

RESEARCH AND EVALUATION

Does Participatory Budgeting Improve the Legitimacy of the Local Government?: A Comparative Case Study of Two Cities in China

Yan Wu and Wen Wang
City University of Hong Kong

This research applies David Beetham's theory of legitimacy to analyse the current decision-making procedures of public budgeting in mainland China. Specifically, it evaluates the impact of two forms of participatory budgeting (PB) on improving the legitimacy of public budgeting in two regional provinces/cities; Wuxi (near Shanghai) and Wenling (a coastal city some 400 km south of Shanghai). Comparative case studies are employed to compare and evaluate the effectiveness of PB in the two cities. The comparisons are made from all three aspects of legitimacy based on Beetham's framework, investigating in which aspects and to what extent PB has contributed to enhancing the legitimacy of budgetary decision-making. Difficulties and limitations in promoting PB in China are also discussed.

Key Words: *Participatory budgeting, citizen involvement, legitimacy*

In recent decades, China's unprecedented economic growth created by modernisation and marketisation has generally enhanced the income and material living standards of the Chinese people. However, China's political and administrative systems have not been transformed alongside such economic development, and hence the relationship between the state and the civil society is often called into question. The increasing number of conflicts between the state and the society reveal a rising social dissatisfaction towards the government authority. Thus, the question of how to improve the legitimacy of the state becomes an urgent and significant issue for the Chinese government.

There are several methods available for the state to improve its legitimacy, including creating a new defining ideology, setting up an advisory board to obtain the advice of citizens, and improving its administrative performance. Of the possible methods, direct democratic elections may be the most effective way of legitimating government and of providing for the long-term legitimacy of the system. When the

state is not in a position or prepared to adopt this method, better public policy becomes a crucial means to enforce actual legitimacy (Scott 2007).

Budgetary decision-making plays a decisive role in public policy-making. Budgeting involves politics as it is concerned with the distribution of scarce resources and the making of choices on alternative plans for government operations (Wildavsky 1984). Government budgeting is related to public interests and social welfare as well as the relationship between the state and society. So, while few studies have discussed state legitimacy from the perspective of public budgeting, the processes of allocating resources can play a significant role in consolidating state legitimacy.

China's market-oriented economic reforms have fundamentally changed the economic structure and the relationship between the state and citizens as taxpayers. Accordingly, one of the major tasks in China's fiscal reforms today is the strengthening of public input into government budgeting as a way of improving

legitimacy (Ma 2005). In recent years, participatory budgeting (PB), which has been successfully implemented to improve the accountability of local governments around the world, has been introduced in several Chinese local governments to improve their financial accountability (Ma 2009) and the legitimacy of the decision-making procedures of public budgeting in China. Based on comparative case studies of two different forms of PB, this article attempts to evaluate the impact of PB on improving the legitimacy of public budgeting in two regional provinces/cities, namely Wenling and Wuxi, in China.

The remainder of the article is organised into four sections. The next section presents the theoretical framework of this analysis. The second section discusses the legitimacy of China's decision-making processes of public budgeting. The third section analyses the impact of the implementation of PB on improving state legitimacy in two cities in China, and the final section presents our conclusions.

Theoretical Framework: Building Political Legitimacy

This article applies David Beetham's framework of political legitimacy to analyse the legitimacy of local governments in China. Beetham posits that political authority can be considered as legitimate based on three conditions: first, political authority is acquired and exercised in accordance with established rules (legality); second, the rules are justifiable according to socially accepted beliefs concerning the rightful source of authority as well as the proper ends and standards of government (moral justification); and third, positions of authority are confirmed by express consent or affirmation by appropriate subordinates with recognition from other legitimate authorities (consent) (Beetham 2004). All three elements are required to establish a legitimate power.

By the same token, Beetham (2004:110) explains that there are 'different negative words to express the different ways in which the power may lack legitimacy'. Terms such as 'illegitimacy' can be used if there are breaches of

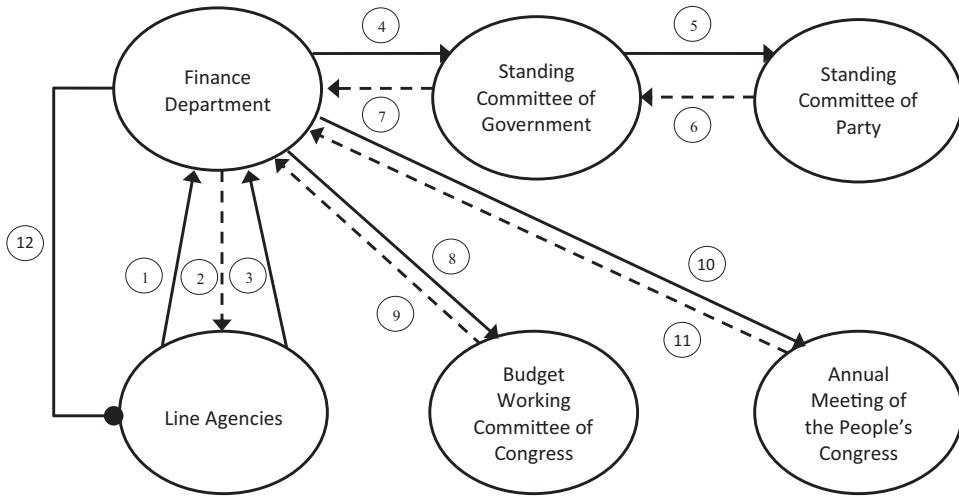
the rules; 'legitimacy deficit' rises 'if the rules are only weakly supported by societal beliefs, or are deeply contested'; and 'de-legitimation' is used to demonstrate the situation in which consent or recognition is publicly withdrawn or withheld (2004:111). Beetham provides 'a set of general criteria for legitimacy, the specific content of which is historically variable, and therefore must be determined for each type of society' (Beetham 1991:21). This concept of legitimacy can be applied not only to examine the social origins of state power, but also to diagnose the health of the polity (Scott 1993).

Legitimacy of China's Decision-making Process of Public Budgeting

Budgetary decision-making will determine which government programs can be funded and what policies can be put into practice; this then determines the distribution of public resources and eventually reveals the political purpose of a state polity. Thus, the practices of public budgeting are closely related to the legitimacy of a state polity.

Current Governmental Budgetary Procedures

The current governmental budgetary procedure in China is called 'Two Ups and Two Downs' (TUTD) (see Figure 1). This budgeting process starts with submissions from the line agencies making requests to the finance department, which is 'the first up'. Correspondingly, 'the first down' indicates the feedback sent from the finance department back to the line agencies with the budget base indicated for each agency (the lump sum target). After revision, line agencies re-submit their final budget proposals to the finance department, 'the second up'. All budget requests are incorporated into a budget bill by the finance department and then sent to the standing committees of the government and the Communist Party for approval. Once the bill is approved by the party and the government, the finance department sends it to the People's Congresses at the appropriate level. After these congresses have approved the

Figure 1: ‘Two Ups and Two Downs’ in Public Budgeting in China

- Notes:*
- 1 Line agencies submit their requests to the finance department
 - 2 The finance department sends feedback to line agencies with the budget target
 - 3 Line agencies re-submit their final budget proposals to the finance department after revision
 - 4 5 The financial department sends the budget bill to the Standing Committee of Government and the Standing Committee of Party for approval
 - 6 7 The Standing Committee of the Government and the Standing Committee of the Party send their feedbacks to the finance department
 - 8 The finance department sends the budget bill to the Budget Working Committee of the People's Congress for initial review
 - 9 The Budget Working Committee of the People's Congress sends feedbacks to the finance department
 - 10 The finance department might need to revise some items of the bill based on the Budget Working Committee's comments and sends the budget draft to the People's Congress at the corresponding level for approval
 - 11 12 The People's Congress approves the budget and sends it back to the finance department and line agencies for execution

Source: Modified from Figure (49) in Niu (2010).

budget bill, the budget act becomes law and resources are transferred to line agencies for execution, which is ‘the second down’.

There are no significant differences in the budget procedures at various levels of the government and at various levels of the People's Congress. Each level of the People's Congress examines and approves the budget at its corresponding level, except for the National People's Congress (NPC), which has the power to abolish inappropriate resolutions made by lower levels of the People's Congress (National People's Congress of the People's Republic of China 2004). This hierarchic budgetary procedure is not open to public participation. However, this does not mean that all budgetary information is kept from the public, rather that

public opinions are not directly considered in the decision-making processes of budget compilation, examination, and approval. The People's Congresses are supposed to execute the power of supervision on behalf of the public; yet under the existing political and administrative mechanisms the power of the People's Congresses is not fully exercised (Liu and Xiong 2001), an issue which will be discussed in more detail in the following sections.

The Legitimacy Crisis of China's Budgetary Decision-making

Legal Validity

Following the promulgation of the *Budget Law* in 1994, the Standing Committee of the NPC

issued *The Decisions on Enhancing Review on Central Government Budget* in 1999 for the purpose of strengthening the power of the People's Congresses. This was reinforced when many sub-national governments passed their own legislation covering budget review and supervision (China Development Research Foundation 2008).

Although the *Budget Law* and the subsequent *Decisions* document establish the functions and powers of the People's Congresses, the effectiveness of their examination and supervision of public budgeting is limited for several reasons. First, the Chinese central government's financial year starts from 1 January, but the NPC is often held in March, meaning that public expenditure during the first two months of the financial year is not examined or approved by the NPC (Liu and Xiong 2001). Similarly, the annual sessions of the People's Congresses at the sub-national level are often held after the start of the financial year. According to Article 44 of the *Budget Law*, before obtaining the approval of the People's Congress, the government is allowed to allocate its expenditures according to the budgetary expenditures of the corresponding period of the previous year (National People's Congress of the People's Republic of China 1994). Although the formal legitimacy of this expenditure is provided by the *Budget Law*, the procedure indicates insufficient budgetary control by the People's Congress (Liu and Xiong 2001). In addition, the final accounts of public revenue at the end of a financial year often deviate substantially from the budgetary estimates, mainly due to the exclusion of a large number of transfers from the annual budget. Together these factors indicate a weak budgetary control of the Congresses over the governments.

Second, the People's Congresses do not have the power to make amendments to the draft budget; there are only two choices available in budgetary decision-making, either for Congresses to approve or reject the budget bill. The power of veto over selected items of the bill—signing parts of the bill while rejecting others—is not granted to the People's Congresses.

Third, the absence of specific and practical instructions guiding the implementation of

budgetary power in current laws and regulations also weakens the effectiveness of the examination and supervision of the People's Congresses.

And, fourth, the People's Congresses have the authority to impose supervision over the budget and final accounts of the government at their corresponding level, but they do not have available mechanisms such as independent committees to exercise this function effectively. The fact in China that the justice system is not completely independent from the influence of the administrative branch does not help to improve the supervision function of the People's Congresses (Zhu and He 2009).

Moral Justification

Due to the lack of a comprehensive legal system and effective examination and supervision by the People's Congresses over the government's budget, public budgeting has long suffered a legitimacy deficit in China. This is reflected in the low allocation of resources to social policies such as education and health. For example, though China has increased its expenditure on education, it still remains well below international benchmarks. In the early 1980s, public spending on education, on average internationally, was 4.24 per cent of GDP when the level of GDP per capita reached US\$1,000 (Wang 2011). Spending should have increased as GDP increased, however, by 2008 when per capita GDP in China reached US\$3,266, public spending on education remained at just 3.48 per cent of GDP (Hou 2010). Similarly, China's public expenditure on health as a percentage of GDP was 4.3 per cent in 2008, ranking China 148th amongst 190 countries according to the World Health Organisation (2011). The comparatively low level of government expenditure on public services indicates that public financial resources have not been allocated sufficiently to effectively address the social needs of citizens in China in accordance with their preferences.

Consent

In Beetham's view, consent is expressed according to the conventions of the society and the political system. From the perspective of

public budgeting, several factors might influence the degree of popular consent to allocative decisions, including the question of who has the right to decide on budget distribution and how they exercise that power.

In China, the People's Congresses at the sub-national level, whose members are either elected by their constituencies directly or by People's Congresses at a lower level, have the right to make decisions on the allocation of fiscal resources. Given that the People's Congresses do not have the right to amend the draft budget, their decision-making power over fiscal resources is constrained by the government, whose members are not elected by citizens. Therefore, the question of whether the budget broadly reflects the opinions of citizens depends on how well the People's Congresses execute their supervision through the budget review and approval process. The effectiveness of the People's Congresses greatly relies on the self-discipline and professional capacity of their deputies. According to the *Constitution of the People's Republic of China (2004 Amendment)* and the *Law of the People's Republic of China on Deputies to the National People's Congress and to the Local People's Congresses at Various Levels (2010 Amendment)*, the rights and obligations of the deputies are ambiguous, especially their obligations between legislative sessions. Attending meetings and assessing public opinion are two of the essential responsibilities of deputies, however, in practice there are high levels of absenteeism of deputies from congressional meetings. Absenteeism has become such a frequent problem that some cities like Guangzhou have issued regulations to impose penalties for absenteeism from the People's Congress (The Standing Committee of Guangzhou People's Congress 2010).

Furthermore, understanding the draft budget requires certain knowledge and professional training, creating difficulties for a group of citizens without any specific training in budgeting to review the draft over a few days during the legislative session. Even if deputies are capable of identifying problems in the budget, they are not empowered to revise individual line items. Hence, due to these constraints, congressional deputies are not able to effectively express their

opinions concerning draft budgets. The inability of deputies, as the legal representatives of the public, to oversee budgetary issues may increase public dissatisfaction toward public policies, thereby affecting the public trust in government.

Participatory Budgeting as a Tool to Improve State Legitimacy

Participatory budgeting (PB) is a creative decision-making process that involves citizens in making decisions on how to deploy public resources. It is regarded as an important tool for an inclusive and responsible government to formulate and implement its policies. Citizen involvement in decision-making and participation in related forums and meetings provides opportunities for these citizens to play a role in allocating resources, prioritising social policy programs and supervising the use of public resources. Citizens and social organisations can discuss the priority of different projects and vote on the expenditure plan, allowing local citizens a voice over and the ability to supervise the proposed budgetary expenditure of the government (Ahah 2007; Wampler 2000; Participatory Budgeting Unit 2009; Chen 2007).

PB was first introduced in Porto Allegre, Brazil in 1989, as an innovative, grass-roots, and democratic budgetary decision-making process. As of 2004, 194 of the approximately 5,560 Brazilian municipalities allocated part of their budgets on the basis of PB (Medeiros 2007). PB has since been adopted in many countries and regions, including Europe, North America, South America, and Asia. Since it was introduced into China in 2005 by the China Development Research Foundation (CDRF), PB has begun to play a part in China's budgetary reform. The first group of cities that adopted PB include Wenling in Zhejiang province, Wuxi in Jiangsu province, Haerbin in Heilongjiang province, and Shanghai. PB was first introduced on a trial basis in a few districts, towns, or counties in these cities, for example, Xinhe town and Zeguo town in Wenling were selected. By 2010 many more cities had joined in this reform, including Jiaozuo in Henan

province, Ninghai in Zhejiang province, and Yunlong County in Yunnan province. Moreover, PB was fully implemented in all counties in Wenling and all districts in Wuxi (Meng 2010).

Of the pilot cities, only Wuxi has continuously practiced PB since 2005, with Wenling halting its PB for one year in 2007 due to a leadership turnover (Yang 2007). In a remarkable achievement to date, PB reforms in the two cities have captured both public and media attention. But success in these cities was accomplished through different approaches. In Wenling, PB was introduced as a reform to promote the role of the legislative branch in budgetary decision-making and encourage citizen participation in congress deliberations. In Wuxi, PB was primarily focused on empowering citizens, rather than the People's Congress, to make budgetary decisions on capital projects. This article compares these two types of PB by examining their decision-making processes, implementation and evaluation procedures, and their impact on the legitimacy of public budgeting in the two cities.

Participatory Budgeting in Wenling

Wenling is a county-level city in Zhejiang province, which was transformed from a county to a city in 1994. It has five districts, 11 towns and a population of 1.157 million in 2006 (Zhejiang Provincial Bureau of Statistics 2008). Although Wenling did not introduce PB until 2005, it has practiced forms of 'democratic deliberation' (*minzhu kengtian*) at the grass-roots level since 1999 (Ma 2009). The introduction of PB took place in 2005, in the towns of Xinhe and Zeguo, both of which fell under the jurisdiction of Wenling. Both towns were well prepared for the trial of PB with supportive political leadership, sound fiscal conditions and an atmosphere of public participation. Xinhe and Zeguo conducted PB with different approaches; they used different methods to select residents to participate in budgetary deliberation and focused on different budget issues (He and Thogersen 2010). And, after trialling PB with these towns, Wenling extended the PB experiment to three government departments at

the municipal level. So PB was initiated in the Transportation Authority in 2008, and the Water Authority joined the reform in 2009. At the end of 2010, the Construction and Planning Bureau also joined the reform. These extensions were an attempt to interest higher levels of government in the value of participatory processes (Meng 2010).

Xinhe's Approach to PB

The most significant feature of PB in Xinhe was the attempt to 'combine democratic deliberation with the budget supervision from the people's congresses' (Niu 2007: 15). Democratic deliberation is a form of public participation where citizens are invited to share and discuss their opinions with decision-makers, affording decision-makers a better understanding of public preferences on budget issues. Generally, local People's Congresses (LPCs) examine draft budgets for two rounds of consultation. The first round is held one month before the annual session of the LPC, in which the Budget Work Committee of the LPC is responsible for reviewing the government budget. The Finance and Economy Subcommittee (FES) is established under the Budget Work Committee to exercise the budget supervision power of the LPC between its annual sessions. The participants in the democratic deliberation include citizens from all walks of life, while members of the FES are appointed by the presidium of the LPC based on their expertise in relevant fields (Chen and Chen 2007). Democratic deliberation over the draft budget is open to all interested citizens. This process aims to collect public opinions on the draft budget; but the local government neither participates in the discussion nor revises the draft budget after these discussions (Niu 2007).

The second round of democratic deliberation is conducted during the annual session of the LPC, in which the LPC examines and approves the government's draft budget. The participants this time are all deputies of the LPC. Citizens are invited to attend as non-voting delegates in these meetings, providing an opportunity for citizens to learn more about the budget and related policies. The local government begins by introducing the draft budget to the LPC, along

with public suggestions collected from the first round of democratic deliberation. Deputies of the LPC can then examine, question, and discuss the draft budget with the town chief and deputy chief. Following these discussions, the presidium of the LPC and the government will usually revise the draft budget based on the public comments and produce a revised plan for later discussion. The deputies of the LPC conduct thorough examinations of the budget revision plan in small groups. In these sessions, if all deputies agree with the budget revision plan, the local government will adopt those revisions to the draft budget accordingly. If there are any disagreements, opponents can propose amendments if they have the support of at least five deputies. If these amendments are examined and approved by the plenary session of the LPC, the government then accepts these amendments when revising the draft budget. Finally, the revised draft budget is examined and approved by the LPC (Niu 2007).

During this phase of budget execution, the FES continues to fulfil its responsibility of supervising funded programs. However, any significant adjustment to the budget proposed by the FES has to be examined and approved by the LPC prior to its execution. Other deputies and citizens are encouraged to supervise the implementation of funded programs with the assistance of the FES (Meng 2010).

In addition to implementing PB, other avenues have also been adopted in Xinhe to promote public participation in the budgetary decision-making process. For example, every year before the annual LPC session, experts and scholars of public finance and budgeting are invited to teach public budgeting to citizens and deputies of the LPC. Moreover, before the session commences, the presidium of the LPC and members of the FES can visit proposed project sites to better examine nominated projects on the proposed list for funding. Through such measures, participants obtain more knowledge and information for making budgetary decisions (Chen and Chen 2007).

Zeguo's Approach to PB

Similarly, the town of Zeguo has experimented with reform measures to develop a democratic

and systematic decision-making approach in which the preferences of the people and the deliberation of the deputies of the LPC are combined. Deliberative polling techniques have been used to randomly select participants in the deliberation of policy issues (He and Thogersen 2010).

In 2005, Zeguo first introduced deliberative polling. The government prepared a list of infrastructure projects with experts' feasibility studies for each. These infrastructure projects were listed with project briefings attached. Participants of the democratic deliberation were randomly selected from all local residents above 18 years of age (Zhu 2007; Su 2007). For example, in 2005, 275 representatives were randomly selected from a total of 120,000 citizens to take part in the deliberations (Ma 2009). Participants firstly discussed (the proposed budgets for the projects) in small groups and then attended the plenary meeting to debate the major arguments raised in these group discussions. They were asked to rank the priority of all of the projects listed. The ranking results were handed to the LPC for review and approval. After the approval of the draft budget, funding was allocated for projects with the top rankings, and the rest of the projects were put on a back-up list to be implemented provided extra sources of funding could be found (Zhu 2007; Su 2007). Zeguo experimented with different measures of deliberative polling in later years; it expanded the content of deliberation to encompass the whole budget in 2008, but then decided in 2009 to focus only on the most important issues, such as the education budget and the subsidy budget due to time constraints and the complexity of the budget (He and Thogersen 2010).

Zeguo also attempted to improve the interaction between citizen participants and the LPC deputies. In 2008, 63 deputies observed the entire deliberative polling process so as to better understand the expression of public opinion. Similarly, ten out of the 197 resident participants were randomly selected to observe the way in which the deputies deliberated over the budget at a session of the LPC. In 2009, the result of deliberative polling was presented to the LPC immediately so as to ensure an

intensive interaction between the resident participants and deputies (He and Thøgersen 2010).

Participatory Budgeting in Wuxi

Wuxi is located in the south coastal area of Jiangsu province and is comprised of two cities and seven districts. Participatory budgeting was introduced in Wuxi in 2006 when one community from Binhu district and another from Beitang district were selected as pilot sites for its implementation, involving a total budget of RMB 3 million (Wuxi Financial Bureau 2006). As of 31 October 2008, 22 communities in five districts in Wuxi had implemented PB, involving 36 capital projects and a total budget of 30.63 million RMB (Wuxi Financial Bureau 2008). According to our interviews of the officials of the Financial Bureau of Wuxi, the procedure of PB in Wuxi can be framed in four steps. Step one involves preparation. A leading group is established, which includes the leadership of the party and government in Wuxi, the director of the Municipal Finance Bureau and the Chief Executives of districts, as well as the heads of other relevant departments. It defines the content, objectives, procedures, methods and approaches of PB and builds communication networks and cooperation amongst the various departments. The government then uses the mass media to promote the value of PB and explain the ideas of new policies and projects to residents in order to encourage their participation. This step is indispensable in PB to ensure an appropriate number of participants volunteer with the motivation and initiative to participate. In addition, this step also serves as an opportunity to educate citizens on public budgeting and citizenship.

Step two involves the selection of capital projects for review by community representatives. These representatives are not elected by the citizens of Wuxi, but can nominate themselves or be recommended by the neighbourhood committee for the positions. Then the leading group with representatives from the government departments drafts a list of projects for discussion based on the general requirements for the development of social under-

takings and public opinions collected through neighbourhood committees and door-to-door surveys. A meeting of the residents' representatives is then organised by the district government to decide on priorities amongst selected projects. The projects are introduced to the representatives in a meeting, and then the representatives vote for projects they consider to be of the highest priority, and funding is generally allocated to the projects that receive the greatest support.

Step three concerns the implementation of chosen capital projects. The budgets are operationalised by the line departments with the help of professional agencies, and then handed over to the Financial Investment Auditing Institute for the evaluation of project feasibility. They are then contracted out to private sector companies based on the principles of openness and transparency. The implementation of projects is subject to local oversight, facilitated by the leading group or by relevant departments, and may involve individual local residents. As these projects are often constructed near or within residential communities and are closely related to the daily lives of residents, many individual residents are strongly motivated to check on the progress of the projects.

Step four involves evaluation. Following implementation, the projects are to be evaluated, audited and assessed by financial auditors, resident representatives and relevant experts. The results serve as the basis for determining not only the effectiveness of the selected projects, but also whether the PB process itself was considered fair.

Comparison of Participatory Budgeting in Wenling and Wuxi from the Perspectives of Legitimacy

Legal Validity

Wuxi's trial of PB did not involve any reform of the People's Congress, while PB in Wenling integrated democratic deliberation into the existing mechanism of the People's Congress, which enhanced its budgeting and supervision power. Furthermore, the Wuxi government only issued recommendatory guidelines (*yijian*) on how to promote PB, while

Wenling institutionalised PB into law in 2006 and gave the right to deputies to make budget amendments in 2009 (Meng 2010).

The implementation of PB at the local level, however, has not been influential enough to lead to any revision of the 1994 *Budget Law* at the national level. Despite the pervasive nature of budget innovations in local governments throughout the country, substantive revision of the *Budget Law* is still unlikely to occur in the foreseeable future, severely limiting the development potential of democratic budgeting at the local level. In conclusion, as a bottom-up innovation, the impact of PB on improving the legal validity of public budgeting processes of Chinese local governments has not been very strong.

Moral Justification

The progress of PB reforms in both Wuxi and Wenling has been impressive. From 2006 to 2008, the number of projects selected through PB jumped from 3 to 36 in Wuxi. During this period, Wuxi's expenditure allocated by PB increased tenfold, from RMB 3 million to RMB 30.63 million. Similarly, in 2008, Wenling successfully promoted PB in Ruoheng, Binhai, Daxi, and Songmen in addition to Xinhe and Zeguo, which together incorporated more than 80 percent of Wenling's fiscal funds at the township level. In 2010, all 11 towns in Wenling partook in the implementation of PB (Meng 2010).

PB is able to improve the moral justification of the budget by allowing direct citizen participation in budgetary decision-making and influencing the reallocation of fiscal resources in accordance with public preferences. PB was adopted in Wuxi to reallocate investments in such fields as environment protection and rehabilitation, cultural development, medical care, security, education, and home-based care for the aged, benefiting 800,000 citizens. The CDRF, the initiator and promoter of PB in China, is a nationwide organisation established by the Development Research Centre of the State Council of the Chinese central government. It received support not only from leading members of the State Council, but also from the Ministry of Civil Affairs and the People's Bank

of China. The CDRF conducted an evaluation survey to assess the outcomes of PB in Wuxi. They evaluated the effectiveness of the public budget from three perspectives: whether the budget addressed the most pressing public issues, whether the public gained the maximum benefits from the budget, and whether public funds were spent as budgeted (China Development Research Foundation 2009). The results of the survey showed that more than 90 percent of the interviewees they sampled agreed that public funds allocated through PB addressed the most pressing local issues, and that they benefited from these projects. More than 80 percent of the interviewees expressed satisfaction with the public infrastructure projects selected through PB. The adoption of PB improved budgetary transparency and communication between the government and the public, which further ensured that public funds were allocated based on public perceptions of needs. PB was also considered to have had a positive impact in Wenling. In 2008, together with the LPC, the government of the Zeguo township decided to increase the budget from RMB 20,000 to RMB 100,000 in order to meet public demands for increased pensions for rural seniors. Furthermore, in response to public requests for additional infrastructure funding, the township government and the LPC reallocated RMB 400,000 to subsidise construction projects in poor villages in the region (He and Thogersen 2010). From the analysis above, PB in Wenling and Wuxi improved the effectiveness of public resource allocation in addressing public needs, and thereby enhanced public satisfaction with the budget.

Consent

In general, PB is seen as enhancing citizens' understanding and recognition of public budgeting issues. Advocates of PB claim it provides opportunities for the direct participation of citizens in budgetary decision-making. Citizens are able to nominate their priorities for public programs, and their votes are final since the line agencies prepare the budget based on citizen votes without reservation (Niu 2010). Direct participation helps citizens to reach agreement on budgetary decisions. However, the impact

of PB in Wenling and Wuxi on building public consent to budgetary decision-making is more complex.

Internal bureaucratic resistance to the implementation of PB was not strong. For example, in Wuxi, PB innovations were proposed by the CDRF, and put into action by the newly elected Party Secretary of Wuxi, with the deputy mayor leading implementation. The leading group had a great influence on the coordination and promotion of PB in various departments. Citizens' agreement with PB also greatly facilitated its implementation (Wu and Wang 2011). In short, PB helped the government gain citizens' consent to its budgetary decisions from both within and outside of the government.

However, whether PB has achieved its intention of maximising citizen participation deserves further scrutiny. Medeiros (2007) measured the level of participation in three cities in Brazil by evaluating in which phases of decision-making citizens had access among the five shown in Table 1. We used a similar benchmark to evaluate the level of participation in Wenling and Wuxi.

It may appear from the table that citizens in both cities enjoyed a high degree of participation in public budgeting, but that is not the case in reality. In Wuxi, citizens cannot access the second phase (identification of influence and voting rights), which was the core phase of budgetary decision-making. This phase determined the amount of funds for public discussion, the methods and procedures for citizen participation, as well as who was able to represent other residents to vote directly and make decisions on the allocation of budgets. Due to the lack of access to the important second phase, residents could only really participate in the other four phases, but then tended to be less motivated to do so. Therefore, PB seems to have had only limited effects in promoting citizen participation in Wuxi.

The situation of PB in Wenling was somewhat better than that in Wuxi. First, participants were more representative. In Xinhe, the priority of funded programs was decided by the People's Congress whose members are directly elected by the citizens. In Zeguo, the public opinions and judgments identified through dis-

ussion and debate by randomly selected participants and their interactions with the LPC deputies were used by local leaders to guide their decision-making and for legitimating their decisions (He and Thogersen 2010). The participants in deliberative polling in Zeguo were more representative than the resident representatives who were selected or recommended by neighbourhood committees in Wuxi (Sui et al. 2009). Second, deputies were able to make budget amendments to individual projects. In Xinhe a budget amendment can be proposed, with the agreement of at least five deputies, then examined and approved by the LPC. Finally, PB in Wenling was carried out as a result of negotiations among the citizens, experts, the LPC, and the government (Chen and Chen 2007). These improvements allowed the Wenling government to understand the real preferences of the public and allocate resources accordingly. And by 2008–10 PB was extended to a further three government infrastructural departments at the municipal level. By contrast, in Wuxi PB was mainly undertaken to better inform citizens about budget decisions, rather than seeking to empower them directly or usurp the powers of the LPC (Wu and Wang 2011).

Conclusion

Participatory budgeting provides citizens with a valuable opportunity for involvement in policy-making and regulation of the use of governmental power in China's non-electoral environment. PB allows for a form of societal control that relies on an active civil society, in addition to existing budgetary controls, to ensure the financial accountability of the government (Kumar and Managi 2009).

In summary, the comparison of the Wenling and Wuxi approaches toward PB based on Beetham's theory of legitimacy shows that both contribute to improving the legitimacy of local government, while the Wenling approach has had a greater impact than the Wuxi approach (see Table 2). Both promote processes to gain the consent of citizens and government officials on budgetary priorities. The consent of

Table 1. The Venue and Format of Citizen Participation in Wenling and Wuxi

Phases	Format	Venue	
Project Recommendation	Collect the residents' opinions from the neighborhood committees and the media.	Wenling	Yes
Identification of Influence and Voting Right	Decide how much fiscal funds will be allocated by PB; design the procedure of participation; and select participants.	Wuxi	Yes
		Wenling	Yes
Choice of Project (behavior, tool)	The resident representatives of the sub-district and district levels vote first on the project, and the result will be the final choice of project	Wuxi	No
		Wenling	Yes
Implementation of Projects or Services	Residents can participate in this process on their initiatives.	Wuxi	Yes
		Wenling	Yes
Supervision and Evaluation	Daily supervision and participation in project summing-up meetings.	Wuxi	Yes
		Wenling	Yes
		Wuxi	Yes

Table 2. The Impact of PB on State Legitimacy*

Elements of Legitimacy	Wenling Model		Wuxi Model	
	Contents	Evaluation	Contents	Evaluation
Legal Validity	Reinforce the budget power of the LPC and institutionalize the process of PB	Medium	Announce several guidelines for PB	Weak
Moral Justification	Reveal policy preference of citizens directly; reallocate resource to address pressing public issues	Strong	Reveal policy preference of citizens directly; reallocate resource to address pressing public issues	Strong
Consent	Promote PB to all districts in its prefecture; citizens participate in all phases of public budgeting	Strong	Promote PB to all districts in its prefecture; citizens participate in all phases of public budgeting except for the phase of identification of influence and voting right.	Medium

*In the table, strong, medium, and weak indicate the impact of PB on improving each of the three elements of legitimacy respectively.

citizens is obtained through facilitating direct participation in the process of budgetary decision-making. Wenling's approach facilitated greater consent by affording citizens the right to design the procedure of participation, while employing a method to randomly select

the participants. The agreement of officials was achieved by top-down executive order, whereby a leading group, which consisted of leaders and directors of related departments, was set up to coordinate interests across departments involved in the process of implementing PB.

Moreover, these two forms of PB have helped to improve the moral justification of public policy through introducing direct participation of citizens in budgetary decision-making. PB contributed to the allocation of financial resources for the provision of public services that were more likely to satisfy citizens' needs. Finally, Wenling's approach empowered the LPC with the right to amend the budget. The city had institutionalised the processes of democratic deliberation by statutory provision giving it legal validity. These approaches effectively improve the legitimacy of public budgeting in the local government.

The comparison of the two approaches toward PB has several implications. First, the extent to which PB can improve the legitimacy of public budgeting in local government depends on the extent of budgetary decision-making power that is given to the People's Congress and to the public. This analysis reveals that although citizen participation increased the legitimacy of the government's public budgeting to a certain extent, its effectiveness has indeed been restrained by China's contemporary party-state system. Scholars have labelled the Zeguo approach as 'consultative authoritarianism' in the sense that it represents a way of channelling public opinion and political energy into the political decision-making process without abandoning the Chinese Communist Party's monopoly on political power (He and Thogersen 2010). As a result, to gain support from the central government, PB experiments have to be kept away from oppositional politics and focused on administrative system reform (He 2011). PB has the potential for further integration with the system of the People's Congresses and may play a more important role in budgetary decision-making in the future, but complementary reforms in other processes of the public budgeting system and a fundamental restructuring of the power structure of the state remain essential.

Second, initiating PB in local governments has had little observable influence on the legitimacy of higher-level governments. There may be difficulties in the expansion of democratic trials of PB from the grass-roots level to higher-level governments. The legitimacy of higher-

level governments or the central government is not a simple aggregation of the legitimacy of local governments. Thus, higher-level governments may need to launch different strategies for improving their own legitimacy. It could be argued that Wenling's extension of PB to the infrastructural departments was an attempt to interest higher level governments in more participatory forms of decision-making.

Third, public access to and adequate review of the details of the budget were often impeded by insufficient time allowed for democratic deliberation. Two types of review were undertaken: a review of the total budget, or a review of selected projects involving prioritisation of projects and determining how much money should be allocated to certain capital projects. The Xinhe approach reviewed the total budget, bringing democratic deliberation into the mechanisms of the LPC, which had the authority to make final decisions on the whole budget while the draft budget can be amended according to legal procedures. The Wuxi approach fell into the second type, as its version of PB focused on the decision-making processes involved in ranking certain capital projects. This project-orientation may be more likely to produce specific influence, but has less of an impact than citizens participating in decision-making on the entire budget. Zeguo initiated PB by making its capital budget open for public discussion and later released the whole township budget for deliberative polling in 2008 (Siu et al. 2009). Theoretically, empowering the public or its representatives to decide on the whole budget indicates a greater authority for the public to supervise the government. However, given the time constraints for democratic deliberation and budget amendments, the potential for the examination of the whole budget remains limited. For example, in 2006, Xinhe started its democratic deliberation on March 6, and the draft budget was approved by the LPC on March 9. Sufficient time was not given to the participants to really deliberate the entire draft budget. Zeguo, in 2009, gave up its attempt of democratic deliberation on the entire budget, and moved to focus on the most important issues (e.g. education and subsidy budgets) due to time

restrictions and the complexity of the budget (He and Thogersen 2010).

Finally, there are some universal challenges faced by PB. For example, it is difficult to achieve balanced budgets, since people tend to increase their demands when they have a chance to reallocate financial resources, which leads to budget overreach or even crisis (He 2011). Similarly, the question of how to institutionalise PB is a critical issue in the reform. In the next decade, there will be increasing demands for greater citizen participation in public budgeting (He 2011). Without passing a revision of the 1994 *Budget Law* as well as more facilitatory regulations and laws regarding PB, the progress of promoting PB will be limited. If these innovations do not lead to substantive changes in the power structures of the state, or even limited progress in administrative reform and rejuvenating the LPCs, Chinese government budgets will still be considered *state* budgets rather than public budgets (He 2011).

References

- Ahah, A. (ed). 2007. *Participatory Budgeting*. The International Bank for Reconstruction and Development, Washington: The World Bank Institute.
- Beetham, D. 1991. *The Legitimation of Power*. Houndmills, Hampshire: Macmillan.
- Beetham, D. 2004. 'Political Legitimacy.' In Kate Nash and Alan Scott (eds). *The Blackwell Companion to Political Sociology*. Oxford: Blackwells:107–116.
- Chen, J. G. 2007. 'Theory and Practice of Participatory Budget.' *Comparative Economic and Social Systems* (2):52–57.
- Chen, J. G. and Y.M. Chen. 2007. 'Participatory Budgeting in Local Governance: A Case Study on Xinhe Town Zhejiang Province.' *Journal of Public Management* 4(3):76–83.
- China Development Research Foundation. 2008. *Reader of Public Budgeting*. Beijing: Chinese Development Press.
- China Development Research Foundation. 2009. *Outcome Evaluation of the Participatory Budgeting Experiment in Wuxi and Haerbin*. Beijing: the China Development Research Foundation.
- He, B. G. 2011. 'Civic Engagement Through Participatory Budgeting in China: Three Different Logics at Work.' *Public Administration and Development* 31:22–133.
- He, B. G. and S. Thogersen. 2010. 'Giving the People a Voice? Experiments with Consultative Authoritarian Institutions in China.' *Journal of Contemporary China* 19(66):675–692.
- Hou, H. J. 2010. 'Theory and Practice Analysis of Increasing Public Education Expenditure in China.' *Education and Economy* 3:21–25.
- Kumar, S. and S. Managi. 2009. 'Compensation for Environmental Services and Intergovernmental Fiscal Transfers: The Case of India.' *Ecological Economics* 68(12):3052–3059.
- Liu, J.W. and W. Xiong. 2001. 'A Rustic Discussion on the Development and Improvement of the Budget Law of the People's Republic of China.' *Administrative Law Review* 4:6–12.
- Ma, J. 2005. *Public Budgeting Reform in China: Rationalisation and Democratisation*. Beijing: Central Compilation and Translation Press.
- Ma, J. 2009. 'The Dilemma of Developing Financial Accountability without Election: A Study of China's Recent Budget Reforms.' *The Australian Journal of Public Administration* 68(S1):S62–S72.
- Ma, J. and M.L. Niu. 2007. 'Reconstructing China's Public Budgeting Institution: Power and Relations-Based on A Study at Local Budgeting.' *China Development Observation* (2):13–16.
- Medeiros, J. J. 2007. 'Brazilian Experience with Citizen Participation in the Governmental Budgeting Process.' In Jun Ma, Yilin Hou and Shangli Lin (eds). *State Governance and Public Budgeting*. Beijing: China Financial and Economic Publishing House:131–160.
- Meng, Y.X. 2010. 'Empirical Study of Participatory Budgeting in China.' *China Reform Forum*, Retrieved from http://www.chinareform.org.cn/gov/service/Forward/201010/t20101012_46242.htm.
- National People's Congress of the People's Republic of China. 1994. *Budget Law of the People's Republic of China*. Beijing: The National People's Congress of the People's Republic of China. Retrieved from http://www.npc.gov.cn/englishnpc/Law/2007-12/12/content_1383623.htm.
- National People's Congress of the People's Republic of China. 2004. *Constitution of the People's Republic of China (2004 Amendment)*. Beijing: The National People's Congress of the People's Republic of China. Retrieved from <http://en.pkulaw.cn/display.aspx?id=3437&lib=law&SearchKeyword=&SearchCKeyword=宪法>
- Niu, M.L. 2007. 'Deliberative Discussion on Budgeting: Opportunities and Challenges of

- Democratic Governance-A Case Study of Xinhe.' *Journal of Huazhong Normal University (Humanities and Social Sciences)* 46 (1):14-20.
- Niu, M. L. 2010. 'Accountability Building through Budgetary Reform: China's Experience.' In Charles E. Menifield (ed). *Comparative Public Budgeting: A Global Perspective*. Sudbury, MA: Jones and Bartlett Publishers:43-58.
- Participatory Budgeting Unit. 2009. *Participatory Budgeting: Values, Principles and Standards*. Retrieved from <http://www.participatorybudgeting.org.uk/documents/PBVPSP.pdf>.
- Scott, I. 1993. 'Legitimacy and its Discontents: Hong Kong and the Reversion to Chinese Sovereignty.' *Asian Journal of Political Science* 1(1):55-75.
- Scott, I. 2007. 'Legitimacy, Governance, and Public Policy in Post-Handover Hong Kong.' *The Asia Pacific Journal of Public Administration* 29(1):29-49.
- Shay, J. 1994. *Achilles in Vietnam: Combat Trauma and the Undoing of Character*. New York: Touchstone.
- Siu, A., and J. Fishkin et al. 2009. *Deliberative Democracy in China: Connecting Deliberative Polls with the Local People's Congress*. Toronto: Annual Meeting of the American Political Science Association.
- Su, Z. H. 2007. 'Citizen Participation and the Efficiency of Public Investment-A Case Study on Zeguo Town Wenling County.' *Journal of Public Management* 4(3):84-89.
- The Standing Committee of the National People's Congress of the People's Republic of China. 2010. *Law of the People's Republic of China on Deputies to the National People's Congress and Deputies to Local People's Congresses (2010 Amendment)*. Beijing: Retrieved from <http://en.pkulaw.cn/display.aspx?id=8816&lib=law&SearchKeyword=Deputies to the National People's Congress and&SearchCKeyword=>
- The Standing Committee of Guangzhou People's Congress. 2010. *Opinions of the Standing Committee of the People's Congress of Guangzhou Municipality about Sufficiently Guaranteeing the Quality of Meetings of the Standing Committee of Guangzhou People's Congress*. Retrieved from: <http://www.rd.gz.cn/page.do?pa=402881cd27bbec710127bc59890e0546&guid=21b19c34315f4f65b4f4f8a44e72d198&og=2c9ec0b128fedbde0128ff3a90440155>.
- Wang, S.M. 2011. *Wang Shanmai: Rethinking the Target of Investing 4% of the GDP in Public Education*. China Education Daily. Retrieved from: http://www.edu.cn/zong_he_429/20110315/t20110315_588081.shtml.
- Wang, X.H. and M. W. Wart. 2007. 'When Public Participation in Administration Leads to Trust: An Empirical Assessment of Managers' Perceptions.' *Public Administration Review* 67(2):265-278.
- Wampler, B. 2000. *A Guide to Participatory Budgeting*. Retrieved from <http://www.internationalbudget.org/resources/library/GPB.pdf>.
- Wildavsky, A. B. 1984. *The Politics of the Budgetary Process*. Boston: Little, Brown.
- World Health Organisation. 2011. *World Health Statistics 2011*. Geneva: WHO Press.
- Wu, Y. and W. Wang. 2011. 'The Rationalisation of Public Budgeting in China: A Reflection on Participatory Budgeting in Wuxi.' *Public Finance and Management* 11(3):262-283.
- Wuxi Financial Bureau. 2006. *Financial Research Reference*. Wuxi: Policy Research Centre of the Wuxi Financial Bureau.
- Wuxi Financial Bureau. 2008. *Data and Facts of Participatory Budgeting in 2007*. Wuxi: Wuxi Financial Bureau.
- Yang, Z.Y. 2007. 'Budget Democracy in Xinhe.' *China Reform* 6:17-21.
- Zhejiang Provincial Bureau of Statistics. 2008. *Major Economic Indicators of Cities and Counties*. Retrieved from website: http://www.zj.stats.gov.cn/art/2008/1/19/art_327_29051.html.
- Zhu, S.M. 2007. 'Realisation of Public Budgeting Efficiency-A Positive Research into the Participatory Budgeting in Zeguo.' *Journal of Guangdong Institute of Public Administration* 19(6): 88-90.
- Zhu, D.Q. and X.X. He 2009. 'The Supremacy of Legislature and the Dominion of Executive: Ideality and Reality in Fixing the Power of Budgeting.' *Journal of Renmin University of China* 4:128-135.