per unit GDP, reduction of total major pollutants emission volume, and population control, should be distributed to all the lower-level

governments. These lower-level governments include districts, cities, counties, and townships. The accomplishment of these four obligatory indicators should be the crucial criterion in the measurement of local officials' work performance.

People may wonder why the other four obligatory indicators—forest coverage, reduction of water consumption per unit industrial added value, population covered by basic pension in urban areas, and coverage of the new rural cooperative healthcare system—were not distributed to all subordinate governments. The reason is that it might not be feasible to require all lower-level governments to adopt these four indicators given the limitation of local conditions. For example, an official in the Forest Bureau of Shaanxi Province explained that Xi'an City has limited spare lands to construct new forests. Therefore it was not possible to require Xi'an City to accomplish "forest coverage" as an obligatory task. The provincial government would distribute this target to other cities which had more lands for forestry use (Interview with the Section-Chief of the Forestry Department of Shaanxi Province). Hence, it does not mean that Shaanxi Province could negotiate with the central government on the accomplishment of national obligatory indicators. However, the Provincial Government had the discretion to utilize local resources in a way through which the target could most possibly be accomplished.

Figure 4.1 shows an example of how to establish obligatory indicators in the Xi'an local government in 2006. It shows how the central obligatory indicator "population control" was assigned to local governments level by level. Population control has been one of the most important national policies in China since the 1980s. The National 11<sup>th</sup> Five-Year Plan established a macroscopic goal of population control from 2006-2010 that the total national population should be controlled under 136 million with an annual rate of population natural growth under 8%. The Shaanxi 11<sup>th</sup> Five-Year Plan stipulated that by 2010, the total population in Shaanxi Province should be controlled within 38.3 million with an annual rate of population growth under 6%. The Population and Family Planning Commission

(PFPC, *renkou jishengwei*) of Shaanxi Province was responsible for distributing this target to the subordinate 11 city governments and for supervising the accomplishment of the target.

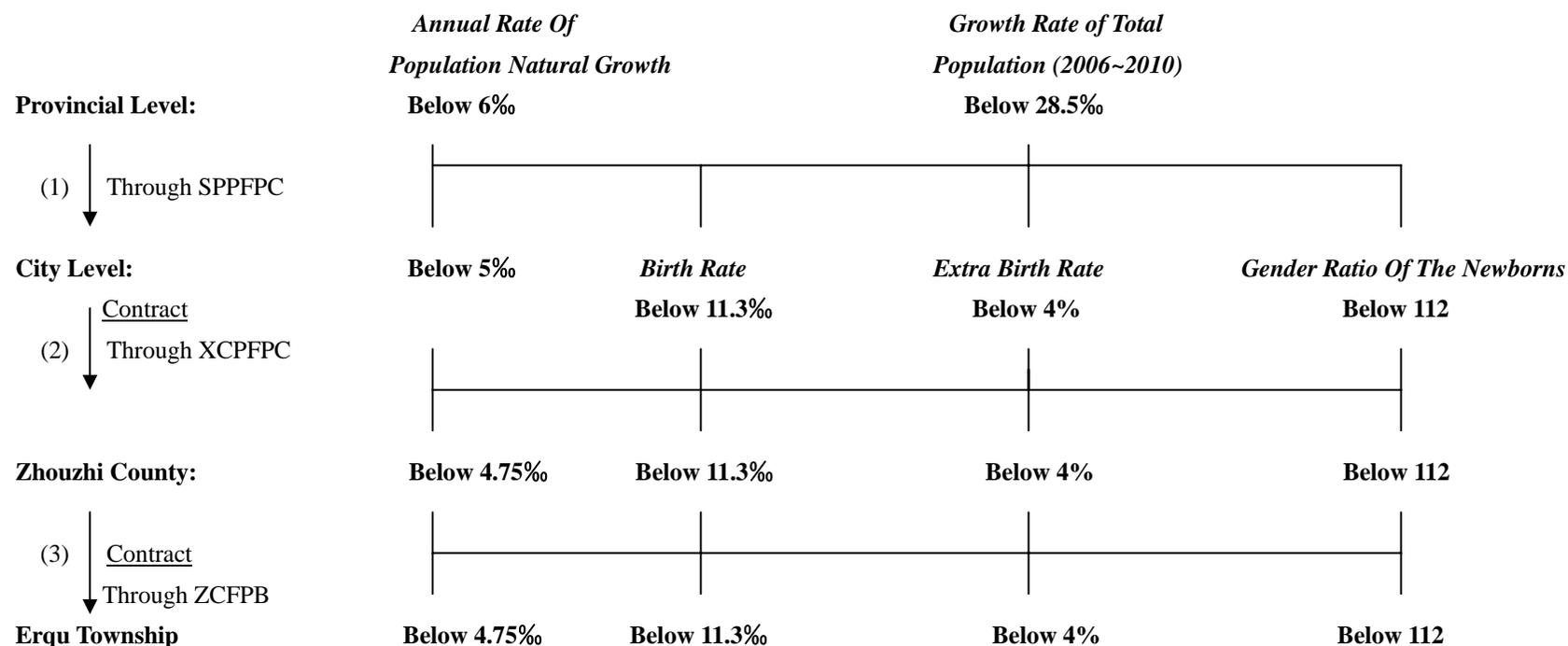
The Xi'an 11<sup>th</sup> Five-Year Plan stipulated that the annual rate of population natural growth would be controlled under 5%. The PFPC of Xi'an City divided the indicator of "total population in Xi'an City within five years" into three more specific indicators, namely, controlling the birth rate under 11.3%, controlling the unplanned birth rate under 4%, and keeping gender ratio under 112. In addition, the PFPC of Xi'an City signed on behalf of the city government specific performance contracts on population control (*renkou mubiao zerenshu*) with the subordinate 13 districts and counties. By doing so, indicators on population control were allocated from Xi'an City to districts and counties. The counties were required to control the annual rate of population natural growth under 4.75%, control the birth rate under 11.3%, control the unplanned birth rate under 4%, and keep the gender ratio under 112.

Similarly, counties would distribute the indicators of population control to all organizations directly under county and township governments. Performance contracts on population control were signed between the PFPC of the county with all local and township offices and organizations. One contract of the Erqu Township of Zhouzhi County showed that the townships were required to strictly adhere to the performance standards allocated from higher-level authorities. This means that the annual rate of population natural growth should be controlled under 4.75%, birth rate under 11.3%, unplanned birth rate under 4%, and gender ratio under 112.

Figure 4.1 shows that grass-roots cadres need to put much more effort to achieve the policy goal on population control which was more and more difficult to meet. For example, the annual rate of population natural growth was required to be controlled under 8% at the central level, 6% at the provincial level, to 5% at the city level, and finally to 4.75% for counties and townships. Clearly, this is a method to

ensure the realization of the obligatory indicators in the grass-roots areas.

**Figure 4.1: Establishment of the Target of “Family Planning” In Xi’an Local Governments**



**PS:**

- (1) The targets are set by the Shaanxi Provincial Population and Family Planning Commission (SPPFPC);
- (2) The targets are set by the Xi’an City Population and Family Planning Commission (XCPFPC); Performance contracts are signed between CPFPC and districts and counties;
- (3) The targets are set by the Zhouzhi County Family Planning Bureau (ZCFPB). Performance contracts are signed between ZCFPB and Townships;

**Sources:**

- (1) *The Outline of the Eleventh Five-Year Plan for Economic and Social Development of Shaanxi Province*, 22 Jan, 2006, <http://www.shaanxi.gov.cn>;
- (2) *A Special Plan on Population and Family Planning Work in Shaanxi Province*, 22 Jan, 2006, <http://www.shaanxi.gov.cn>;
- (3) *The Outline of the Eleventh Five-Year Plan for Economic and Social Development of Xi’an Municipal*, 19 Feb, 2006, <http://www.xa.gov.cn>;
- (4) *Work Targets of the Xi’an Population and Family Planning Commission in 2006*, 4 Jan, 2006, <http://www3.shaanxi.gov.cn>;
- (5) *The Outline of the Eleventh Five-Year Plan for Economic and Social Development of Zhouzhi County*, 26, Oct, 2006, <http://zhouzhi.mofcom.gov.cn>;
- (6) *Performance Contract of Erqu Township in 2006*, internal document;
- (7) *Performance Contract on Population Control in Zhouzhi County in 2006*, internal document;

One might ask whether there is a connection between the obligatory planning indicators and the common targets adopted in local performance contract. Chapter Four indicated that the common targets were mainly political tasks. Most common targets such as maintaining comprehensive social security, anti-corruption, and Party building were not stipulated by the National 11<sup>th</sup> Five-Year Plan because the State Council is not responsible for establishing and distributing political targets. These political targets are usually assigned from the Party hierarchy. However, if one obligatory indicator is so crucial that it has to be adopted nationwide, then it becomes a “political task” and would be converted to a common target. It has been shown that the distribution of the indicator of population control was an example. Documents collected from Party-building Web sites showed that this indicator was adopted in counties and townships nationwide.

In addition, a situation has recently come to light in which local governments began to make efforts to convert the obligatory planning indicators to common targets. For instance, it is reported that Shandong Province converted the indicators of reduction of total major pollutant emission and reduction of water consumption per unit industrial added value to priority targets with veto power that were universally adopted by the local governments there.<sup>77</sup> The Inner Mongolia Autonomous Region converted the indicator of forest coverage to a common target since 2000.<sup>78</sup> Meanwhile, the Hubei Province began to convert the coverage of the new rural cooperative healthcare system as a common target since 2007.<sup>79</sup>

### **Monitoring the Accomplishment of Obligatory Indicators**

The obligatory indicators were usually given veto power in the measurement of local cadres’ work performance. To retain their current positions, local cadres would make

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<sup>77</sup> [http://www.sd.xinhuanet.com/news/2006-08/04/content\\_7689538.htm](http://www.sd.xinhuanet.com/news/2006-08/04/content_7689538.htm)

<sup>78</sup> <http://www.people.com.cn/GB/paper1631/4894/528240.html>

<sup>79</sup> [http://www.nchzyl.cn/msg\\_detail.jsp?msg\\_info\\_id=20070413165639000001](http://www.nchzyl.cn/msg_detail.jsp?msg_info_id=20070413165639000001)

efforts to accomplish these priority targets. The Shaanxi Provincial Party Committee and Provincial Government promulgated the *Notice on Rewarding Family Planning Work and Implementing Veto Power on the Work* as early as 1995. The document showed that in the mid-1990s, failure of target with veto power would bring severe penalties for local officials. The major responsible leaders of the 10 last-ranking counties (referred to as Party and state leading cadres and the director of the population and family planning commission) would not be promoted in that year. The responsible leaders of the three last-ranking organizations on family planning work would not be promoted within the next three years. If the responsible leaders of one organization failed to achieve family planning targets for a continuous three years, then they would get demoted and removed right away at the end of the third year.<sup>80</sup> More recently, the penalties were lessened to some extent. As Chapter Four showed, the Xi'an 2003 Notice stipulated that if local officials failed to meet targets with veto power, they were not permitted to attend the year-end evaluation no matter how successful they were in meeting other targets. Meanwhile, the failure of targets with veto power might cause salary decrease, demotion, or removal from current positions. Targets with veto power still brought substantial pressure for county and township leaders even though they were not as harsh as before. Many interviewees expressed their view that even if the accomplishment of targets with veto power might not guarantee a promotion, nonetheless, it at least ensured local officials that they will keep their current positions.

In addition, the Shaanxi 11<sup>th</sup> Five-Year Plan required that all subordinate governments and pertinent organizations directly under the Provincial Government should establish a regular reporting system (*dingqi gongbao zhidu*) to ensure the accomplishment of obligatory indicators. At the end of each year, the Provincial Land Resource Department and the Provincial Auditing Bureau must report to the Provincial Government on the amount of total cultivated lands in the Shaanxi local

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<sup>80</sup> The document is available at <http://www.fl5.cn/fagui/difang/fg2/200603/53212.html>

governments. Similarly, the Provincial Auditing Bureau and the Provincial DRC must report on the amount of reduction of energy consumption per unit GDP in Shaanxi local governments. The Provincial Environmental Protection Bureau and the Provincial Auditing Bureau must likewise report on the amount of reduction of total major pollutant emission volume to the provincial government. For its part, the Provincial Auditing Bureau and the Provincial PFPC must report to the provincial government on the total population, annual rate of population natural growth, and natural birth rate of the Shaanxi local governments. It is also required to make these statistics transparent to the public.

On 20 March 2007, the Auditing Bureau of Shaanxi Province released the *Statistic Bulletin of Economic and Social Development in Shaanxi Province in 2006*. The Bulletin publicized the achievement on major indicators in the Shaanxi 11<sup>th</sup> Five-Year Plan. It of course included the achievements on the four obligatory indicators. For example, the Bulletin showed that in 2006, the total population in Shaanxi Province was around 37.4 million (375,350,500 people), the gender ratio was 105.89, the natural birth rate in 2006 was 10.19% (new birth 379,800 people), and the annual rate of population natural growth was 4.04%. Similar statistics on energy saving, environmental protection, and cultivated land protection was published as well.<sup>81</sup>

## CONCLUSION

The literature on performance benchmarking indicated that well-designed performance standards are crucial for establishing system incentives. It also influences the responses of public managers and staff members operating a program. In systems with rewards and sanctions linked to performance results, performing above or below the standards can have important short-term consequences (e.g.,

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<sup>81</sup> See official Web site: <http://www.sxpop.gov.cn/ArticleView.aspx?LangID=C556EE850F6424AA>

budgetary rewards or revisions, positive or negative recognition), as well as long-term ones (e.g. promotion, structural reorganization) (Cowper & Samuels, 2001; Heinrich & Marschke, 2005; OECD, 2005). In her study of performance standards setting in the Workforce Investment Act System (WIA) in the United States, Heinrich (2005) found that the negotiation of performance targets had become a key feature of WIA performance management systems. Since performance measurement was more and more agency specific, then it was necessary for the state to discuss with local service delivery areas to establish appropriate performance standards in contemporary U.S. Under the principal-agent model which is characterized by information asymmetry, it is increasingly important to adopt negotiable targets if performance management is used as a management tool to meet various customer needs and promote the “shared accountability” of both state government and local agencies.

The analysis of this chapter shows that performance standards and performance levels were established by higher-level authorities in communist China. The grass-roots governments (counties and townships) were allowed limited negotiation on the accomplishment of higher-level policies. The empirical findings show that Xi'an grass-roots governments did not negotiate with higher-level authorities on the establishment of performance standards (policy goals). Negotiation was allowed only in certain cases where there is a need to cope with unpredictable influences on the accomplishment of part of higher-level key policies. Citizens were not involved in establishing performance standards and the performance levels of government service at all. In this regard, the implementation of performance management does not primarily aim to promote democratic accountability or to meet public needs. Instead, performance management was used as a planning and regulatory approach to ensure the accomplishment of higher-level key policies in local regions. Higher-level authorities established key performance goals, determined the priorities of policies in implementation, and allocated these policies to lower-level agents. The high-level

key policies were transmitted to key performance targets—common targets and core targets—that local officials must try to accomplish. As such, local officials tended to be accountable to the requirements of higher-level authorities when they perform. Zhao (2005) indicated that the implementation of the objective responsibility system in Chinese rural areas created an “inverse accountability” system (*nixiang wenzhezhi*).

It is undeniable that China is going toward a market economy. However, performance management is not the catalyst of the economic reform and is not the instrument to pursue a market economy. The way that the Chinese authorities assigned and distributed the performance targets to lower-level agents showed that economic management is by and large planned and controlled by the authority and not adjusted by “the invisible hand.” Planning performance management extended further the philosophy of planning economy and the extent of control over offices and organizations, and individual officials far exceeded what could be the case in a planning economy. However, it remains empirically examined whether the delegation of economic decision-making power has strengthened the leverage of the center over localities. The findings in this chapter show that local authorities (especially the municipal and county governments) were the key beneficiaries. They were in a better position than before to enforce and monitor the accomplishment of economic objectives allocated by the higher-level authorities as well as their own objectives.

Meanwhile, planning performance management is helpful to achieve the CCP’s macroscopic reform goals, that being the promotion of economic development upon the basis of a stable society. As may be observed, both common targets and core targets were designed to realize this goal. On one hand, local officials were required to achieve targets with veto power, most of which were common targets on maintaining political and social stability. On the other hand, local officials were expected to meet core targets which could stimulate regional economic growth. The establishment of monitoring mechanisms, such as giving the most crucial policies veto power and adopting a public reporting system helped ensure the

accomplishment of economic tasks in local regions. As the reform rubric says, “stability is the basis of the reform, while economic development is the hard factor (*wending shi jichu, fazhan shi yingdaoli*).” For the CCP leaders, planning performance management is a regulatory instrument to achieve this goal and to advance economic reforms in China.

## CONCLUDING REMARKS

The development of planning performance management is an outstanding example of how to interpret the Chinese government's way in developing instruments "with Chinese characteristics" to respond to the transition from a command economy to a market one. China's reform approach was characterized by informality, experimentation, and decentralization (Steinfeld, 2004, p.1976). Local officials were granted a certain leeway to engage in policy experiments, while central leaders set the overall policy goals and the basic constraints of the reforms. Deng Xiaoping vividly described this approach as "crossing the river, feeling the boulders" (*mozhe shitou guohe*). In this sense, economic reforms were introduced not in a comprehensive package but gradually. The transformation of the economy was done not by abolishing the plan but by allowing market forces to grow out of the plan. Every reform policy, especially those sensitive in the political sphere, had to be channeled through existing communist authoritarian bureaucratic institutions. This had to be achieved under the coexistence of the plan and the market under economic management (Shirk, 1993).

This dissertation has shown from the outset that the cadre evaluation system was developed within a unified cadre personnel management system. The CCP monopolizes authority tightly over personnel matters in general and leadership selection in particular. Cadres at various ranks were locked in the *nomenklatura*. This guaranteed that the pertinent Party organization departments with management authorization have control over the career advancements of cadres holding key positions. The conduct of cadre evaluation is completely top-down: the Party organization departments lead and control the evaluation process and results. Given that China has adopted a rank-sensitive classification method, cadre selection tends to give emphasis on the cadre's title, grade, and seniority rather than the fulfillment of job duties and work performance. Upon this backdrop, the first performance

appraisal system which was established by the Central Organization Department in 1979 was not designed to appraise cadre performance. It was issued mainly to address serious personnel problems of the traditional cadre management system and to build a replacement mechanism that would gradually weed out incompetent and elderly cadres.

In the early 1990s when China began to experiment a socialist market economy, planning performance management began to take shape. The 1995 Notice stipulated that the objective responsibility system was instituted in local governments mainly to ensure the implementation of the Party's cadre policies and motivating local cadres to completely follow the Party's basic lines, and to creatively promote economic and social development. The tasks for local cadres were not so complex at this time. It comprised mainly of their job duties, family planning, and the construction of spiritual civilization such as anti-corruption. Local officials had the discretion to formulate performance targets that were adaptable to local conditions. During the experiments of performance management, new criteria which the Chinese reformers considered as important for economic and social development were gradually added into local performance contracts. Concrete and quantified indicators were developed as well in order to make the measurement easier to conduct. For example, in the mid-1990s, Party building became a crucial target in assessing all local cadres' work accomplishment when the Central Party decided to strengthen this work nationwide. This target still plays an important role in local cadre evaluation today. A recent example is that on 19 March 2006, the Central Organization Department required that ideology education on "eight honors and eight dishonors" (*barong bachi*) should be adopted as a crucial criterion in evaluating cadres (People's Daily, 20 March).<sup>82</sup> A "reverse point" method was adopted in some localities to measure cadres' achievements of Party building. If offices or organizations failed to perform the tasks as specified in the contracts, points were taken away. This method to some extent

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<sup>82</sup> See official Web site: <http://politics.people.com.cn/GB/1027/4215715.html>

overcame the abstract and subjective aspect of evaluating performance in political work.

In 2002, the Chinese reformers claimed that a socialist market economy was primarily established.<sup>83</sup> Meanwhile, the ironic fact is that local cadres have more and more targets to fulfill. There was a proliferation of performance targets that were not pertinent to cadres' job duties, such as GDP, local budget revenue, use of foreign investments, per capita net income of peasants, mass complaints, comprehensive social order, the number of people's accidental death, and the like. These newly added targets were planned by higher-level authorities and were assigned to lower-level agents in the form of concrete and quantitative indicators. Local officials' accomplishment of each target is under the supervision of one or a few responsible organizations. A public reporting system was established to ensure local cadres' accomplishment of these targets. Negotiation was allowed only in certain cases to cope with unavoidable risks. Eventually, a planned performance management was established in local China in recent years. The papers particularly specified the case of establishing and distributing targets of "economic growth" from the central level to townships under the Shaanxi government. GDP and per capita GDP, as the two overall targets established by the central government, were transferred into concrete and quantified indicators at each level of local government. During this process, lower-level governments also raised their new targets such as local government budget revenue, attracting foreign investments, and total retail of consumer goods, to the performance category of economic growth. The higher-level authorities reviewed the progress made by the subordinate governments and published a report via the Internet on a quarterly basis. A ranking on the accomplishment against each specific target was also made open to the public. Eventually, this led to the establishment of planning performance management in local China in recent years.

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<sup>83</sup> See official Web site: [http://news.xinhuanet.com/newscenter/2003-10/21/content\\_1135402.htm](http://news.xinhuanet.com/newscenter/2003-10/21/content_1135402.htm).

The development of planning performance management in China shows that the evaluation instrument was not “the product of a discrete calculation but rather a tentative resolution of a dynamic process of adaptation” (Browne & Wildavsky, 1983). However, as long as a mature market economy is not available in China, the central authorities need to develop instruments with Chinese characteristics. This entails a Leninist means of control to achieve their reform goals.

As many scholars indicated,<sup>84</sup> policy instruments were usually chosen according to how well their performance characteristics satisfied the requirements of a particular problem setting. Once governments clearly defined the policy goals, it was a straightforward matter to locate a match or best-fitting tool from among those that appear relevant (Bobrow & Dryzek, 1987; Dunn, 1988; Linder & Peters, 1998). As shown in the paper, in major Western democracies, performance management is mainly used to achieve either better productivity or better accountability. Al Gore pointed out in 1993 that the National Performance Review (NPR) had two missions: to make the government *work better* and *cost less*. This means that the reformers aimed to build a new customer-oriented, effective, efficient, and responsive government (NPR, xxiii). The approach was to create entrepreneurial public sectors which aimed to achieve four goals: cutting red tape, putting customers first, empowering employees to get results, and producing better government for less (NPR, xxxvi-xl). Performance management is the instrument to achieve these policy goals. It is used to improve government productivity. At the individual level, it generates job-related information for valid employment tests, rational staffing, training, and pay administration. At the organizational level, it is used to evaluate organizational activities, efforts, and achievements by objective and quantitative

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<sup>84</sup> Linder and Peters (1998) summarized the instrument study into four schools: instrumentalists, proceduralists, contingentists, and constitutivists. The school mentioned here refers to the contingentists who advocated that policy instruments were chosen to solve certain problems. The performance of an instrument was the ex ante goodness of fit between tool and context. See Linder, S. H. & Peters, B. G. (1998). The study of policy instruments: four schools of thought. In B. G. Peters & F. K. Van Nispen (Eds.), *Public policy instruments: Evaluating the tools of public administration* (pp.33-45). Northampton, MA: Edward Elgar.

indicators (Hatry et al., 1992; Wang, 2002). Moreover, performance management is also the key instrument to promote government accountability by making performance information transparent to the public, involving citizens to assess government work, and allowing negotiable performance standards in order to better meet customer needs (Epstein, 1984; Bernstein, 2000; Heinrich, 2005). However, performance management is not a vital instrument to ensure political accountability compliance in major western democracies. Instead, political accountability is ensured by the belief that concentrated powers need checks and balances and political systems to achieve this goal. It is the duty of the external oversight bodies, such as the legislatures and congresses, to supervise government work. Even without performance measurement, they still carry out supervisory. What performance measurement helps is to make these external bodies know better about the actual government work by providing clear yardsticks and more performance information (OECD, 1994).

In comparison, performance management serves a different mission in China. A continued mission of the CCP is that the Party needed to effectively control and manage millions of cadres especially those in the leadership corps. Deng Xiaoping indicated as early as 1962 that “The Party must exercise control over itself (*dang yao guan dang*), over its members, and over its cadres. For a Party in power, the heart of this matter concerns the cadres because many of its members are working as cadres of varying ranks.”<sup>85</sup> Under this context, one basic use of performance management is to ensure the appointment and selection of political trustees into the leadership corps. As shown in the paper, Article 6 of the 2002 Regulations showed that all the basic eligibility requirements of Party and state-leading cadres emphasized the political attributes of cadres. Chapter 4 of the 2002 Regulations clarified the dominant role of Party committees in the procedures for selecting a leadership cadre, showing that leadership selection was tightly controlled by the Party organization

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<sup>85</sup> Deng Xiaoping. (1962). Questions concerning cadres of the Party in power. In *Selected Works of Deng Xiaoping (1938-1965)* (pp.297-302). Beijing: Foreign Language Press, 1984.

departments with management authorization. Besides, all the nine central documents on performance management (from 1979 to date) indicated that conducting performance evaluation should stick to the principle of “Party controls of cadres.” Virtue (*de*), evidenced by indicators such as political reliability, Party membership, and loyalty to the Party, has been one of the most crucial criteria in cadre evaluation.

In the mid-1990s, the CCP authorities’ intention of shaping the objective responsibility system was partly caused by the worries about the Party’s decreasing ruling capacity in local regions. During the 1980s, the CCP launched decentralization reforms of the highly centralized cadre personnel management system in order to motivate local regions to drive the nation’s economic development. However, the rising power of local governments led to heavy local protectionism. As a result, China having a powerful central agency had difficulty in implementing crucial policies and introducing a systemic reform in local areas (Shirk, 1990; Huang, 1996). In 2004, in the Fourth Plenum of the 16<sup>th</sup> Central Committee, the CCP leaders indicated that a pressing task for the Party was to strengthen its ruling capacity<sup>86</sup>, and one crucial goal was to “properly deal with the relation between development and stability (*fazhan yu wending*) in the reform era and to build a harmonious society.” The planning performance management system is a regulatory instrument to meet this goal. As the paper indicated, local officials’ accomplishment of core targets—economic tasks and the construction of key projects—could stimulate regional economic development. Their accomplishment of common targets especially those with veto power such as safety production, environmental protection, anti-corruption, and the like ensured political and social stability in the local areas.

Therefore, the Chinese performance management system is not chosen as the instrument to impartially appraise the work of civil servants, to build a more efficient government, or to create a customer-oriented service. Apparently, the Chinese

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<sup>86</sup> “The Central Committee’s Decision on Strengthening the Chinese Communist Party’s Ruling Capacity”, 19 September 2004. See official Web site: <http://www.China.org.cn/Chinese/2004/Sep/668376.htm>.

authorities launched a movement of “performance for results” since the late 1970s as government reformers did elsewhere. However, under the planning performance management system, the term “results” has a different meaning in China’s context. “Performance results” in China do not put primary concern on quantity, quality and timeliness of service delivery. On the contrary, it concerns the extent to which local leadership cadres follow the Party’s regulations and political concerns, and the fulfillment of crucial policy goals allocated by higher-level authorities. It is unclear to what extent local governments’ “performance results” could meet public needs partly because the content of “performance results” is by and large determined by the authorities without seeking opinions from citizens or lower-level service delivery agencies; and partly because cadres at different grades were held responsible for their next upper-level authorities but not for citizens. The planning performance management creates an “inverse accountability system”, the main objective of which is to strengthen the political responsiveness within the bureaucracy hierarchy. Of course, the purposes of adopting planning performance management, the design of such a measurement systems and the choices of evaluation strategies are determined by China’s political setting, ruling ideology and civilization levels at current stage.

Here it is necessary to discuss the limitation of the Chinese cadre evaluation system. As any evaluation scheme, China’s planning performance management is flawed in some aspects. First of all, a planning performance evaluation system does not resolve the problem of “figures are made by officials, and officials are in turn produced by figures” (*guanyuan zao shuzi, shuzi zao guanyuan*). For example, according to the statistics released in July 2006 by the State Auditing Bureau, the growth rate of GDP from January 2006 to June in 2006 was 10.9%. However, the statistics announced by provinces, autonomous prefectures, and municipalities directly under the Central Government showed that the growth rate of GDP during the half 2006 was 12%. In other words, 805 billion *yuan* of GDP were not real.<sup>87</sup>

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<sup>87</sup> See official Web site: <http://opinion.people.com.cn/GB/40604/3648587.html>.

Wang Huaizhong, a former Vice Governor of East China's Anhui Province, was sentenced to death in 2003 for accepting bribes and holding large amounts of assets he could not account for. It was reported that when he was the Party secretary of Fuyang City, he once reported to the superior government that the city's economic growth was 22% during the 9<sup>th</sup> five-year period (1996-2000) when in fact it was actually 4.7%.<sup>88</sup> The third example is that in 2005, the Charcoal Bureau of Fengcheng City of Liaoning Province claimed that there were only two accidents of coal mines, and in total, four people died in the accidents. However, it was reported later that at least 20 accidents of coal mines actually happened in the city in 2005, and about 37 people died in the accidents.<sup>89</sup> The local officials did not report the real numbers to higher-level authorities in order to meet the death indicators.

Second, China's planning performance management system only partially solves the problem of conflicting goals. Since the evaluation system cover a variety of policy goals, some are in conflict with other targets. The conflicting goals may cause a negative consequence for the nation's economic and social development. For example, rapid economic growth unavoidably sacrifices ecological environments. The smooth conduct of family planning might lead to rising mass complaints in rural areas. In addition, attracting investments and capitals to develop regional economy might foster more corruption cases (see O'Brien & Li, 1999; Bernstein & Lv, 2000). The Chinese authorities established different priorities of performance targets in implementation, which provide a direction for local officials to deal with conflicting goals. When policy goals with different priorities are in conflict with one another, local officials were supposed to implement the one with higher priority. For example, if there is conflict between an anticipative target (i.e., GDP) and a guiding target (i.e., relieving peasants' burdens), local officials may usually make more efforts to realize the anticipative tasks. However, this method is partially effective. One might notice

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<sup>88</sup> See Web site: [http://www.Chinadaily.com.cn/en/doc/2003-12/30/content\\_294409.htm](http://www.Chinadaily.com.cn/en/doc/2003-12/30/content_294409.htm) and <http://opinion.people.com.cn/GB/40604/3648587.html>.

<sup>89</sup> See news report at: [http://news.xinhuanet.com/focus/2007-02/12/content\\_5728581.htm](http://news.xinhuanet.com/focus/2007-02/12/content_5728581.htm).

that it is difficult for local officials to act if there is conflict between targets with the same attribute, for example, between two obligatory targets such as family planning and mass complaints, or between two anticipative targets such as economic growth and environmental protection, and the like. A recent widely reported case is that the Guangxi government's enforcement of family planning policies led to an explosion of popular anger. On 17 May 2007, around 300 residents converged on the town of Dunggu in Bobai County, attacked police and government officials on family planning work. The violence spread to six other towns in Bobai County over the next two days with some government offices and documents by protestors, while vehicles were set alight. The villagers were so angry partly because their complaints to higher-level governments about the way that local officials conduct family planning work were blocked (Xinhua News Agency, 23 May 2007).<sup>90</sup> As a matter of fact, local officials might handle mass complaints in an inappropriate way. However, that is because in many localities, "no mass complaints" was a target with veto power as well as family planning. This special case shows that the evaluation system could not completely deal with the problem of conflicting targets, and sometimes, it might be the reason to cause conflicting goals.

It is noteworthy to say that all the mentioned examples are individual incidents and should not be used to discredit the entire performance management system. However, the evaluation system developed by Chinese local authorities obviously needs more time for it to come into fruition.

This study has generated a number of propositions regarding China's planning performance management system that can be tested in a broader range of cases. The first one concerns how the planning performance management system works in developed areas of China where there are a large number of private economic businesses (*siying jingji*). Will prosperous private businesses affect the way local authorities manage economic affairs and the criteria against which local officials are

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<sup>90</sup> See official Web site:  
[http://english.China.com/zh\\_cn/news/society/11020309/20070523/14114529.html](http://english.China.com/zh_cn/news/society/11020309/20070523/14114529.html).

evaluated? After the amendment of the Party Constitution at the 16<sup>th</sup> Party Congress in November 2002, private entrepreneurs were allowed to join the Party. Then will the incorporation of private entrepreneurs in the Party corps affect the institutional arrangements of cadre evaluation? How will private entrepreneurs respond to the planning performance management system which guarantees the authorities to control and monitor economic affairs? Given a high-powered incentive mechanism, will the “inverse accountability system” work differently as it does in inland regions? A next step would be to use the present findings of this project to study more closely how planning performance management works in the developed areas of China.

The second issue is the interplay between the two Leninist means of control, namely, political appointment as a tool to control personnel decisions and planning performance management as an instrument to ensure the accomplishment of allocated tasks. How do Party organization departments make personnel decisions upon the information gathered by political investigation? To what extent could performance results be used as a basis for the appointment decisions for local officials especially at the county and township level? If cadres’ career advancements are dominated by political factors, or if cadres could get promoted by simply buying positions, will cadres perform according to the requirement of the evaluation system? This study has some preliminary observations. The interviews of leading cadres in Hu County showed that performance appraisal might be used as a pretext for reshuffling cadres, regardless of the result of the performance evaluation.<sup>91</sup> It seems that the connection between cadres’ career advancements and actual work performance is not so obvious. However, this problem needs more empirical data to

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<sup>91</sup> Each of the 16 townships of Hu County had one Party secretary, two Party vice-secretaries (one responsible for Party affairs, the other is head of government), and two deputy government heads, making a total of about 80 township heads in 2004. Almost everyone interviewed maintained that the county organization department chose this time to conduct performance evaluation for all township leading teams because the newly appointed county Party Secretary wanted to gather information about the locality, to take the pulse of the situation (*modi*), and to subsequently adjust the bureaucracy —i.e., to end the personal networking that had existed on the lower level. As a result, 50 out of the 80 township heads were transferred, most to the same-level positions that they were unfamiliar with, despite the fact that most were in the middle of their term of appointment (HC-11-20050805; HC-5-20050715).

draw a more mature conclusion.

The third issue concerns the informal rules of local cadres' behavior to achieve the performance targets allocated from above and the implications caused by such behaviors. Since negotiation is not allowed on the accomplishment of higher-level policy goals under planning performance management, it is interesting to examine what kind of "coping strategies" lower-level cadres would adopt in order to achieve the allocated performance targets which may be difficult to fulfill. It seems that local officials might develop different strategies to cope with different targets. It has been previously cited that local cadres invent statistics to meet their target indicators. It was also reported that cadres in some localities had developed incredible strategies to cope with the "death indicators." For example, under the current evaluation system, local cadres were only held responsible for incidents in which people died within seven days after the traffic accidents. In some cases, local cadres would make great efforts to save a wounded person after the accident. However, after seven days, they did not care anymore for the people as before because their death would no longer affect the local cadres' performance records. If the traffic accident happened at the end of December, local officials would try their best to save the people in order not to affect the death indicators.<sup>92</sup> As such, the planning performance management system may foster informal rules of local cadres' behavior, which may have crucial implications on economic and social development or even people's lives. This issue definitely deserves a closer investigation.

The fourth issue relates to the relation between cadre evaluation and the increasingly rampant corruption in local China. As shown in the paper, anti-corruption was a basic criterion to measure the work accomplishment of local cadres as early as 1991. It has become a common target in recent years in Shaanxi local governments. The adoption of the "reverse evaluation method" and the use of concrete and quantified indicators made it easier to appraise cadres' performance on

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<sup>92</sup> See Web site: [http://www.infzm.com/hot/rdjj/200705/t20070523\\_19193.htm](http://www.infzm.com/hot/rdjj/200705/t20070523_19193.htm).

this work. In some localities, anti-corruption even became a target with veto power. However, as corruption became more rampant in recent years (for example, Lv, 2003), why is the planning performance management system, which is effective in achieving other targets with veto power such as birth control and maintaining social order, not so effective in curbing corruption cases? This issue needs to be empirically addressed by future studies.

The fifth proposition pertains to the evaluation mode of leadership cadres above the county level. According to the 1995 Notice, the objective responsibility system is conducted mainly at and below the county level. Cadres above the county level are appraised annually and evaluated by political investigation before they are considered for promotion. However, recently (in July 2006), the Central Organization Department released a new document<sup>93</sup> which showed that the objective responsibility system would be extended to measure leadership corps and leading cadres above the county level. A new measurement system with new criteria was under development, which might be released to the public in the coming years. The promulgation of this new document shows the CCP leaders' determination to expand the planning performance management to cadres at higher levels. What implications will this new measurement system bring to the evaluation mode of cadres above the county level? Do the CCP reformers aim to enlarge their control over economic affairs by extending the planning performance management system to higher levels? This would be another important issue for future study.

At the end of this dissertation, I would like to use Woodrow Wilson's famous saying to put China's planning performance management system in a global context: "If I see a murderous fellow sharpening a knife cleverly, I can borrow his way of sharpening the knife without borrowing his probable intention to commit murder with it." Exactly, performance management in China is not a simply study of

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<sup>93</sup> The Central Organization Department, 3 July 2006, *Trial Run of Implementing Comprehensive Appraisal and Evaluation of Local Party and State Leadership Corps and Leading Cadres According to the Scientific Development Concept*, internal document.

administrative techniques. It is a system that had Chinese essence with Western instruments.

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## Attachment: Research Guide

1. How has the performance management in this locality been conducted? Was it conducted in each functional system (*xitong*)? Was there a specific reason for doing it this way?
2. Was the way in which the performance management was conducted rational? If not, what could be done to improve it?
3. Was the way in which the performance management was conducted effective? If not, what could be done to improve it?
4. How many cadres were evaluated in this round of annual performance appraisals? How many cadres were rated as “outstanding”, “excellent”, “competent” and “incompetent”? Compared to the appraisal results of previously run schemes, were there any major differences? Were the results effective, leading to some kind of reward or punishment for cadres being awarded the “outstanding” or “incompetent” rating?
5. How was the performance management in your locality designed? Was it designed by high level officials or by the same level officials as those being appraised? If it was designed by the same level officials, how did they develop the appraisal procedures and choose the performance indicators? If it was designed by high levels officials, were there any problems in the implementation process? If yes, what could be done to resolve such problems?
6. Has the objective responsibility system been implemented in your locality? If so, when was it adopted? Was there a reason to explain why it was adopted in this particular year? When was the performance contract system put in place? What were the performance targets listed in these performance contracts? Were these targets ever replaced? If so, what, if any reason(s), was/were given? Were these changes, in your opinion, good for implementation? Or were they made because higher levels officials wanted to? Or were they made because of other factors?

How do you interpret these changes?

7. How were the targets in performance contracts developed? Were there any specific targets selected on the basis of local context? How was the importance of these various targets rated? How were they differentiated? Were these various targets incompatible? If so, how was such incompatibility resolved?
8. Was individual cadre performance appraisal just a paperwork exercise, i.e. pro forma by nature?
9. Was the evaluation of the entire leadership corps important? If so, why? If not, why not?
10. Would the evaluation result of the entire leadership corps have a bearing on an individual cadre's performance appraisal (as a leading member of the Party or government official)?
11. What was the purpose of conducting political investigations? What procedures were used?
12. How could information about an individual cadre's political qualities be collected? What kind of information was crucial in judging a cadre's political qualities? How important was mass opinion vis-à-vis other considerations?
13. Would the information gathered through a political investigation be kept in a cadre's personal dossier? How important was the information to the career prospects of a cadre?
14. How many cadres were selected by the method of open selection? If available, what was the ratio? What kinds of qualities were important to succeed in it? Why should government adopt it? How many cadres attended the last round of open selection? What ranks did they hold? What was the result?
15. How many cadres were selected by the method of competition for internal posting? If available, what was the ratio? What kinds of qualities were important to succeed in it? Why should government adopt it? How many cadres attended the last round of competitions for internal posting? What rank did they

hold? What was the result?

16. How were non-leading cadres being evaluated? Was there a specific evaluation form specially designed for them? How important was performance appraisal to them? What difference could the appraisal result make for non-leading cadres? Was an “outstanding” rating important for promotion to a higher position? How were the evaluation indicators developed? What was the ratio between leading cadres and non-leading cadres in your locality? How was the position of non-leading cadres created?

PS: Question 1, 2, 3, 5, 6 7 are for the objective responsibility system; Question 4, 8, 9, 10, 16 are for the performance appraisal system; Question 11, 12, 13, 14, 15 are for the political investigation system;