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Participatory Budgeting, Rural Public Services and Pilot Local Democracy Reform

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Abstract. 30 years of rapid economic development in China has brought about prosperity as well as enlarged disparity, among which is the dramatic cleavage between rural and urban, a challenge that many developing countries have to face. In order to achieve a more balanced and integrated development between rural and urban, since late 2008, the Chengdu Municipality has allocated budget for village level public services projects, and entitle local villagers the right to decide, monitor evaluate the projects.

Local villagers' participation usually goes through 3 steps to choose their own village public services projects, that is, project proposals collecting, decision making, monitoring and evaluating. Village Council, Democratic Finance Management Group, and Democratic Monitoring Group composed of elected villagers are set up to make decision and supervise. This participatory budgeting program covers more than 2,700 villages, 6 million villagers; total annual budget is over 170 million USD, and still expanding and increasing.

This local pilot participatory budgeting and local democracy reform in China is significant, in the sense that it is exploring improving rural public services, filling rural-urban gap by means of direct villager participation in village-level public service budgets decision making, monitoring and evaluation, brings transparency and revitalizes rural community solidarity, though there are still many setbacks and challenges to face. This pilot reform has enriched international participatory budgeting practices, the loan innovation linked short-term and medium-term development with participatory budgeting.

Keywords. Participatory budgeting, Local democracy, Public services, Rural, China

1. Methodology

The article is a brief case study based on research on villager direct participation on rural village public service budgets in Chengdu, China, for the past 5 years. The author and research team had dozens of interviews with local villagers, village cadres, local government officials, observation on villager council meeting and the process of how public services budgets were allocated. Besides interviews and observations, we have collected and reviewed more than a dozen village documents and records on PB projects decision making, monitoring and evaluation. Local Communist Party and government policy documents are also important sources of our data. And for the past 2 year, we've been collecting detailed village PB projects data, now we have more

than 30,000 records gathered in more than 2,000 villages in Chengdu. All the facts are based on these data the author has collected, and opinions reflected disusing with researchers, officials.

2. Background

30 years of rapid economic development in China since the opening-up reform has brought about prosperity as well as enlarged disparity, especially the gap between rural and urban areas. To narrow the gap and finally address the development imbalance is a common challenge facing many developing countries. In order to achieve a more balanced and integrated development between rural and urban areas, in 2007, Chinese central government designated Chengdu Municipality as a pilot zone to explore a balanced and integrated rural-urban development.

Chengdu is the capital city of Sichuan Province, still largely rural in central Chinese Mainland. It is located approximately 2,000 km from Beijing and 2,300 km from Shanghai and is often considered as the gateway to Tibet. At the same time, Chengdu is one of the fastest growing cities in China in terms of both demography and economy. According to the sixth national population census, Chengdu had a population of slightly over 14 million in 2010. Including those who are not officially registered as permanent households or temporary residents, the total population is between 15 and 18 million.

China has four tiers of formal administration under the central government. The first level is officially made up of 34 provincial-level governments, in this paper Sichuan Province. The second level of administration includes more than 300 prefectural-level administrative units, including prefectures and prefectural-level cities, in this paper Chengdu. The third level of administration is districts in urban downtown, counties county-level cities in rural area, there are 20 of such in Chengdu, 6 of which are considered as urban districts, while the rest are rural districts. What is called Chengdu would be considered in western Standard as a Metropolitan Area or a City Region and covers an area of 12,390 sq km with some remote villages more than 100 kilometers away from the downtown

The lowest tier of official administration is townships, towns in rural and sub-districts in urban. Below the formal bureaucratic administration tier are communities in urban and villages in rural, they are autonomous, local people elect their community or village committee for part of their public affair administration, but only in rural villages there is direct election for all adult villagers according to the laws. There are more than 2300 villages in Chengdu with a population varying around 1,000-5,000.

Within the framework of Chengdu municipal government pilot reform policy on integrated and balanced rural-urban development, one of the fundamental approaches is to invest heavily in rural infrastructure and rural public services. The most majority of rural investment is planned and implemented through local authorities. However, out of the 59 rural public services classified by local government, 8 would be delivered by local villages and local villages are required and encouraged to participate directly in their local public decisions and services.¹

Since late 2008, Chengdu Municipality allocates a significant budget for improvement of village-level public services, called "Village Level Public Services and Social Administration Funding", Hereafter named Chengdu Participatory Budgeting (PB). The budgets has covered nearly 40,000 projects decided by local people and implemented over the 2009 -2012 period in over 2300 villages and rural communities in Chengdu.

PB in China dates back to 2004 in Xinhe town in the city of Wenling in Zhejiang Province. Through deliberative discussion, the town incorporated public participation into the People's Congress framework, establishing PB that influenced the inner mechanisms of the budgetary decision-making process. This created a precedent for engaging the grassroots in a public debate on the use of the public budget.²

Following this, PB experiments were carried out in various places in China and were a powerful demonstration of public budget reform and democratization processes in local governments. A range of PB initiatives were set up across China, including in Jiaozuo, Harbin and Wuxi (2005), Minhang and Shanghai (2007), Chengdu (2009) and Baimiao township in Sichuan Province (2010).³

Deepening local democracy is one of the features of pilot balanced rural-urban development experiments in Chengdu. Judging by official documents reviewed, it seems policy designers believe local democracy is accompanied with privatization and capitalization. Rural democracy reform is firmly imbedded into other reform measures in rural development, such as rural land ownership, collective village assets, village farming cooperatives, land leasing and scale farming, of all have to face collective decision making challenges brought along with privatization and capitalization. Take land leasing and scale farming for example, once landownership clarification reform is completed, as each rural household has very little pieces of land, it is a most efficient and cost least way for a farming cooperative/company to lease the land collectively with villagers' council on behalf of all the villagers respectively. Among these reform measures, rural capital and productive capacity is the destination, and Chengdu PB is designed as an important democracy reform measure.

3. Origination of the PB and local democracy practices

The Chengdu PB and local democracy reform is a local innovation originated in rural land property rights reform. The pilot reform of rural property rights held in Chengdu was another major structural reform following the household contract responsibility system in rural areas since the three decades of reform and opening up.

Chengdu had an innovative reform on rural land ownership. The reform aims at confirming and verification for each rural household, the land property rights of homestead land, arable land and forest land. Then farmers could voluntarily transfer part of their homestead and arable land property to acquire land property benefits in the market.

The property right reform is to endow farmers the land right, and thus make it convenient to transfer the land into capital. In March 2008, Heming village in Chengdu conducted an experiment to award the land rights to villagers. The ambiguity and uncertainty of land property rights was a result of successive land reforms, land requisitions and redrawing the land boundaries for several times in Chinese history and had existed for several decades. This makes it extremely complicated to redefine the land boundaries. Yet the land property right is the major concern of the villagers for their economic interest lies in it and therefore, must be handled with extra care. The interest conflicts among villagers, between villagers and the collective, and between villagers and the government render the redefining work even more difficult to continue. The land ownership reform stagnated while disputes and conflicts lasted, and local government officials were facing enormous pressures to carry the reform through.

In order to push forward the reform of land property rights, Heming Village established a village convocation hosted by several elderly people of prestige in the village to help to re-define the property rights and regulate the existing disputes. When local officials found this approach effective in solving local conflicts, they duplicated it widely to other villages still stucked in land boundaries redefinition. Very soon, this village council consisting of respective villagers became an efficient tool both acknowledged by local officials and villagers in solving conflicts.

Shortly after land ownership reform, was the rural public service improvement reform. To avoid similar setbacks during the early phase of land ownership, and also because of the policy design that 8 categories of public services should be mainly delivered among and by local villages, with policy support from Municipal government, the practice in Heming Village and experiences borrowed from other regions of China has been spread in all the villages of Chengdu. The village convocation consisting of respected elders developed into a village council consisting of elected villagers; within the village council, there are democratic supervision group, democratic finance group established for villagers to supervise, make resolution and appraisal of the spending of village public service funds.

Since 2008, the Chengdu municipal government has issued a series of policies and regulations to establish and formalize a new pattern of village-level governance mechanism.

These policies include:

1. Establishing a village council as a permanent decision-making body to deal with self-governing affairs, to exercise right to making decisions and supervising village affairs within scope of authority entrusted by villagers (representatives) meeting. Members of village sub-council are directly elected by and among local villagers.
2. Adjusting and standardizing functions of village committee. In the new pattern of village governance mechanism, duties of village committee has been standardized and limited. Its first duty is to be responsible for villagers assembly, report the work, execute the decisions of villager council; second, to undertake the social management and public services commissioned and financed by the government; third, to carry out public welfare, mediate disputes, help maintain the social security and other autonomous affairs of the village.
3. Optimize supply of village-level public products. Since 2008, each village community has received at least ¥200,000 from the government to cover expenditures for village public services, and specific uses will be discussed and decided by village council.
4. Strengthen leadership of village Party branch over village council. Village party secretary also acts as convener of village council, and host of village council meetings. Village Party branch is responsible for receiving and reviewing agendas proposed

by village council and sub-councils to ensure that all agendas are in framework of self-governance and related laws and policies, and to judge if all agendas are genuine intentions of proposers. As for major issues touching upon long-term development of village and common concerns of villagers, the Party branch will hold party meetings to discuss and offer recommendations before putting forward these issues at village council meeting. This is an important fact in the Chinese political contexts to discuss, whether and how the overwhelming Communist Party power will facilitate or undermine local democracy.

According to related polices and regulations announced by Chengdu Communist Party Committee and Municipality, feasible PB projects fall into four major categories that cover a wide range of options, which can be decided by villagers:

- Education and recreation facilities: such as village radio and cable TV, village library, entertainment and fitness arenas.
- Basic services & infrastructure for local economic development, including building and improvement of village roads, water drainage system, gardening, irrigation and water supply.
- Agricultural training, such as farming and business training for local villagers.
- Village and community social welfare, which includes, security patrol, sanitation, solid waste collection.

Among the 2,300 rural villages and communities, each village could get annually 200,000RMB (32,000USD) minimum for PB projects, and the amount is increasing each year. By 2012, the minimum amount for each village is more than 50,000USD and could be as much as 85,000USD. Over the 3 PB cycles during 2009 -2011 period, the total value of projects funded by PB process was approximately 365.5 million USD and is gradually increasing from year to year. And that means the amount for per villager / year is around 22 USD, a quite high figure when compared with renowned PB cities.⁴

During the project years 2009-2011, of all total amount of the four categories, basic services & infrastructure is the most heavily prioritized by local villagers, 67% of the total budget, 44% in terms of projects numbers; social welfare is the second largest, 27% of the total budget, 41% in terms of projects numbers; the rest budget for training, education, recreation is just around 5% in terms of amounts. The more remote, the more villages show tendency towards infrastructure projects, mostly projects like village roads pavement and irrigation system.

4. How does the Chengdu PB work

4.1 PB Cycles in Chengdu

In Chengdu PB practices, each village establishes a village Council, usually consisting of a couple of dozen members

elected by and among local villagers. Since its launching, PB has become the most important duty (or responsibility) of Village Councils. In addition, a specific Budget Oversight Group consisting of 5 to 7 elected local villagers will monitor and oversight implementation of PB budget. This is an innovation within the Chinese budgetary system that increases capacity of villagers to control spending of the funds and collective income.

Chengdu PB cycles are not strictly identical from one locality to the other. Basically, villagers go through a three steps cycle in order to identify, select and implement their public services projects,

The first step of Chengdu PB is to gather information among all village households as to what projects are needed. Usually, a questionnaire will be handed out to each household to solicit suggestions for what projects villagers would like to have this year. At the beginning of the PB projects opinions survey, the questionnaire is usually open, villagers could fill in any suggestions on how to allocate village PB funds; as the project proposals later became predictable and routine, some questionnaire are prepared with closed options to choose with some spaces for additional open proposals. The PB projects proposal gathering is usually done by village committee, with the assistance of village council members. Then these proposed projects are categorized and scrutinized, similar proposals will be categorized as one proposal, some proposals like “share the funds in cash evenly for every household”, as well as other proposals fall out of the 4 categories of village level public services will be eliminated out of the potential projects. Another round of proposals gathering is conducted if necessary when there is not enough feasible proposals to be voted.

The second step is decision making at Village Council level (which is composed of elected villagers) who votes for the projects that will be implemented this year, and the contractor who bid for the project will also be chosen. A list of the possible projects generated in the first step will be debated and voted. This is the phrase that heated debate and negotiation happened most, as villager representatives are usually elected among their own village group constituency, the representatives usually have the pressure to win a vote for projects that will most benefit their own village group, like a village cement road paved into their village group lands, or an irrigation channel maintenance close to their fields. Sometimes a prioritize score will be applied to assist the negotiation procedure, all potential projects will be given a certain marks prioritize by each representative from most important to not important, those projects win highest scores will be chosen for implementation.

Once a compromise has been reached among village council representatives, the projects are reported by the Village Councils to their respective Township Government (next administrative and Political tier) where they are technically scrutinized to make sure all these chosen options fall into law and policy regulations, then eventually ratified. Budget information and budget process is made public through posters, flyers, slogan banners, village public information board and meetings. Villagers may call “local experts” to help them assess and evaluate PB proposals. For

instance, a local construction worker might become a “local expert” to examine a village road proposal.

The third step is monitoring and evaluation. Within village council there is a Democratic Finance Management Group and Budget Oversight Group composed of elected villagers, together with the Village Council review and monitor PB projects. Once they are completed, the same groups will conduct an evaluation. PB results are usually disseminated through village public information board. If the project passed evaluation and assessment, project funding, or rest of the project funding will be transferred to the contractor as agreed when the contractors bid for the project.

In some of local villages, they had interesting innovation to ensure fair evaluation of PB projects. As PB project money is reserved in village bank account and administrated directed at township level, without an officially stamped documents issued by village council, the money would not be transferred to anyone. In Mayan village, they cut the official approval stamp into five pieces, each 5 important representative keeps one piece, only when all of the five representatives are convinced that the project are qualified after evaluation, could a whole stamp put together and valid to accredit official document that will be submitted to township government for money transferring.

In some cases this PB cycle can be more complex, the 3-steps cycle varies into 6-steps, 8-steps cycle in different district in Chengdu. For example, a 8-steps cycle usually includes, mobilizing maximum involvement of community members; collecting opinions, village council representatives visit every household to collect their opinions; summary and categorize proposed projects by village council; deliberation and vote by all village council members; preliminary approval by township government– the administrative level above villages – and once approved, a final vote at village council level; township final approval; drafting of guidelines by village council for contracts and handing over to supervising group; and project evaluation by all committees and villager representatives.

5. Implication, Significance and Innovation

5.1 Responding directly to local needs

Unlike other rural investment in China, public services budget is not allocated through each level of government tiers and through many different bureaus, the budgets is directly entitled to villages, villagers are required and encouraged to participate directly in local public money decision making, monitoring and evaluation. It has made rural public services more efficiently respond to varies local village demands.

5.2 Transparency

Directly entitling budgets to villages is a way to make rural public investment much more transparent both in and above village level. Traditionally how much public investment a village could get depends on how capable village cadres could raise funds from upper level government and bureaus; this usually means rent-seeking opportunities among many

bureaucratic officials and inside the village.

5.3 Revitalize rural community solidarity

A traditional Chinese village is based on self-government and traditional customs. Squires, clans and religions combined villagers as a whole. Until the 1990s, most public services such as primary school education, seniors support, and infrastructures for farming in rural areas were provided collectively. Yet with decades' of reforms and adjustment of rural policies, rural communities have gradually disintegrated, and the old-fashioned social relations to some extent undermined. Since the household contract responsibility system reform, farm plots have been allocated to each family, and village collective economic base has broken down. Traditional social base is damaged as central government increases direct investment in rural medical services, education, providing for aged, infrastructures of farming, and rural taxes abolishment. With the process of urbanization, many young farmers rush into large cities for employment and income increase, this makes the rural communities even more desolate.

In this sense, even more important, Chengdu PB appears as a powerful modernization instrument of Chinese rural communes inherited from the revolution. At the same time it seems a way to build a new balance between individual rights and collective cohesion and tradition, in front of a sweeping and exclusionary privatization. PB channels significant - even if largely insufficient - resources towards the village "commons" and increases their value as commons and indivisible social and economic spaces. PB funds actually helped to strengthen local people's common social and economic interests. Besides village public services and infrastructures, it's an investment on local solidarity, and a foster on rural local democracy evolution in the context of rapid social change in rural China.

5.4 Loan innovation linking short and medium term development

Another major innovation is that villagers can either select projects or use part or the totality of the PB resources to secure a medium term loan. Lets take a village of 2500 inhabitants that received 50 000 USD in 2012 for their PB process. Villagers can either chose to select projects up to this value or decide to use a portion or the total amount as an entry for obtaining a loan from Chengdu Small Town Investment Company, a Public Investment Fund. The maximum amount they can obtain is seven times the entry, therefore 350 000 USD if villagers choose to get a loan on the 50 000 resources. If they choose to fund projects for a value of 40 000 and save the rest 10 000 USD fund for the loan, they can get a loan of 70 000 USD. These loans are payable over 8 years, and will be reimbursed with the resources that they will receive over the next 8 years. In other words, if a village decides to use its 50 000 USD just for a loan of 350 000, there will not be any PB process during the next 8 years.

Usually remote and poor villages tend to commit their resources to apply for large loans for infrastructure such as roads, which is the most intended projects by villagers. Some

play on both sides: annual projects with part of the resources, and 8 years loan for a heavy investment such as roads or a major irrigation system on the other.

These values are quite significant not only for a Chinese village, but for any village in most parts of the world. If well defined, well debated, as it is expected with the new governance model designed in Chengdu, such projects can certainly bring significant local changes. As they are basically public works, they can at the same time generate work and income for villagers.

However, the central innovation with this mechanism is that Chengdu has found quite a unique way to link short term and longer term planning, without loosing people's participation. They are de facto bringing a real innovation to PB, and probably one of the major ones in the last 15 years. They give an answer to the frequent critique towards PB as a short term, immediate mechanism that has a weak capacity to bridge with long term or strategic planning. This is one more reason to analyse carefully what is happening on Chengdu villages and what is the impact on local development.

6. Setbacks and Challenges

6.1 Representative participation and social-political context

Like all other local democracy reform in China, the Communist Party will have to be insisted as a leading power whatsoever. As mentioned above, one of the local democracy reform principles is to strengthen leadership of village Party branch to the village council. Generally there are two governance institutions in Chinese rural villages, Party branch and village committee. According to the election law in China, Village committee members are elected among and by local villagers. However, elections, like other liberal institutions in an illiberal polity, part of a strategy designed to help one-party rule endure. Later, they may be legitimating the current regime rather than serving as a harbinger of systemic change.⁵

In China, the quality of democracy in much of the countryside remains stubbornly low, mainly because village committees, once an election is over, are situated in a socio-political environment that has changed surprisingly little.⁶ In case of the reform in Chengdu, a second representative institution, village council, is thus designed as elected among and by local villagers, to replace some democracy functions that fail with village committee. Unfortunately, though at the very beginning of the reform, possible drawbacks had been anticipated, and roles of village committee had been clearly defined, regulated, However, what has been observed for the past years is that, though at the early practices of village council operation, it is a decent channel for democracy powers, but some, or most, villager councils later retrograde into the same destiny as village committee. Legitimacy of village council is inevitably ruined when a village council meeting/voting has to be convened by village Party branch; when project proposal gathering is filled out by village cadres without consulting; when detailed project information is not properly announced publicly; when local elite forms up their

alliances with representatives and captures villagers power away; etc..

6.2 Social & Policy Exclusion

Social inclusion remains one of the challenges, no serious attention has been given to disadvantaged people, primarily women, children and the elderly. The most frequently selected projects are productive infrastructure for increasing income opportunities. Few of them are specifically for women, children, or the handicapped, except for some recreational and social schemes, which are actually benefiting all villagers.

Further more, only native villagers are entitled to the funding, have the right to vote. Non-native migrants are excluded from the PB funding. There are as the city expands, part of the villages' land that was classified as rural is acquired by government and real estate developers for urban expansion. However, villagers remain "rural" (as rural communities) and entitled to rural public service funding. In the township or the rural communities, there are still a huge number of migrants who are not registered as local residents, they are not entitled to local public services, not the right to the village level public services funding.

By 2013, annual PB budget for each village has increase to 30,000-50,000RMB (50,000-84,000USD), The coverage of PB has increased to more than 2,700 villages/communities, around 6 million citizens participation or even more all across Chengdu, more than 170 million USD total annual budget and still increasing, the Chengdu PB might be by far the largest Chinese PB in terms of scale and spread, it is important for exploring how local democracy could help narrowing urban-rural gap, and satisfying local people demands.

By end of 2013, some urban communities has also been entitled to such PB funds. The expansion of PB funds into urban communities make the practices even more complicated, as urban communities autonomy in China is quite different from that of rural villages. Furthermore, local policy designer have been trying to upgrade the local democracy to township levels in Chengdu.

The participatory budgeting practices in Chengdu is still at its early stages, many setbacks and challenges are still to be meet, and it offers an interesting opportunity to understand and compare how citizen participation could work in different social and political contexts. Now the pilot local democracy reform in Chengdu is still lest known, there is a lot of barren land for researchers and practioners to study and experiment.

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