2016 Dialogue Workshop on Improving Policy Decision-making

The 2016 Dialogue workshop was held at Sun Yat-sen University in Guangzhou in October on the theme, 'Improving Public Policy Decision-Making'. The sub-themes explored were:

- Institutional adaptations including developments in both the executive and the legislature;
- External involvement in policy advising;
- Capability in policy advising; and
- Devolved implementation, and the relationship between policy design and implementation.

Three Australian papers and four Chinese papers originally presented at the workshop are published here:

- 'Overview of Australian Decision-making Processes and Challenges', by John Wanna and Mike Woods;
- 'Decision-making and the Australian Cabinet', by Bruce Taloni;
- 'The Changing Demands on Australia's Health Policymakers: A Case Study on Intergovernmental Relations in Health over 40 years', by Anne-marie Boxall
- 'New Approaches to Local Government Innovation in the Xi era', by Jianxing Yu (a power-point presentation);
- 'Inter-regional diffusion of policy innovation in China: A comparative case study', by Xufeng Zhu (this paper has been published in the *Asian Journal of Political Science,* and is available here with the kind permission of the publishers);
- 'Can co-production be state-led? Policy pilots in four Chinese cities', by Bingqin Li, Bo Hu, Tao Liu and Lijie Fang and
- 'The Motivation of Think Tank's Rise in Talent Policy Decision Making and the Implicit Value Preference Lying behind this Phenomenon – Zhejiang Institution of Talent Development as an Example', by Li-jun Chen and Yan Fu (this paper has been published in the *Journal of Chinese Governance* and is available here with the kind permission of the publishers).

We have also gained permission from the Australian Treasury to reproduce a paper prepared by one of its officers, Dong Dong Zhang, while undertaking study at ANU as a National Government Fellow at the Crawford School of Public Policy:

- 'Understanding China's Politics, Economic Policy Makers, and Policy Making under Xi Jinping', by Dong Dong Zhang.

This extra paper is included here because it provides valuable insights into China's high-level policy decision-making processes which the Chinese workshop papers do not cover. It is an independent study and does not represent the views of the Treasury. It describes the rather opaque institutional arrangements of China's party-state system, as well as the approach being taken by the current President, Xi Jinping. China's is a firmly authoritarian system which, under President Xi, is undergoing further centralisation of power, including a significant increase in his own personal authority. At the same time, the policy process continues to involve a number of other key players who exercise a degree of collective power, and a number of these people remain firmly in favour of further economic reform and 'opening up'. 'Central Leading Groups' develop specific policies for consideration by the Party's Politburo, and these are supported by a range of government institutions. President Xi's 'dream' provides an overall policy theme across the whole government advocating continuing economic and social development but under the Party's close control.

Zhang reports that the Central Financial Office supports the Party's Central Leading Group on Financial and Economic Affairs, a group that includes the President himself. The CFO is headed by a highly regarded academic, Liu He, who has taught at Renmin University and completed post-graduate degrees at US universities (including Harvard).The CFO has been expanded under President Xi and its analytical capacity increased.

Zhang's paper provides more insights in its description of the way the 'Belt and Road' initiative has been developed as a policy and is being implemented. A dedicated Central Leading Group was established and over time a range of institutions across the Party-State has been closely involved, including the National Development and Reform Commission, the Ministry of Foreign Affairs and the Central Organisation Department (responsible for personnel). The policy process has also engaged with academic experts from outside the formal government and Party organisations.

John Wanna and Mike Woods describe Australia's approach to public policy as 'inventive', with a long history of innovations (both positive and negative). An important context is of Australia's centralising federalism over the last century, involving increasingly the sharing of responsibilities and hence of policies and policy decision-making. The authors identify a number of key challenges that are not unique to Australia: globalisation, 'institutional sclerosis' (including loss of public trust in institutions), the communications revolution and the contestability of ideas (which has reduced the influence of those inside government). They also note the 'fierce disagreement' over the main causes behind these challenges: whether they reflect genuine weaknesses in our institutions, or the rising expectations of the public and the pressures of today's 24/7 media.

The paper summarises Australia's institutional arrangements for policy decision-making, both within and between governments. These include cabinet arrangements, the role of legislatures and inter-governmental arrangements such as ministerial councils. A particular highlight in Australian practice is the use of policy reviews and inquiries, and of agencies such as the Productivity Commission. These offer opportunities for more careful policy review and policy development, though the authors also refer to debates in Australia over 'evidence-based policy' (some critics refer to 'policy-based evidence').

Bruce Taloni, who was at the time head of the Cabinet Office in the Department of Prime Minister and Cabinet, describes the role of the cabinet in the national government as its central decision-making body. He sets out the principles and conventions which shape the way it operates, and provides an authoritative account of its workload, committees and support processes, with statistics on meetings, submissions and decisions at that time (2016).

Anne-Marie Boxall, from the Australian Department of Health, provides a detailed picture of the complex processes of decision-making in health where responsibilities are shared between the national and state/territory governments, and the private sector plays a major role. Inter-governmental agreements are central to the system, and central agencies within each government as well as the line health departments are increasingly involved given the size of health budgets and the political sensitivities involved in health policies. Bridging the diverse worlds of health and fiscal policymakers is just one of many challenges involved. Boxall refers to OECD advice on how this might be done over the medium to long term by addressing the sustainability of the health system: considering how health expenditure growth may be contained, how governance and administration might be more decentralised, and the extent to which the public and private sectors should overlap.

Two of the Chinese papers focus on policy innovation at the local government level.

Jianxing Yu's presentation notes recent changes in the way local government policy innovation works, as it focuses increasingly on responding to superior governments' directions and initiatives under President Xi. He suggests a middle path is emerging, away from local governments exploring their own initiatives but not to the extent of simply piloting central government suggestions that might subsequently be diffused across China. This middle path Yu describes as a process of 'seeking proposal approved': local innovation proposals are subject to superior governments' approval but they do not necessarily originate from central government (though they may well be shaped by national policies).

Xufeng Zhu takes this issue of policy innovation and policy diffusion further using case studies to explore different models operating in China's unitary but decentralised state. As distinct from approaches in democratic, federal states where local governments may initiate their own policies and learn from peer local governments, in China the central government plays a stronger role. Depending on the degree of competition horizontally, and the degree of central government involvement, Zhu suggests four models may apply in China: 'enlightenment' where there is weak competition and limited central government involvement; 'championship' where there is strong competition and weak central government; 'designation' where there is weak competition but strong central government involvement; and 'recognition' where there is both strong competition and strong central government involvement. The paper then presents powerful examples of all four models operating in China today.

Bingqin Li and her colleagues explore China's experimentation with co-production by studying the experience of four cities. Since 2010, the central government has promoted a degree of 'co-production' to improve 'self-governance' at the grass-roots level. In the four cities studied, initiatives have been taken in particular to address concerns amongst migrant communities about public safety and security, civic engagement in social services and community building (though in Chengdu a significant driver was the major earthquake that required extensive non-state support for helping communities).While progress has been made, there is some tension between China's strong vertical governance arrangements and the horizontal processes required to involve more stakeholders. The election of local residents committees has strengthened community engagement but should not be interpreted as a move to political democratisation: the focus is still on micro-environments and non-politicised social affairs, and is stabilising Party rule at the local level while not undermining it. Nonetheless, the authors see the central government role as successfully 'igniting' community participation and helping to sustain it, albeit that community participation has not yet been as much as the state would like.

Li-jun Chen and Yan Fu describe China's expanding use of 'think tanks' to support policy development, focusing on the growing interest in human capital development and, in particular, talent attraction and retention. They describe the initiatives now at the provincial level, not just the national level, and provide by way of an example the way a particular think tank operates in Zhejiang Province compared to think tank arrangements in some democratic countries. The Chinese think tanks are not independent of government, but nor are they an arm of government. They receive some core government funding which is supplemented by project earnings: they involve both academics and officials; formally, their governance is closely linked to senior Party officials who sit on the boards or councils, but in practice management is essentially left to academic leaders in the university; and they may influence policy agendas and policy design, but they have no direct responsibility for policy decisions.