

Exercising the Power of the Purse?

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Over the past 10 years, Wenling City, in the eastern province of Zhejiang, has been developing a system of “consultative democracy” that has allowed citizens to ask about and express their opinions on subjects related to their interests, particularly capital construction, road building, and education. Over the past year, this experiment has been extended by subjecting the budget review process—or at least part of it—to public discussion. In one township, this process merged the practice of consultative democratic meetings with the local people’s congress. These reforms, widely reported on in the Chinese press and endorsed at high levels, are still quite limited, but they suggest ways to make the budgetary process both more transparent and subject to legislative review by expanding the role of local legislative bodies.

In 1996, as related in *China Leadership Monitor* 15 (summer 2005), Wenling began a system of “consultative democratic meetings” (*minzhu kentanhui*). These became formalized in 2001 when the city issued a requirement for all townships under the city to hold such meetings at least once a quarter. Such consultative meetings are also held at the village level, but they are more regularized and important at the township level. This is particularly significant in light of the fact that, except in a few rare instances, electoral mechanisms have yet to be introduced at the township level in China. Although questions raised at such public meetings had no legally binding force on the township authorities, they did put considerable public pressure on leaders and affected their decision making at least to a certain extent.

Although the practice of holding democratic consultative meetings over the past 10 years has given them a certain status in local practice, these meetings have no legal standing in China’s constitutional order and hence were always potentially subject to suspension. Moreover, the suggestions generated by these meetings were never integrated with the formal governing processes of Wenling, so their impact could only be on the margins.

Viewed from the perspective of another problem in local governance, people’s congresses at the township level have long been ineffective. Such congresses exist at four levels (national, provincial, county, and township), but at the township level they have customarily met for only one day a year. These pro forma meetings were hardly compatible with their constitutional responsibilities (to approve personnel appointments and dismissals and to supervise the local government) or with increasing demands for

transparency and participation. The ability of township people's congresses to play a more important role was also hamstrung by the strange legal provision that denies them the ability to establish permanent organs, such as standing committees. Thus, delegates would literally be told what they would be "voting" for when they arrived for the annual meeting, and the existence of the people's congress would become meaningless as soon as the meeting was over. Efforts to strengthen the role of such congresses, while much talked about, have been generally unsuccessful. For instance, in 2002 an autonomous county in Hunan passed a resolution to allow township congresses to establish standing committees and to give them authority to approve appointments and dismissals, but the National People's Congress (NPC) decried the reform as unconstitutional (on the grounds that township people's congresses are not authorized to establish permanent organs).¹

The political leadership in Wenling, particularly the propaganda department, have made a deep commitment to exploring political reform, and were actively thinking about ways to consolidate and develop the consultative system they had developed. After consulting experts, officials from the propaganda department decided to merge democratic consultation with budget reform. Budget reform is crucial to eliminating the lack of transparency that leads so easily to corruption and to tense relations between cadres and citizens. The ability to exercise the power of the purse, even to a limited degree, could improve local governance.

Zeguo Reform

Budget reform has taken two forms in Wenling. The first was in Zeguo Township (泽国镇), an administrative area encompassing 120,000 people and 130,000 migrant laborers.² In 2004, its output reached 1.4 billion yuan, ranking it 145th in the nation. In early 2005 the government, after listening to proposals from the local people's congress and CPPCC, came up with 30 capital construction projects, including building roads and bridges, environmental protection, parks, and reconstructing older parts of the city. It was estimated that these projects would cost 137 million yuan, but the township had only 40 million yuan to spend. In order to decide what priority to give to which project, Zeguo selected 275 citizens randomly with the help of Professor Fishkin of Stanford University.

Ten days prior to the democratic consultation meeting, the group of citizens was given material that explained each of the 30 projects, and a group of experts introduced the projects. Then the participants ranked the projects in order of priority in a preliminary questionnaire. On the day of the democratic consultation, 259 people showed up and were randomly assigned to 16 discussion groups. After discussing the projects, each group presented its most pressing concerns to the whole group. A second round of small-group and large-group discussions followed, after which citizens again listed the projects in order of priority. The results of this second questionnaire differed dramatically from those of the first, as well as from the predictions of government officials. The government then prioritized the top 12 projects for implementation in 2005.

On April 30, the government presented the recommendations to the people's congress. After discussion, including small-group discussion, the people's congress supported the government's proposal by a vote of 84 to 7, with one abstention.

Although this process did not consider the whole of the township budget, Chinese experts argued that this was similar to the budget reform adopted in Porto Alegre, Brazil, where the capital construction budget, some 20 to 30 percent of the whole budget, is publicly evaluated.³

Public opinion had been brought to bear on the allocation of public resources, and it had had a significant impact. Although limited, in the sense that it only brought public opinion to bear on the capital construction budget, the Zeguo reform nevertheless marked a significant step forward. Zeguo's approach—holding a democratic consultative meeting first, and then presenting the public's views to the people's congress—does raise awkward questions about the relationship between the democratic consultation process and the legislative process. What if the legislature had chosen to ignore the public's recommendations?⁴

It should be noted that such meetings are not inexpensive. As an official in the propaganda department somewhat sheepishly admitted, the 50 yuan given to each of the citizens who participated per day, and the advising fees paid to 30 experts, added up to over 80,000 yuan.⁵ Poor townships might have an *annual* budget of only 10,000 per year, which raises questions about the applicability of such procedures in the poorer central and western regions.

Xinhe Reform

The other and more radical form of budget reform was undertaken the following year in Xinhe Township (新河镇). Xinhe Township is located in the northwestern part of Wenling City, a county-level city under the auspices of the provincial-level municipality of Taizhou in southeastern Zhejiang Province. It has a population of 120,000, living in 89 villages and under six neighborhood committees. It is a wealthy township: in 2004 it had a local output of 6,998,000,000 yuan and governmental revenues of 78,180,000 yuan. It is home to the largest iron and steel market in eastern China, and the average per capita income is 7,079 yuan, more than double the national average for rural residents (which most, if not all, of Xinhe's residents are). Overall, it was the 443rd wealthiest township in China (out of about 43,000 townships).

There the leadership agreed to carry out a more extensive budget reform, to expand the role of the township people's congress, and to merge the democratic consultation process with the people's congress. This reform was designed by Mu Yifei (慕毅飞), deputy head of the propaganda department, and Chen Yimin (陈奕敏), head of the department's theoretical section, in conjunction with the China and the World Institute, a private NGO in Beijing headed by Li Fan (李凡).⁶ Mu and Chen asked township leaders whether they would be willing to implement such an experiment, and

Jin Liangming (金良明), the new party secretary of Xinhe Township as well as chairman of its people's congress, agreed.

The PRC constitution says that township people's congresses must meet at least once a year, but it does not say they cannot meet more than once a year, and it does not specify how long they can stay in session. In some ways, township people's congresses have greater potential for exercising supervision than their counterparts at higher levels. Township people's congresses vary in size between 40 and 130 people, making them much more practical as legislative bodies than, say, the NPC, with its more than 2,000 delegates. Moreover, by meeting quarterly rather than annually, township people's congresses could play a much more significant role in local governance.

The Xinhe Township people's congress met on the morning of 27 July 2005 to review implementation of the 2005 budget. Attending the meeting were 90 of Xinhe's 110 delegates and 193 auditors, whose ranks consisted primarily of village cadres, members of industry associations, and entrepreneurs, with a few villagers. The auditors were not supposed to ask questions directly, but they could bring their concerns to the attention of delegates who could ask for them.⁷



Xinhe people's congress presidium studies the budget, March 2006

On the basis of nominations proposed by the presidium, the session also approved the establishment of a “Budget Audit Committee” (*yusuan shencha xiaozu*), whose responsibility it was to go over the budget during the course of the session. The committee was composed of four people: deputy head of the people’s congress, two experienced village party secretaries, and two younger village auditors. The township head delivered the government report, the deputy township head in charge of finances delivered the budget report, and the deputy head of the people’s congress delivered the report of the presidium.

In the afternoon, a democratic consultation meeting discussed the “Draft Report on 2005 Financial Budget,” which the delegates had received in the morning. This report was fairly rough, listing only 19 budgetary items, which was disappointing. After discussing this issue over lunch, township authorities agreed to provide more-detailed figures. So when delegates convened for the afternoon session they were given a supplementary “Xinhe Township Financial Budget for 2005 (Explanation).” Xinhe party secretary Jin Liangming gave a “mobilization talk” saying that the discussion would go on as long as there were questions.



Asking a question

Secretary Jin's brother Jin Liangmin (金良民) served as deputy township head in charge of finances, so he also gave a report on the financial situation. Over the next two hours, 18 delegates raised questions about the budget, including some auditors who skipped the formal regulations and asked their questions directly. Delegates focused in particular on the still incomplete reconstruction of the water system and on land subsidies but also raised questions about the expenses allocated for tourism (there are a number of historical sites in Wenling), cultural construction, education, urban construction, and so forth. Township officials responded to each question.

At 5:00 in the afternoon, after the questioning was over, the Budget Audit Committee of the people's congress and the government officials met to discuss amending the budget in response to the concerns of delegates. Together they went through all 18 questions that were raised, and by 7:00 they had drafted an "Explanation of Revisions to the 2005 Financial Budget Report." Among other things, the revisions changed the amount allocated to purchasing vehicles from 700,000 yuan to 500,000 yuan even as expenses for creating an industrial district were increased. The problem of running water was complicated because Wenling lacked a source of water, but the government promised to actively negotiate with the water company and to make the appropriate investment as soon as a water source became available.⁸

The next day, the people's congress again met to consider the revised budget. The rules followed were the same as for the democratic consultation meeting the previous afternoon. At this session, however, there were no further questions. This somewhat embarrassing outcome was perhaps attributable to the newness of the process—delegates were not used to raising questions of the government—and to the skepticism of the delegates about the government's willingness to actually implement the budget as amended. But this unwillingness to question the government further also stemmed from the fact that the delegates owed their positions to the officials who had promoted their selection.⁹ Until the voters have a chance to select their own representatives, the reform of local people's congresses will remain incomplete.

Nevertheless, the session did pass a "Resolution on Establishing the Xinhe Township People's Congress Finance Committee," which called for the Budget Audit committee to transform itself into the "finance committee" (*caijing xiaozu*) as soon as the people's congress session ended. This change of name was a way to get around the constitutional prohibition against establishing permanent organs. The committee was authorized to call any divergences between the budget as approved and as implemented to the attention of the government, and the government was supposed to make quarterly reports to the committee on the implementation of the budget.

Since this was the first time that a democratic consultation meeting was merged with a session of the people's congress to consider a township budget, many people felt that the process was not as good as it should be. Township leaders promised that they would continue to improve the system.

On 3 November, Xinhe Township convened a budget implementation democratic consultation meeting to review the implementation of the 2005 budget for the first nine months of the year. At this meeting a number of delegates raised questions, but the finance committee did not play any obvious role, apparently because its members were too closely related to the government (it was headed by a vice chairman of the people's congress). Jin Liangmin suggested expanding the number of finance committee members to 10 and having participants be self-nominated and elected rather than being appointed by the presidium of the people's congress.¹⁰

In late November 2005, leaders from Wenling went to Beijing to confer with experts that were brought together by the China and the World Institute. Jin Liangmin expressed disappointment with the lack of discussion following the revision of the budget, attributing the passivity to the lack of experience of the delegates. He also expressed concern—a concern that remains legitimate—over whether the new system could be maintained after those involved in it had moved on to other positions. In other words, could this new system be institutionalized?¹¹

Extending the Xinhe Experiment

Having had two experiences with combining democratic consultation, the Xinhe authorities decided to push the experiment forward in March 2006. The first change was to have academic experts conduct a training session for the delegates. On 6 March, more than 80 delegates (out of 110) attended a session led by Ma Jun (马骏), associate dean of Sun Yat-sen University's School of Politics and Public Administration. Ma stressed that the government's money was, after all, the public's money, and the public should participate in the process of deciding how to spend it. Associate Professor Niu Meili (牛美丽), also of Sun Yat-sen University, also gave a talk on the budgetary process, and Professor Jia Xijin (贾西津) of Qinghua University talked about participation in the budgetary process.

That afternoon, a democratic consultation meeting opened. Participants were divided into three groups—agriculture, industry, and social development. Again, there were some 80 participants, and they were given a detailed explanation of the budget (an improvement over the previous summer, when delegates to the people's congress received only a crude outline of the budget when they first convened).

The social development group was presided over by Chen Yuanfang (陈元方), party secretary of Lubian Village. Chen is also a delegate to the Taizhou Municipal People's Congress and is well respected in Xinhe, so he was also selected to head the finance committee. Perhaps because the scope of the social development group was very broad and the issues affected everyday life, discussion soon became heated and Chen lost the ability to conduct an orderly meeting. People demanded to know why the cost of running water had never come down, as officials had promised, and why there was not greater development in the construction of garbage stations. In contrast, the industry



The government and presidium consider revisions to the budget

group was composed primarily of private entrepreneurs, and that meeting proceeded smoothly. These three groups summarized their discussions for presentation at the people's congress meeting the following day.

On the morning of 8 March, the seventh session of the 14th People's Congress formally got under way with over 100 delegates in attendance. The first bit of business was to review and pass the "Xinhe Township Financial Budget Democratic Consultation Implementing Procedures (Draft)" to provide a legal foundation for the meeting.

In the afternoon, a democratic consultation meeting was held. Township deputy head Xie Liming gave reports on the implementation of the 2005 budget and the 2006 budget as well as a detailed explanation of the 2006 budget. Then the heads of the three groups who had discussed the budget on the 6th gave reports to the delegates. Open discussion then began. Delegates would raise their hands, wait for a microphone to be passed to them, ask a question—sometimes passionately—and the township head or a deputy would respond. For instance, when Chen Yuanfang expressed concern that the income from leasing land listed in the budget would not materialize, township head Guo Hailing (郭海灵) responded that on the basis of the studies the government had done, a fair number of people would be willing to sell their land and the income would be there. Others raised questions about fees for running water, road construction, and educational expenses, all of which are contentious issues.¹²

Following the democratic consultation meeting, the people's congress presidium and representatives of the government convened a joint meeting to address the issues

raised. In this vigorous discussion, government specialists, who were more familiar with the budget, predominated and were generally able to persuade their colleagues. For instance, when some thought that the amount for agricultural training was insufficient, party secretary and people's congress head Jin Liangming explained that the amount allocated would provide for as much training as the previous year and that Xinhe's allocation for agricultural training was significantly higher than surrounding townships.

Finally, on the morning of the 9th, the revised budget was reported back to the congress, which then divided into five groups to discuss the new budget. Delegates were entitled to raise proposals for revisions if five or more people signed them and as long as additions in one place were balanced by reductions elsewhere. In contrast to the July meeting in which delegates had remained silent, this time there was significant discussion resulting in eight resolutions being drafted. Two of the resolutions were adopted by the congress; the other six, reflecting an unfamiliarity with the process, did not call for specific amounts to be considered, as was required by the regulations, and were merely exhortatory, encouraging the government to pay attention to this or that construction project. The full congress then passed the revised budget.¹³

Support for Deliberative Democracy

At the national level, Central Party School vice president Li Junru (李君如) has been actively promoting the practice of "deliberative democracy" (*xieshang minzhi*). For instance, in November 2005 Li argued that deliberative democracy, although not called that at the time, was the basis for the formation of the Chinese People's Political Consultative Congress (CPPCC) in 1949 and that consultation with non-Communist parties led to the drafting of the "Common Program." Li says that he cites these historical examples because he wants "everyone to understand that the CCP established its governing status on the basis of combining consultations and democratic electoral practices." Under present circumstances, when the CCP faces a diversifying economy and society, it is necessary to develop deliberative democracy, particularly under the auspices of the CPPCC, in order to develop a harmonious society.¹⁴

Similarly, in July 2006, Li argued that deliberative democracy is more compatible with China's historical traditions than electoral democracy, though the latter could be developed as well. Deliberative democracy, Li contended, could provide for the "orderly participation of citizens in politics," and again he stressed the role of the CPPCC, though he did not restrict the practice of deliberative democracy to that forum.¹⁵

Similarly, a commentary in *China Youth News* commented positively on the passage of the "Guangzhou Municipal Regulations on Methods for Public Participation," which are to go into affect in January 2008. These regulations will introduce a degree of deliberative democracy into public-policy formation in Guangdong and, according to the author, allow the government to better gauge public opinion and balance different interests.¹⁶

Not everyone agrees with the assertion that the introduction of deliberative democracy in China will change nothing other than the forms by which politics is practiced. In a hard-hitting critique of Li Junru's opinion, one writer argued that in any such forum there would inevitably be the "powerful party and government ruling power" on the one side and the "scattered and weak individuals" on the other. He argued that deliberative democracy might start well, but the end result would be regarded as a "laughing stock" by the people.¹⁷

Implications of the Xinhe Experiment

The Xinhe budget reform was done in a very public manner, particularly the March 2006 meeting, when scholars and press were invited to watch the proceedings. *Southern Weekend* ran a long article covering the meeting, as did *Twenty-First Century Economic Herald* (*21shiji jingji daobao*) and the provincial journal that covers the people's congress, *Zhejiang renda*. The subsequent endorsement of "deliberative democracy" by Li Junru, even if in the confines of the CPPCC, suggests that these reforms are getting serious attention at high levels.

Obviously the reforms in both Zeguo and Xinhe took place in rather wealthy townships that had had nearly a decade of experience with democratic consultation meetings, which suggests that extending such reforms to poorer areas in the interior may be difficult. But the ideas of having more meetings of the local people's congress, extending its meetings, and establishing specialized finance committees appear to be readily adaptable in many areas. If township people's congresses become more important, then the issue of how the delegates are chosen will become more urgent.

Such reforms would be good, if marginal, but this direction of reform seems to be running against local finances. The 11th Five-Year Program specifies that in areas that have the appropriate conditions, the province can directly manage the finances of the counties. It seems likely that township budgets would then be merged with county finances, and indeed Zhejiang's Pujiang County is already carrying out such an experiment. If this is the direction of financial reform, then township budgets would lose substantial amounts of autonomy, particularly in poorer areas. If that is the case, then there is little chance that the Xinhe model can be extended elsewhere.¹⁸ The reforms in Wenling reflect greater attention being paid to the power of the purse, but the weak finances of sub-county governments suggests that there may be increasingly less discretionary finance at the local level to argue over.

Notes

- ¹ Zhou Meiyuan, “Xinhe gaige dui xiangzhen renda zhidu jianshe de zhongyao qishi” [The important meaning of Xinhe’s reform for the construction of township people’s congresses], *Renda yanjiu*, retrieved from npc.people.com.cn/GB/15037/4700616.html.
- ² This discussion of the Zeguo reform follows Jiang Zhaohua and He Baogang, “Xieshang minzhu juece de shijian yu jiazhi” [The practice and value of consultative democratic decision making], in Li Fan, ed., *2005 Zhongguo jiceng minzhu fazhan baogao* [Grassroots democracy in China—2005] (Beijing: Zhishi chanquan chubanshe, 2006), pp. 93–109. Note that Jiang Zhaohua is party secretary of Zeguo.
- ³ “Zhongguo difang zhengfu gonggong yusuan gaige yantaohui huiyi jiyao” [Minutes of a discussion on the reform of public budgets in China’s local governments], *Beijing yu fenxi*, no. 94 (10 December 2005), available at www.world-china.org.
- ⁴ Li Fan, “Xinhe shiyan yu gonggong yusuan gaige yemian gongneng” [The Xinhe experiment and a glimpse at public budget reform], *Zhejiang renda*, 6 February 2006, retrieved from www.chinaelections.org/NewsInfo.asp?NewsID=44836.
- ⁵ Wang Na, “Fei zhiduhua shiyan de zhiduhua shengchang lujing” [The long road of institutionalizing a noninstitutionalized experiment], *21shiji jingji baodao*, 30 November 2005, retrieved from www.nanfangdaily.com.cn/jj/20051201/zj/200511300014.asp.
- ⁶ “Xinhezhen yusuan shencha gaige mengya” [The sprouts of budgetary supervision reform in Xinhe Township], *Caijing*, no. 139 (8 August 2005), p. 80.
- ⁷ Zhang Fang, “Wenling shi Xinhezhen di shisi jie renmin daibiao dahui di wuci huiyi zhengfu yusuan minzhu kentanhui shilu” [A record of Wenling City’s Xinhe Township’s government budget democratic consultation meeting at the fifth session of the fourteenth people’s congress], *Beijing yu fenxi*, no. 87 (1 August 2005), available at www.world-china.org.
- ⁸ *Ibid.*
- ⁹ Li Fan, “Xinhe shiyan yu gonggong yusuan gaige yemian gongneng.”
- ¹⁰ Wang Na, “Fei zhiduhua shiyan de zhiduhua shengchang lujing”.
- ¹¹ “Zhongguo difang zhengfu gonggong yusuan gaige yantaohui huiyi jiyao” [Minutes of a discussion on the reform of public budgets in China’s local governments], *Beijing yu fenxi*, no. 94 (10 December 2005), available at www.world-china.org.
- ¹² Zhang Fang, “Xinhe zhen di shisi jie renmin daibiao dahui diqici huiyi yusuan gaige de quan guocheng” [The complete process of budget reform at the seventh session of the fourteenth people’s congress of Xinhe Township], *Beijing yu fenxi*, Shijie yu Zhongguo yanjiusuo, no. 98 (16 March 2006), retrieved from www.world-china.org/00/back098.htm.
- ¹³ *Ibid.*
- ¹⁴ Li Junru, “Hexie shehui goujianzhong de minzhu fazhi” [Democracy and law in the building of a harmonious society], *Zhongguo dangzheng ganbu luntan*, no. 11 (November 2005), retrieved from <http://theory.people.com.cn/GB/49154/49156/3914511.html>.
- ¹⁵ Li Junru, “Xieshang minzhu: Zhongyde minzhu xingshi” [Deliberative democracy: An important form of democracy], *Wen hui bao*, 27 July 2006, retrieved from http://whb.news365.com.cn/sp/200607/t20060727_1034661.htm.
- ¹⁶ Lian Hongyang, “Shangyi minzhu: Gonggong jueci minyi shuolesuan” [Deliberative democracy: Public opinion has the final say on public policy], *Zhongguo Qingnianbao*, 20 July 2006, retrieved from http://zqb.cyol.com/content/2006-07/20/content_1452211.htm.
- ¹⁷ Li Sunda, “Minzhu zhengzhi de shizhi neirong shi zui zhongyao de—yu zhongyang dangxiao fuxiaozhang Li Junru shangque” [The real content of democratic politics is the most important thing—Discussion with Li Junru, vice president of the central party school], *Yangcheng wanbao*, 30 July 2006, retrieved from www.ycwb.com/gb/content/2006-07/30/content_1174712.htm.
- ¹⁸ Zhou Meiyuan, “Xinhe gaige dui xiangzhen renda zhidu jianshe de zhongyao qishi” [The important meaning of Xinhe’s reform for the construction of township people’s congresses], *Renda yanjiu*, retrieved from npc.people.com.cn/GB/15037/4700616.html.