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## **DESIGNING GOVERNANCE STRUCTURES FOR PERFORMANCE AND ACCOUNTABILITY**

Developments in Australia  
and greater China

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### **Introduction**

This book – a symposium of papers originating from a workshop<sup>1</sup> at City University, Hong Kong, in June 2017 – examines how governance structures may be designed to promote performance and to ensure accountability. It describes developments in Australia, the People's Republic of China (PRC) and Taiwan.

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<sup>1</sup> The workshop was organised by the Greater China Australia Dialogue on Public Administration, a collaboration amongst scholars across the People's Republic of China (including Hong Kong and Macao), the Republic of China (Taiwan) and Australia. Workshops have been held each year since 2011 involving both scholars and practitioners who are keen to learn more about developments and practices in each other's jurisdictions on issues of common interest.

The book explores in particular the executive arm of government's institutional arrangements for advising on and implementing government policies and programs. It does not aim to explore the basic institutional arrangements of government, though these inevitably shape the structures within the executive. Rather, chapters explore theories of organisational forms and functions in public administration, the 'core' agency structures used in the different jurisdictions, the structures used to deliver public services (including non-government organisational arrangements) and other 'non-core' agency structures such as government business enterprises, regulatory organisations and 'integrity' organisations.

This overview highlights some of the key issues canvassed in the following chapters and the recent developments they describe and analyse. It also fills in the inevitable gaps that exist in the volume's coverage of practice in the three jurisdictions.

The concepts of performance and accountability used in the chapters vary from a narrow focus on administrative delivery with oversight by superior authorities to a much broader appreciation of the impact of both policy and administration against desired outcomes with public reporting and accountability. The concepts are shaped by institutional arrangements, and are also evolving in each jurisdiction over time.

## **Theories of forms, functions, accountability and performance**

As John Wanna argues in Chapter 2, principles for the design of organisational structures are more often honoured in the breach than in the observance, and many contextual factors may influence them. At the same time, structures do help to shape the way that functions are managed and there may be some truth in the adage 'form should follow function'.

Wanna also notes the previous century's increasing emphasis on ensuring bureaucratic structures, such as those described by Max Weber, are democratically accountable upwards, to governing supervisors, and outward to the wider community. More recently a particular emphasis has also been placed on accountability for performance.

The way in which such accountability is achieved is determined in large part by each jurisdiction's political institutional framework. There are considerable differences across the PRC, Taiwan and Australia, perhaps the most significant concerning the relationship between politics and administration. Both Australia and Taiwan have a formal separation of roles while the PRC's party-state system features an integration of politics and administration. Nonetheless, Wanna's discussion of balancing the desire for conformity and the benefits of flexibility, and of balancing political control and 'relative autonomy', has relevance in the PRC as well as Australia and Taiwan, as all three look to improve both accountability and performance, however defined.

These universal issues are addressed in other chapters, including those that explore the increasing use of non-government organisations to deliver public services and the various contractual devices used to ensure a measure of accountability to the public, not just to the executive. The appropriate, or desired, balances vary with the functions involved.

Wanna and Andrew Podger try to map functions to structures with different balances of control and autonomy, not only to describe the differences and relationships but also to suggest some normative framework (notwithstanding the many factors that affect the structures used). Both authors also refer to the influence of informal conventions and practices on the way structures operate, including professional values, norms and cultures, which is a theme also reflected in other chapters.

Podger further draws on developments in institutional and organisational theory and their continuing relevance to public administration structures and processes, particularly with the current interest in behavioural economics and innovation.

## **High-level structural trends**

A common development in the three jurisdictions has been to reduce the number of 'core' departments or agencies over time. In part this was intended to help the political leadership exercise greater control over the whole of government.

Podger refers to Australia's introduction of 'mega-departments' in 1987, which allowed a reduction in the size of the cabinet, with each 'portfolio department' represented in cabinet by its 'portfolio minister'. Non-cabinet

ministers and parliamentary secretaries were appointed to support portfolio ministers in defined areas of responsibility. The arrangement continues to operate, supporting a generally effective cabinet coordination process, though it has not proven to be as successful as originally intended in providing ongoing stability in (portfolio) departmental responsibilities (the 2020 arrangements have also blurred lines of accountability between administrative structures and the ministry). Australian governments frequently (too frequently, perhaps) engage in machinery of government changes, often for expedient reasons. Looking back, two recent trends can be detected: a proliferation of agencies occurred around the early 2000s, followed by a rationalisation of agencies from 2013–14 and a reconsolidation of functional agencies under umbrella organisations (e.g. the combination of national security agencies under the Home Affairs ministry).

Yi-Huah Jiang reports in Chapter 4 that Taiwan has had more difficulty in streamlining its overall structure because the Legislative Yuan and not the Executive Yuan establishes the key agencies and determines their functions (in Australia, it is only the prime minister who has the power to determine the Administrative Arrangements Orders that allocate functions and responsibilities to ministerial departments). While modest rationalisation has been achieved, with indicators of some improvements in performance, Jiang identifies a list of lessons to be learned from the attempts at comprehensive structural reform within Taiwan's overall institutional framework, highlighting the various forces constraining reform. He concludes that successful reform may only be possible if Taiwan moves from its unique five arms of government to a more standard three-arms framework (executive, legislature and judiciary), under either a presidential or parliamentary system.

The PRC's institutional framework involves, at least formally, a centralised system controlled by the authoritarian Party leadership and administered by the executive (the State Council). Within this party-state framework, the State Council has modernised its organisational structures through the introduction of umbrella ministries and related agencies. Coordination within the executive arm is undertaken by the General Office of the State Council and core ministries such as the National Development and Reform Commission and the Ministry of Finance, within which the National Budget Office has responsibility for managing an increasingly modern budgetary system. Line ministries and related agencies have a high degree of specialisation and exercise varying degrees of devolved autonomy,

which cascades down levels of government with coordination at each level supported by the corresponding arm of the finance ministry (each level also having its own party-state framework of devolved authority).

## **Non-core agencies and non-government service providers**

As Wanna highlights, a key issue in structural design is the balancing of political control and ‘relative autonomy’. Podger refers similarly to varying ‘degrees of independence’. Arguably, this balancing has been at the forefront of Australian institutional design, although forces of independence and control should be seen as contending discourses.

The Australian experience reflects longstanding organisational pragmatism informed by Western democratic theory, suggesting that administration requires a degree of independence for optimal performance (and to some extent limiting political risk). Whether based on the United Kingdom’s 1854 Northcote–Trevelyan Report (Northcote & Trevelyan 1854) or the 1886 Woodrow Wilson lecture on ‘The study of administration’ (Wilson 1886), most Western democracies have established professional merit-based civil services that are relatively impartial and non-partisan, while nonetheless implementing the policies of the elected government (if at times through the bureaucratic lens of self-interest).

In Australia, successive public service legislation since 1902 has formalised the separation of politics from day-to-day administration and this applies to both core and most non-core agencies. There are, nonetheless, varying degrees of independence according to the formal structures used as well as to informal conventions and practices. The main determinant of independence is whether the organisation function is classified within the ‘public service’ (low independence), as opposed to being classified in the wider ‘public sector’ (higher independence) – and a similar set of arrangements exists in neighbouring New Zealand.

The Australian chapters identify the main structures that have evolved within jurisdictions. Apart from the ‘core’ ministerial departments with limited degrees of independence from political control, these include non-departmental service delivery agencies, statutory regulatory authorities, integrity organisations and government business enterprises. Wanna dissects such a classification into the different dimensions of

authority that may be exercised with a degree of autonomy. Podger highlights how the use of different structures and their accountability frameworks have changed over the last 30 years under new public management (NPM) and new public governance (NPG) (such as through contracting out, commercialisation, privatisation and networking). In drawing attention to increasing inconsistencies in recent years, with some functions being subject to increased political control while similar functions have been allowed greater independence, Podger's concern is that such inconsistency may adversely affect performance. He suggests a more coherent and consistent approach so that formal structures and informal processes complement each other in setting the degree of independence appropriate to the particular function.

Mike Woods and David Gilchrist explore in more detail Australia's developments with regard to the delivery of aged care and disability services. Recent innovations in these two areas reflect both institutional theory and neoliberal ideas. Although these contrasting sources of ideas differ in some important respects, they are both premised upon or presuppose a considerable degree of independence from politics, especially through the use of non-government organisations (NGOs) to deliver services as well as greater consumer control over what services are delivered. The reliance on NGOs to deliver services brings with it the need for careful financing arrangements and effective regulation to protect consumers: the new structures that have been established to meet these requirements are more independent of political control in the case of disability services than in the case of aged care services. To date, Australian governments have not relied as much as Singapore's administration on consumer or client satisfaction (or the obverse – complaint systems used to recalibrate service and improve customisation).

David Gilchrist examines developments in the relationship between government and the not-for-profit (NFP) sector in Western Australia (WA). Following an economic audit of the WA public sector in 2009, the then government established a Delivering Community Services in Partnership (DCSP) policy aimed at strengthening the relationship between government and the NFP sector and improving the delivery of community services. A partnership forum was established with a view to supporting a more collaborative approach to policy and practice, to recognise the value of the NFP sector and to identify practical improvements to the way the sector is used. Gilchrist led a series of evaluations of the related initiatives that found further infrastructure investment was needed

within government and within the NFP sector, including for training and systems and to streamline contracting processes; they also found there had been insufficient funding of change management to effect the paradigm change intended.

Annwyn Godwin, a former merit protection commissioner in Australia, describes the way her office operated as an example of an ‘integrity organisation’, and how she was influenced by a number of models of public administration accountability promulgated in Australia since the early 2000s. These models responded to the growth in the number of different agencies and the impact of NPM and NPG. While the panoply of integrity organisations she describes have considerable independence protections in their statutes, she suggests that a more complex balancing of control and autonomy amongst different ‘integrity organisations’ is emerging, which is in part related to the extent they are expected to pursue enforcement of appropriate behaviour within government or pursue more educative roles. She also sees advantage in integrity organisations working together to optimise their impact.

Yi-Huah Jiang provides a broad overview of Taiwan’s institutionalised internal monitoring practices involving its unique five arms of state and, in particular, the key functions of the Examination Yuan and Control Yuan that service and scrutinise the more familiar executive, legislative and judicial branches of government. In Taiwan’s extended separation of powers, the Examination Yuan protects Taiwan’s politically neutral public service, overseeing the application of the merit principle. In addition, the Control Yuan has administrative policy and oversight functions and is responsible for monitoring the other branches of government encompassing some of the key functions (such as audit and compliance) that, in Australia, are managed by so-called ‘integrity organisations’. By its very existence as a separate yuan, the Control Yuan has considerable independence from political control by the executive. The Control Yuan has yet to develop a taste for conducting an assurance measurement of performance of either agencies or programs.

Within the executive, Jiang refers to ‘functional institutions’ that may broadly be compared to ‘core’ ministries, ‘supportive institutions’ that help the Office of the Premier to coordinate and monitor the work of the ministries and ‘independent institutions’ with a range of regulatory responsibilities. While the last group clearly has substantial independence from political control, the second group’s degree of independence from

political control is not clear from Jiang's chapter (despite being under the Office of the Premier) and may vary considerably. Jiang is also not convinced by calls for more independence and autonomy, noting the growing importance of collaboration across agencies.

The structures applying in the PRC are not addressed in this volume. Because there is a high degree of integration of politics and administration in mainland China, it is not possible to categorise PRC public sector organisations against a continuum from political control to independence and autonomy. There has been considerable effort in recent years to improve the professional capability of those advising government and making policy decisions and those delivering public services. Reforms over the last few decades indicate the potential to be clearer about organisations' respective accountability arrangements and degrees of independence.

PRC state-owned enterprises (SOEs), for example, have undergone reforms requiring them to be subject to more commercial forms of accountability while allowing them greater management flexibility. Also, social public service institutions such as universities, schools and hospitals focus on service delivery in line with the policies, financing and administrative rules imposed by the core ministries. In some cases, there has been a growing trend to contract NGOs to deliver some services, in parallel with increasing numbers of NGOs in civil society and a relaxation of top-down controls over them.

Nonetheless, under President Xi Jinping, party control across government agencies, including SOEs, and party influence over civil society, have increased significantly (Podger & Chan forthcoming; Song 2018; Shen, Yu and Zhou 2020). This has not detracted from measures to improve 'talent' and professional expertise amongst party cadres and other civil servants (Chen et al. 2015).

In other Chinese-based jurisdictional entities, such as Hong Kong, Taiwan and Singapore, community-based organisations have a much longer involvement in the provision of community support services. In this collection, José Chiu-C Chen and Helen K Liu explore the role of community-based organisations in Hong Kong and Taiwan, highlighting their potential role not only in delivering public services but also in representing their communities and providing space for active deliberation within their communities. Implicit is not only a degree of independence from the vicissitudes of contemporary politics and government policies,

but the possibility of contributing to political deliberations consistent with moves towards ‘collaborative governance’. Chen and Liu also suggest that the use of these organisations contributes to capacity building in the broader public sector.

## **Horizontal management and informal processes**

Since the 1990s, Australia has joined other Anglophone countries in placing more emphasis on horizontal or whole-of-government approaches to address intractable policy challenges and so-called ‘wicked problems’. This is now reflected in public service and financial management and accountability legislation promoting cooperation across and beyond government, even though formal accountability is still based primarily on vertical lines from departments and agencies through ministers to parliament.

This development, and the role of informal processes of collaboration, referred to in the articles by Wanna, Podger and Godwin, is still in its relative infancy. While it is clear that more funding and resources are committed to intractable social and environmental problems, marked improvements in outcomes are not yet evident. For instance, after more than a decade of attempting to ‘close the gap’ between the wellbeing of Indigenous and non-Indigenous Australians, only two of the targets set were on track according to the 2020 report (DPMC 2020); improvements were reported in some other areas including employment and health but no more than those experienced by non-Indigenous Australians.

The chapters by Fanrong Meng, Zitao Chen and Pichamon Yeophantong and by Bo Yan and Jiannan Wu address the challenges of horizontal management and the role of more informal process in the PRC.

Meng et al. examine why provinces in the PRC nominate to be pilot regions for vertical management of environmental protection. Two sets of conditions are identified, one relating to poorer provinces and the other to richer provinces. In both cases, horizontal competition plays a critical role, but poorer provinces have fewer environmental problems to address and better ecological resources and hence less public pressure and risks from being a pilot. In contrast, richer provinces have greater problems, more public pressure and the resources to deal with the issues, so the risks

of not participating may be significant. The vertical management pilots are intended to identify ways to strengthen environmental protection through stronger central controls and greater professional expertise. Political control may well become stronger, but based more firmly on evidence of what works. As the authors caution, how vertical management fits alongside provincial horizontal management is yet to be determined.

Bo and Wu provide a fascinating case study of how a county's small leading group successfully pursued major reform despite doubts about the county's capacity and the possible implications for government employees. Critical to success was the role of the county's first deputy mayor, who led the small group of cadres responsible for the relevant county functions, and his style in managing meetings. The informal processes drew upon Chinese cultural mores to reward or shame participants, as well as acceptance of compromise to make progress. The group demonstrated how horizontal management can succeed in responding to vertical management directions.

## **Contrasting performance management and accountability in Anglo versus Chinese settings**

A number of chapters highlight how different structures and their different balances of political control and independence give rise to different performance accountability arrangements: to whom are they accountable and for what?

Bennis Wai Yip So provides an interesting historical perspective on Taiwan's experience with performance management, contrasting this with the experience of Anglophone countries. He not only traces the long history of performance monitoring in Taiwan (and earlier in mainland China under the Kuomintang), but also how this was originally focused solely on ensuring the proper implementation of policies of the successive heads of government. Taiwan's performance management pathway, therefore, differed considerably from that of Anglophone countries implementing NPM reforms. With democratisation, however, Taiwan has more recently applied aspects of the NPM approach as it shifted first from policy implementation to management, and then to NPM-styled performance evaluation and public accountability.

## Conclusions

The context within which reform of institutional structures is debated and pursued in these jurisdictions varies greatly. There are differences in the wider political institutional frameworks, jurisdictional histories, stages of economic development and social contexts. This results in numerous and diverse public policy and management challenges.

There is, however, shared interest in improving accountability and performance in government, and in finding the structures that best support accountability and performance.

In practice, many factors affect the structures used and the balancing involved between political control and administrative independence, and between conformity and flexibility. Nonetheless, some degree of independence and flexibility is conducive to professionalism and performance, and to ensuring outward accountability to organisations' clients and the broader public as well as upwards to organisations' governing supervisors. This is perhaps best illustrated by the growing interest across all jurisdictions in the use of NGOs to deliver some public services.

While typologies of structures and functions differ across these jurisdictions, the chapters in this book suggest that functions could be usefully mapped to different degrees of independence (and different areas of autonomy) to optimise performance and accountability, and hence to different structures. 'Core' functions assisting governments to set policies and determine priorities might best be situated towards the close political control end of the spectrum, while some regulatory functions requiring strict and consistent legal determination, and some government oversight or 'integrity' functions, might be towards the more independent end, with service delivery lying somewhere in between. Government business enterprises also need considerable management flexibility for high performance, but only if they are also subject to firm commercial-oriented accountability.

Such a mapping, however, will never provide more than a general guide, and a myriad of factors must also be taken into account, including experience, reputation and proven performance, and political interest. Informal practices and relationships also always affect the way different structures operate in practice.

In the final short chapter, Andrew Podger presents his reflections on possible lessons, particularly for the PRC. This is drawn not only from the material in the book and the workshop in 2017, but also from his wider observations of public administration practice in China over the last decade. Drawing on his close observation of developments in Australia, he also emphasises that reform of institutional structures is an ongoing challenge and indeed that Australian experience demonstrates serious risks to capability and performance from slowing or backtracking reform. In addition, he notes ways that Australia could learn from China without compromising its firm democratic principles.

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