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*Rediscovering Intergovernmental Relations at the Local Level: The Devolution to Township Governments in Zhejiang Province**

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Abstract

Previous research about decentralization reform in China has primarily focused on the vertical relations between the central government and provincial governments; however, the decentralization reform within one province has not been sufficiently studied. Although the province-leading-city reform has been discussed, there is still limited research about the decentralization reform for townships. This article investigates

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intergovernmental relations at the local level by examining the emerging reform for townships in Zhejiang province. It explores the detailed process of the devolution of administrative power from county-level governments to township governments in Zhejiang province, which has been acknowledged as a model across China. In the top-down administrative system of China, township governments were in the dilemma of overloaded responsibilities and limited administrative power. The decentralization reform for townships supplies a different local perspective from the traditional top-down approach and implies the possible responses to township citizens' needs. The devolution of administrative power to township governments brings townships social improvement and economic development. Some challenges for the further devolution reform at the local government are also discussed.

1. Introduction

In previous studies on the vertical intergovernmental relations in China, scholars have been inclined to discuss the relation between central and "local government," the latter referring to the provincial government in specific areas. For example, one of the most crucial initiatives during the Deng Xiaoping era was the devolution of power,¹ from the central government to provincial government.² A focus on the relation between central and provincial government has become conventional practice in research into China's vertical intergovernmental relations.³ Zheng points out that the analysis of de facto federalism in China not only explains the relationship between central and provincial government but also applies to the one between provincial and municipal (or county-level) government.⁴ These studies suggest that the central government is the starting point for discussion about China's decentralization, but they bypassed the importance of the relationships among local governments including those below the county and municipal levels.

It is the decentralization among local governments that is far more complicated to capture in China. As the lowest level in China, township governments' role and nature are critical. The power structure and range of township governments differ from those of upper-level governments. For example, township governments do not have independent fiscal power and administrative power, but they have to meet the demands of township citizens. Therefore, they are subjected to more bottom-up pressure than upper-level governments. As a consequence, the top-down analytical approach that sees the central government as a starting point

fails to present a whole picture of the decentralization situation in China. This article focuses on the relation between township governments and county-level governments, and explores the dynamics of “power borders.” The boundaries of respective roles and responsibilities intersect between different levels of local governments are also explored.

How do local governments below the provincial level deal with the challenges of rapid socioeconomic development and restructure responsibilities and powers between the different levels? What implications does this have for understanding decentralization in China? To answer these questions, we first review previous studies to point out the limitations of their top-down perspective and consider the implications should the bottom-up perspective of local governments be taken into account. We then describe and analyze new developments concerning the roles and responsibilities among local governments below the provincial level. A case study approach is used to describe the detailed process of devolution to township governments (強鎮擴權 *qiangzhen kuoquan*) during the urbanization. We chose Zhejiang province as our case since it is a pioneering province in decentralization reform. Then, the roles of township governments and the challenges emerging during the urbanization process in Zhejiang province are analyzed. We conclude that during the process of urbanization, pressures from societal demands motivate township governments to have more autonomous authority and power and the devolution of administration power to township governments can facilitate further economic development and social improvement.

2. Literature Review

The future destiny of China fascinates many scholars.⁵ Surprisingly for some of them, China’s one-party state has not collapsed; rather it has attained remarkable economic achievements. To explore the secret of achieving this, scholars have shifted their attention in part from “whether or not China will collapse” to “why China has achieved amazing economic development without collapse.” Decentralization and the relation between central and local government have become an important field to explain it.

Some scholars have pointed out that China under Deng Xiaoping significantly decentralized its fiscal and administrative powers. Studies of fiscal management in China indeed have argued that fiscal decentralization went too far and China’s national fiscal extractive capacity was

undermined in the initial reform and opening-up policy period and there was even a situation where the power of the central government was weaker than that of local government in the early 1990s.⁶ The central government required provincial governments to reduce their personnel control over lower levels of government shifting from “two level down” (municipal level and county level) to “one level down” (only municipal level), which has dramatically reduced provincial governments’ control over political appointments of county-level governments.

After the mid-1990s, the central government launched a series of reforms, such as the revenue-sharing system and the revocation of provincial-level branches of the People’s Bank of China that have strengthened the power of the central government over fiscal resources. China’s fiscal decentralization is now characterized by the extensive distribution of expenditure responsibility and high concentration of revenue extraction coupled with some revenue sharing directed particularly to poorer provinces and areas. As scholars have not reached agreement on an index to measure fiscal decentralization, no definite conclusion has been reached about the state of decentralized China’s fiscal power.⁷ However, some scholars contend that, even after the recentralizing reform of the revenue-sharing system, fiscal decentralization has continued to have a positive impact on economic growth.⁸

Scholars also maintain that administrative decentralization remains conspicuous in China. Some scholars have explained the role of administrative decentralization from the provincial level to the county level in the field of economic development despite recentralized political and financial policies.⁹ However, other scholars have pointed out that centralization is still featured in China.¹⁰ They have debated that although local governments have enjoyed great autonomy during the reform era, they still act as agents for the central government. The central government has adhered to the principle of the Communist Party controlling cadres by selecting and appointing cadres, changing positions, and shortening terms of appointment. Thus, the central government has exerted strong control over local governments.

An increasing number of scholars have focused on China’s combination of centralization and decentralization, identifying its positive impact on political stability and economic development. By comparing China with Russia, Blanchard and Shleifer pointed out that political centralization was the very reason why China was able to promote fiscal decentralization and achieve economic development without the risk of a national

breakdown;¹¹ however, fiscal decentralization was insufficient to explain how the local economy developed rapidly. Zhou suggested that the growth of the gross domestic product (GDP) is the result of decentralization that effectively provides incentives to local officials to pursue the growth of GDP for promotion.¹²

The above studies have looked into central-local relations in China from political, fiscal, and administrative perspectives. They could be placed within the principal-agent theoretical framework. As agents of the central government, local governments act as performers who passively execute orders from the central government. In our view, there is an underlying assumption of “authoritarianism” that, more often than not, goes hand in hand with a high degree of centralized control. This assumption has two consequences. First, much attention has been given to the relation between central and local governments, while insufficient attention has been paid to the relation among the different levels of local government. Second, scholars have been more concerned about how the central government controls local governments and the effect it has on them. The central government becomes the logical starting point and its attributes—whether more prone to centralization or decentralization—are examined. However, the bottom-up perspective that describes the change of local governments across China often fails to be taken into account.

Overall, the perspective of the central-local relation tends to overlook the fact that the relationship among local governments is part of vertical intergovernmental relations and takes insufficient account of the dynamic changes affecting local government. This article aims to enhance research on local governments by examining the changing relations between county-level government and township government, constituting a comprehensive picture of decentralization in contemporary China. We first introduce the main predicament township governments face in China and then describe the reforms process and results to devolve administrative power to townships in Zhejiang province. In doing so, this article analyzes the dynamics of relations among local governments.

3. Motivate the Devolution of Administrative Power to Township Governments: The Predicament of Township Governments in China

Township governments lie at the bottom of Chinese governmental levels, but they are a major entity in grassroots governance for they are on the frontlines of rural society and have the direct duty to respond to local population's demands and implement the policies made by higher-level governments during the urbanization process.¹³ In fact, almost all policies of higher-level governments are implemented by township governments. It is often described as "thousands of threads above go through a needle below" and, thus, the task of township governments is immensely demanding.

In current studies of Chinese governments, scholars have paid little attention to township governments, because they are no longer a complete level of government after a series of reforms, such as placing township finances under the management of county-level governments and the merging of towns. Rather, they fulfill their roles mainly as executors of policies made by higher-level governments. Smith even describes the township government as "hollow" township governments that lack autonomous fiscal power and have limited room to utilize public finances.¹⁴ The policy that county-level governments have charge of township finances was pursued in an effort to address the inefficient management of township finances for township governments. Township governments have the right to possess and utilize finance, but county-level governments have the right to administer capital investment and supervise the finances of township governments. In addition, township governments lack power to enforce law, for example, to punish enterprises that breach environmental protection laws. Since 1998, there has been a massive wave of "merging townships" to tackle township governments' heavy burdens in taxes and debts. Most township agencies have been streamlined. The power to enforce laws has been handed over from township governments to county-level departments. As a result, law violations in towns cannot be promptly handled and efficiency has been at the expense of effectiveness. Scholars studying township government tend to see township governments as executors of policies made by higher-level governments. They also put their research mostly on township governments' policy implementation and responsiveness to farmers' demands.¹⁵

The key features of township governance are “limited finances and administrative power, scarce human resources, and heavy responsibilities.” In the course of urbanization, these contradictions are made unprecedentedly severe. What role should townships play in the urbanization process? How might respective roles and responsibilities be distributed to alleviate townships’ predicament? What new challenges would this bring?

As an agricultural country, China was extremely slow to develop urbanization. In 1978, the rate of urbanization was merely 17.92 percent. Since China started to carry out the reform and opening-up policy in 1978, the urbanization process has been revitalized with rising agricultural productivity and the development of secondary and tertiary industries. By 1995, the rate of urbanization had risen to 29.04 percent, with an annual growth rate of 0.65 percent. After 1995, the rate of urbanization accelerated. By 2013, urbanization had reached 53.73 percent, with an annual growth rate of 1.37 percent. In less than 40 years, the urban population grew by more than 400 million and the rural population decreased by a similar amount. China is now in a period of transition from “a transforming country” to “an urbanized country.” In some provinces, such as Zhejiang, Guangdong, Liaoning, and Jiangsu, many indicators (such as the proportion of the rural population, agricultural labor force, agricultural production in GDP, and per capita GDP) show that they have stepped fully into the urbanization phase.

The extraordinary urbanization process since the middle 1990s has brought new challenges for township governments. Township governments play a pivotal role in China’s urbanization process. First, they are responsible for boosting the development of the rural economy and facilitating the shift to an urban economy. With China’s shift from growth via exports to domestic consumption, the role of townships is increasingly important. In the early 1980s, township enterprises developed quite expeditiously. The South Jiangsu Model and the Wenzhou Model gained national attention and the Chinese central government expected to gather the population in towns across rural areas through developing township enterprises. However, after 1997, there was a slowdown in the amount growth of these township enterprises. With the 1998 financial crisis in Asia and the demand for industrial transformation after China’s entry into the World Trade Organization (now the United Nations World Trade Organization), the central government initiated a plan to stimulate

consumption in rural areas through developing townships. Accordingly, priority was given to governmental guidance in township development: instead of waiting for the population gathering gradually to initiate the development of township enterprises, higher-level governments took a firm stance to promote urbanization and to stimulate economic growth through providing guidance and setting performance targets for township governments. In the report of the Sixteenth National Congress of the Communist Party of China in 2002, it was first proposed that the Chinese central government should make the rural economy flourish and speed up urbanization. As a result, the Chinese central government began to see the development of small towns as an integral part of the strategic goal of urbanization rather than as just a means of developing the rural economy. This required more emphasis on the delegation and the management improvement of government functions.¹⁶ In addition, the development of towns is also intimately related to absorbing rural labor, promoting the urbanization of localities, and reducing the pressures on big cities. Therefore, China has placed the construction of small towns as one of the top priorities (the other is big cities/city group) in the urbanization process from the very beginning and has used the term “townization” (城鎮化 *chengzhenhua*) over the long term. The role of townships was highlighted in official documents for promoting “urbanization.” For example, in the national plan released in March 2014, the term “townization” is still in use.

Nonetheless, what turns out to be incompatible with the decisive role towns should play is their inability to accomplish their goals in urbanization due to poor capacity and limited administrative power. In the urbanization process, towns need to cope with appreciably more public affairs than before, and their expenditure responsibilities are expanding. However, they are faced with many barriers due to inadequate financial support and scarce human resources. As a result, they are often unable to provide supporting infrastructure for urbanization. Moreover, limited administrative power inhibits the development of towns for three reasons. First, the lack of economic management power (經濟管理權 *jingji guanli quan*) constrains the continuous development of township economy. The power of town planning, traffic management, and project examination and approval is in the hand of county-level governments or those above, so township governments are unable to meet the development demands of local business. Second, the lack of social management power (社會管理權

shehui guanli quan) causes a great deal of inconvenience for township social development. Many small towns have experienced rapid population growth, but routine social services like marriage registration are still offered by the civil affairs department at the county level. Third, the lack of law enforcement power (行政執法權 *xingzheng zhifa quan*) results in frequent law violations. The personnel departments in township governments often find their hands tied because they are unable to take any measures to address breaches of regulations even though they anticipate them. For example, there is no environmental protection law enforcement agency operating at the township level, so polluting enterprises cannot be detected and penalized in a timely manner.

Thus, limited finances and a lack of administrative power increase the difficulties of township governments. Although more and more people have settled in towns and require public services from township governments, they are still hampered by the existing administrative system, just like “fully developed adults are outgrowing their small clothes (大人穿小衣 *daren chuan xiaoyi*).” To solve these problems, expenditure responsibilities should go hand in hand with financial power. Township governments should also be devolved with economic and social management power from upper-level governments. All these will bring township governments to play their role fully during the process of urbanization.

4. Devolution to Township Governments during the Urbanization: The Case of Zhejiang Province

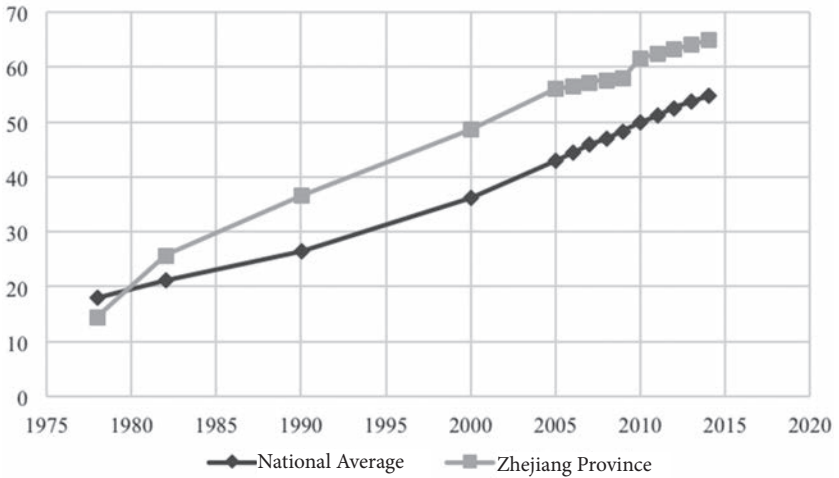
As a major province in the Yangtze River Delta of China, Zhejiang province has achieved astounding economic development, and its urbanization level has increased dramatically. In 2014, the GDP of Zhejiang province was 4,015.4 billion *yuan* and it ranked 4th among 31 statistical provinces, with per capita GDP of 72,967 *yuan*, which is the fifth highest.¹⁷ In 2014, the urbanization rate of permanent residents was 64.67 percent in Zhejiang, 10.1 percent above the national average. Before 1978, the urbanization rate in Zhejiang was just 14.5 percent, 3.4 percent below the national average. Since the late 1990s, Zhejiang’s urbanization rate has remained about 10 percent above the national average (see Table 1 and Figure 1 on Page 10). Why has the urbanization in Zhejiang province continued for so long? One of the key reasons we believe lies with the successful reform involving devolution of power to township governments.

Table 1: The Urbanization Rate of National Average and Zhejiang Province from 1978 to 2014 (Percentage)

Year	National Average (R1)	Zhejiang Province (R2)	R2-R1
1978	17.92	14.5	3.42
1982	21.13	25.71	4.58
1990	26.41	36.59	10.18
2000	36.22	48.67	12.45
2005	42.99	56.02	13.03
2006	44.34	56.5	12.16
2007	45.89	57.2	11.31
2008	46.99	57.6	10.61
2009	48.34	57.9	9.56
2010	49.95	61.63	11.68
2011	51.27	62.3	11.03
2012	52.57	63.2	10.63
2013	53.73	64	10.27
2014	54.77	64.87	10.1

Note: Data for 1982, 1990, 2000, and 2010 are projections based on the demographic census; data for other years are projections based on an annual sample survey. Some annual changes may be explained by these different statistical bases. Data from China's Statistics Bureau and Zhejiang Bureau of Statistics.¹⁸

Figure 1: Urbanization Rate of National Average and Zhejiang Province from 1978 to 2013 (Percentage)



The devolution reform started in Shaoxing in Zhejiang, a county with 704,700 registered residents living in its 19 townships at the end of 2005. Against the background of merging township agencies and fiscal restraint under the management of county-level governments, township governments were faced with inadequate finances and limited administrative power. With the ever-increasing scale of emerging enterprises and the ever-growing degree of internationalization, public demand for town planning, oversight of market, infrastructure, financing, and services of foreign affairs were frequently rising. For instance, Qianqing town owned the largest textile material market in China, whose annual turnover amounted to 20 billion *yuan*. However, the government of Qianqing had no town planning powers and could not keep pace with industry development. Concomitant with the economic development, a huge wave of migrant workers into the town placed the government under considerable pressure to offer public services and public security. Meanwhile, the government was unable to satisfy citizens' increasing demands for basic pensions, community services, employment services, environmental protection, and so on.

While the shift of power from townships to counties and the merging of township agencies swept across China in 2006, Shaoxing county instead issued an official document to go the opposite way. Five towns in Shaoxing county were initially selected to receive devolved administrative powers from upper-level governments. Seven departments of the county government signed an agreement with these five towns to delegate them the power to undertake relevant administrative functions.¹⁹ Comprehensive law enforcement offices (綜合執法辦公室 *zonghe zhifa bangongshi*) were set up in township governments to fulfill 30 administrative duties, including environmental protection, safety supervision, labor and social security, examination and oversight of forestry departments, as well as a certain degree of the related examination, approval, and penalty powers. It was prescribed at the time that decisions related to examination and approval, as well as to penalties, would need to be endorsed by the county-level departments.²⁰ In addition to devolution of administrative power, the county government also implemented such policies as the return of net revenues from land-transferring fees and the appointment of a party secretary as the township chief (鎮長 *zhenzhang*), which not only rendered pilot towns more financial support but also improved administrative efficiency. In February 2007, Shaoxing city released an official document to promote the pilot experience of Shaoxing county to

all counties under its jurisdiction, and established municipal-level pilot towns (試點鎮 *shidianzhen*).²¹

In April 2007, based on the experience of Shaoxing city, Zhejiang province carried out this pilot project on a provincial scale. This reform has undergone four rounds to date. In the first official document concerning the devolution of administrative power to township governments released in 2007, it pointed out that “central towns (中心鎮 *zhongxin-zhen*) are a crucial medium for the development of the regional economy and an important platform for the transfer of the rural population.” About 200 central towns should be carefully selected as pilot towns. In accordance with the principle of “the lawful devolution of power in any possible way, towns should be delegated with part of county-level economic and social management power.”²² It can be seen from this document that the provincial government still had a selection of towns to carry out pilot reforms, though every town called for decentralization from county-level governments. The provincial government determined the range of pilot towns in accordance with assessment data of economic strengths and locations. Although the social services function of township governments was emphasized in the document, no new powers of social management were transferred to township governments.

In October 2010, against a backdrop of further urbanization and integrated development of rural and urban areas, Zhejiang province issued an official document regarding the second round of the devolution to township governments.²³ This reform had three major changes. First, more emphasis was laid on the role of central towns in urbanization rather than the development of the countryside. The document states, “The cultivation and development of central towns should be a crucial strategy for promoting new urbanization and integrating the development of rural and urban areas.” Second, excluding administrative power directly linked to economic development, the power of social management intimately connected with the requirements of urbanization was also added to the list. The power of social management covers municipal administration, traffic, safety, employment, social security, household registration, and so on. Third, it distinguished non-administrative licensing items and administrative licensing ones. It specified that “county-level departments are encouraged to transfer the power of handling non-administrative licensing items to township governments and delegate them the power to handle administrative licensing items in accordance with relevant laws, rules, and regulations.” The document also mentioned that a pilot project

would be tried out to cultivate small cities, suggesting that devolution to township governments would lead to a multilayered approach.

In December 2010, the Zhejiang provincial government published an official document about the pilot project of cultivating small cities.²⁴ It selected 27 towns out of the 200 central towns (of the total 1,246 towns) and determined 2011 to 2013 as the first development period. It formed a pattern where the pilot cultivation of small cities and the pilot cultivation of central towns coexisted. The transformation of some “towns” into “small cities” (小城市 *xiao chengshi*) placed pressure on the capacity of those township governments to fulfill city functions. Therefore, compared with the powers that central town governments were delegated, further authority was specified for delegation to cultivate the pilot small cities. That is, “27 pilot towns are given basically the same socioeconomic management power as the county-level governments through delegation, transfer of power, and extension of agencies.”²⁵ In this reform, new socioeconomic management items were added, and the power of the 27 pilot towns was upgraded to be equal with the county level. Meanwhile, comprehensive administrative law enforcement offices were established to improve the law enforcement of these township governments. After the reform, the county-level governments lost their former role in examining and approving certain projects in these towns, and now only play the role of transferring the towns’ applications to the provincial or municipal government for its consideration.

In 2014, Zhejiang province carried out the second-round reform on cultivating small cities. In this new round, nine central towns were added to pilot towns. In the first round, economically dynamic towns were selected as pilot towns. However, in the second round, the focus switched to the development of the ecological and living functions of towns. The 2014 document discussed “whether laws and regulations should be enforced by township governments.” Administrative punishment was brought into discussion as well. In regard to administrative permission (行政許可 *xingzheng xuke*) and penalty powers, the document specified that township governments could do anything that was not prohibited by the law: “In terms of items concerning administrative permission and penalty, if no specific law, rule or regulation specifies that township governments should assume responsibility, power should be devolved to them by laws in line with relevant procedures; as for other administrative items, power should be directly devolved to township governments unless they are clearly specified by laws, rules or regulations.”

In contrast with the first three rounds of reforms, the new guidelines adjusted the devolution principle from “the lawful devolution of power in any possible ways (依法下放，能放就放 *yifa xiafang, nengfang jiufang*)” to “power with corresponding responsibility and the lawful devolution of power in any possible way (權責一致，依法下放，能放就放 *quanze yizhi, yifa xiafang, nengfang jiufang*).”²⁶ It clarified that “power with corresponding responsibility” was a top priority, thus making decentralization more coherent.

With these reforms, towns in Zhejiang province gained a great deal of motivation. The effect of the fourth-round reform is yet to emerge. Among the top 1,000 towns of comprehensive development in China in 2006, 286 were from Zhejiang province. In 2010, this number increased to 334. From 2011 to 2013, the 27 pilot towns underwent dramatic development in township scale, economic strength, industrial structure, integration of rural and urban areas, environmental protection, and social undertakings (see Table 2 on Page 15). The urbanization rate of pilot towns increased sharply from 57.2 percent to 64.8 percent in the three years.

In 2013, the economic situation showed a downward trend across the whole province. Although the growth rate of all indices in Table 2 except “urban per capita disposable income” in pilot towns appeared to slow down, even as the resident population decreased, the pilot towns still gained a clear advantage of economic development over other regions in the province. As Table 2 shows, their percentage of GDP and general financial revenues kept increasing from 2011 to 2013, and their annual growth rate was also higher than the provincial average (see Table 3 on Page 16).

As one of pilot towns, the Qianqing town’s case may explain why pilot towns have above advantage of economic development. In 2007, the Qianqing township government first established the Approval Service Center at the township level in Zhejiang province. The Approval Service Center in Qianqing executed all functions about investments in the town that used to be the administration power of the county government. For example, the Approval Service Center reviewed and verified the investment programs, approved the report of investment feasibility, examined the industry projects, and so on. As the town mayor said, “the township government should first offer enterprises a service platform in order to improve the development of enterprises in the town.”²⁷ In practice, the Approval Service Center in Qianqing helped enterprises save a lot of time and money to finish the approvals. One enterprise manager said, “Before

Table 2: Major Indices and Growth Rates of Zhejiang's 27 Pilot Towns from 2010 to 2013 (Averages)

Index	Year	2010	2011	2012	2013	Year-on-year growth (%)			Total 3-year growth (%)
						2011	2012	2013	
Scale of towns	Area (km ²)	140.81	148.37	149.26	149.8	5.1	0.6	0.36	6.39
	Resident population	138,263.00	152,814.70	162,603.00	161,761.1	10	6	-1	17
Economic strength	Gross regional product (100 million <i>yuan</i>)	58.05	69.09	78.65	88.96	15.98	12.15	11.59	53.24
	Total revenues (100 million <i>yuan</i>)	7.12	8.98	10.15	11.42	20.80	11.45	11.12	60.43
	Fixed assets investment (100 million <i>yuan</i>)	21.36	35.07	44.71	51.71	39.11	21.56	13.54	142.14
Industrial structure	Percentage of labor force in secondary and tertiary industries (%)	83.38	86.78	88.83	90.69	3.91	2.31	2.05	8.76
Level of the integration of rural and urban areas	Urban per capita disposable income (<i>yuan</i>)	27,270.85	31,117.04	34,258.19	37,954.41	12.36	9.17	9.74	39.18
	Rural per capita net income (<i>yuan</i>)	14,264.93	16,575.15	19,090.19	21,718.52	13.94	13.17	12.10	52.25
	Ratio of per capita income between urban residents and rural residents	1.91	1.88	1.79	1.75	-1.80	-4.41	-2.62	-8.59
Ecological environment	Per capital public green area (m ²)	5.78	7.06	8.68	9.05	18.11	18.66	4.08	56.50
	Urban sewage centralized treatment rate (%)	49.38	56.40	67.81	71.04	12.45	16.82	4.55	43.86
	Rubbish harmless treatment rate (%)	84.41	93.87	96.93	99.08	10.08	3.15	2.18	17.38
Social undertakings	Preschool education admission rate (%)	97.04	98.77	99.24	99.45	1.76	0.47	0.20	2.48
	Secondary education admission rate (%)	91.07	93.87	94.39	94.82	2.98	0.55	0.45	4.11
	Number of hospital beds (per 10,000 persons)	19.06	21.50	24.50	25.71	11	12	5	35
	Number of doctors (per 10,000 persons)	17.49	17.52	19.40	20.26	0	10	4	16
	Urban and rural residents' basic pension rate (%)	84.07	89.51	92.97	96.50	6.07	3.72	3.66	14.79
	Medical insurance rate among urban and rural residents (%)	92.90	95.71	97.10	97.81	2.94	1.43	0.72	5.28

Note: Data from pilot towns' relevant documents.

the establishment of the Approval Service Center in the town, I had to go to various departments of the county government for the approval for months.”²⁸ With reduced bureaucratic procedures, the Approval Service Center in Qianqing attracted many enterprises to move into Qianqing for their business development. The trial success of the Approval Service in Qianqing was also diffused to other pilot towns later.

Table 3: Comparison of Major Economic Indices in Zhejiang’s Pilot Towns from 2010 to 2013

	2010 (%)	2011 (%)	2012 (%)	2013 (%)
Pilot towns’ year-on-year growth rate in GDP		17.60	13.70	13.20
Zhejiang provincial average growth rate in GDP		9.00	8.00	8.20
Pilot towns’ year-on-year growth rate in revenues		26.00	12.60	13.40
Zhejiang provincial average growth rate in revenues		21.00	8.30	7.80
Pilot towns’ annual GDP percentage in province	5.58	5.80	6.16	6.44
Pilot towns’ annual revenues percentage in province	3.77	4.26	4.38	4.43

Source: Data from Zhejiang Development and Reform Commission (發展與改革委員會 *fazhan yu gaige weiuyuanhui*).²⁹

5. Devolution of Administrative Power to Township Governments in China: Characteristics and Challenges

Since 2002, the Zhejiang provincial government has carried out four rounds of reforms for the devolution of administrative power from county-level governments to township governments. These reforms delegated township governments to exercise socioeconomic management power and administrative law enforcement power. Some pilot towns even attained almost the same socioeconomic management powers as county-level governments. Generally speaking, this devolution reform had the following features:

1. The reform has stemmed from the inconsistency between responsibilities and authority. The administrative power that towns held was insufficient to satisfy the demands for economic and social development.

2. The core of the reform has been to provide a more liberal system to boost local autonomy and responsiveness to the needs and preferences of the local community. The development of towns used to be constrained by counties. After the reform, the county-level governments have had no role in examining or approving the items delegated to towns other than to transfer the towns' applications to higher-level governments. The key focus of local development shifted from external control to internal motivation.
3. The reform also has involved complementary measures in terms of finance and human resources. Special financial support has been available for township governments, and party secretaries of township governments have also been entitled to better remuneration and more official power in recognition of their increased responsibilities. These have served to boost local capacity to handle the devolved authority and to limit personnel turnover.
4. The reform has involved flow-on benefits from other decentralization measures. The devolution of power to township governments has been affected by the devolution of power to county-level governments. For example, in an official document released by the Shaoxing County Government in 2009, there was a clear reference to the items in the devolution to township governments. The reference included the items Shaoxing gained from the previous devolution to county-level governments. The examination and verification power for foreign investment and technological investment previously owned by national and provincial competent departments was first devolved to county-level governments and then to township governments.³⁰ This flow-on has allowed towns to acquire higher-level examination and approval authority and administrative power.

Although Zhejiang province has reaped remarkable gains from the devolution reform, there are still some major challenges ahead:

1. The devolution of power so far has not been entirely coherent or consistent with the practical needs of towns and township

citizens. For example, higher-level governments still hold core powers or application quotas that restrict townships' power over planning and approving construction land and economic projects that would attract more investment. Routine items within the administrative system such as approval for civil servants studying abroad, and items related to special demands for geographical conditions (such as over management of great plains or oceans) are often of little value for the receiver or may be totally irrelevant (e.g., where the township has no great plain or is not near the ocean).³¹

2. The identification of accountability after the devolution is yet to be clarified in law. Currently, the devolution of administrative power takes on various forms like county-level governments' authorizations and delegations, transfers of power, and extension of agencies' roles and responsibilities. This leaves some ambiguity about who is held legally accountable for the decisions. If a county-level government "authorizes" a township government, the township government becomes an independent legal entity in the case of any litigation. But if a county-level government "entrusts" (授權 *shouquan*) a township government, the township government does not hold authority as an independent legal entity. Then the county-level government would become the defendant in any litigation.³² Zhejiang provincial government has attempted to respond to this problem by adopting the principle that the one who conducts examination and approval should be held accountable. However, it is difficult to follow this principle in practice since the principle is in conflict with national laws.
3. The local capacity of township governments to handle devolved authority is still weak. The expansion of administrative power lacks institutionalized policies and township governments are suffering as to be able to fulfill their responsibilities for limited finance and personnel resources. Recently, only 3 of the 27 pilot towns have their own treasuries, while other towns are heavily reliant on higher-level governments for their revenues. Although pilot towns obtain special funds from the provincial government and supporting funds from county governments, financial burdens for pilot township governments still remain onerous.

For example, they lack the finance to provide community services and pensions for the aged.³³ An interim report concerning pilot towns, produced by a third-party assessment agency, pointed out that the limited funds from higher-level governments play a significant role in stimulating economic growth in towns, which implies townships' penitential to prosper through more transfer payments.³⁴ Also, after the devolution of administrative power, the number of personnel in township governments has not increased, thus causing them to be short of skilled workers. In the current administrative system, anyone who wants to become a civil servant needs to have an identity within manning quotas in China, but the annual quotas are very limited. This leads to township governments' incapability of attracting the skilled workers to fulfill township governments' responsibilities.

4. The devolution of administrative power is yet to be formally institutionalized across the province. The trial devolution of administrative power to township governments has not yet fundamentally altered the existing system. The selection of preferential policies and devolved authority is not standardized and is still confined to pilot towns. Pilot towns are concerned about the possibility of changes in policies and the loss of their newfound autonomy. For example, the party secretary of the Qianqing Township Government said that "we are not afraid of hard work, inadequate funds or difficulties in implementing relevant policies, but the revocation of cultivation policies after 3 years."³⁵ Other towns have yet to enjoy the benefits of the preferential policies and feel they have suffered from the ensuing unbalanced development of regional economies.³⁶

6. Discussions

Based on the study of the devolution of administrative power to township governments in Zhejiang province, we find that the devolution of power from county-level governments to township governments can effectively boost economic and social development and improve the integration of urban and rural areas. Local governments can act as initiator and promoter of reforms. In our case study, Shaoxing county first pioneered the devolution from county-level government to township governments.

Later, the Zhejiang Provincial Government took the lead in expanding the power of pilot towns by setting up provincial-level pilot towns. Innovative local governments responded actively to the challenges of “limited power and heavy responsibilities” in the course of urbanization, shifting the power border between local governments through a bottom-up restructuring process. We also observed that there remain significant challenges to ensuring a more coherent specification of authorities’ roles and responsibilities, clearer lines of accountability, enhanced local capacity, and institutionalization of the reforms across the province. This provides further research opportunities on how to achieve more effective decentralization and more rational work division between different levels of local governments.

This article has attempted to rediscover the decentralization reform at the local government through examining the emerging decentralization reform of townships. Our article focuses on an in-depth case study of the devolution of administrative power to township governments in Zhejiang province. Zhejiang province’s pioneering practice has won the acclaim from the Chinese central government, and Zhejiang initiatives in governance have been taken up elsewhere in China. Regarding decentralization reform in particular, the Chinese central government has approved the practice of Zhejiang province and promoted it throughout China.³⁷ Although this article has shown only one particular case of a pioneering province in this way, the devolution of administrative power to township governments has been diffused to some other provinces in China, including Jilin, Shandong, and others, and will gradually become a nationwide system. Therefore, this study intends to introduce the devolution of administrative power to township governments in Zhejiang province as a perspective to understand the intergovernmental relations at the local level of China.

This dynamic feature of local China’s intergovernmental relations is also reflected in the provincial-county relationship. Since 1992, Zhejiang provincial government has carried out five rounds of reforms concerning the devolution of power from the provincial government to county-level governments (in 1992, 1997, 2002, 2006, and 2008), progressively giving county-level governments more socioeconomic management power. These reforms stem from the inconsistency between responsibilities and power. Concurrent with the devolution of administrative power to counties was the reform allowing counties more authority over finances and the two-level-down cadre appointment system. These policies helped

the county-level governments become more autonomous and active. After four rounds of the reform aimed at economically potent counties, Zhejiang provincial government demonstrated in 2008 that all of its 443 socioeconomic management powers would be devolved to all the counties across the province. After the reform, county-level governments were not constrained by cities any more, and could develop in a more autonomous fashion, which helped to promote rapid economic development. The further shift to townships might be building on this experience, extending the dynamics of decentralization between levels of local government. In this way, responding to local population's demands as an endeavor to better social governance may propel modernization of state governance.³⁸

There are some preconditions for the effective diffusion of the devolution of administrative power to township governments. The pilot work of cultivating small cities in Zhejiang province has also won the approval of Premier Li Keqiang and Vice Premier of Zhang Gaoli. Reform through the devolution of administrative power to township governments in Zhejiang province may similarly provide lessons for further decentralization reform among local governments across China. However, the diffusion of devolution to county-level governments has revealed that "central government shows support and local governments promote the reform of themselves." Wu points out that effective diffusion needs some preconditions like essential economic foundations, extensive local consensus, proper technical support, adequate pilot experience, and so on.³⁹ Such preconditions should be taken into consideration when we discuss the diffusion of devolution to township governments for future research.

The decentralization reform in contemporary China also suggests some implications for other countries. First, for those countries that have multilevel governments, the China experience can provide some lessons for the promotion of decentralization. The release of vigor and innovation embedded in the system rests with the devolution of power from the central government to local governments and among levels of local government. The decentralization offers a way for governments to respond more accurately and effectively to the needs of local people. Second, the decentralization reform can also be achieved in countries of nonfederal systems. Local authorities in the unitary system of China, even the township governments, can also decide any matters that are not specified by the law. How to balance the powers and responsibilities of local authorities needs to be examined in our future research agenda.

Notes

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