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THE RATIONALIZATION OF PUBLIC BUDGETING IN CHINA: A REFLECTION ON PARTICIPATORY BUDGETING IN WUXI

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ABSTRACT

Participatory budgeting (PB) has been introduced to China at the grass-root level to strengthen the influence of the public in the budgetary decision-making process. Based on a theoretical framework from the perspective of budgetary decision-making, this paper investigates the driving forces for the implementation of PB in Wuxi City, the procedures of citizen participation, the outcomes of participation, and the future challenges in implementing the reform. Field research was conducted to collect data for this case study, which finds that Wuxi has made some progress in enhancing social, political, economic and technical rationalities but not in legal rationality. This paper also discusses the policy implications of this case study for further development of PB in China.

1. INTRODUCTION

In recent decades, China's economic growth brought by modernization and marketization has generally enhanced the income and material living standards of Chinese people. However, the transformation of the political and administrative systems is lagging behind the soaring economic development. Meanwhile, the growing citizenship awareness is appealing for an introspection of the relationship between the state and the society. An increasing number of conflicts between the state and the society reveal a rising social dissatisfaction towards the authority. This dissatisfaction reduces the capacity of governments to make and implement public policy (Pierre and Peters, 2000; Scott, 2007). Budgetary decision-making plays a decisive role in public policy. Budgeting is politics (Wildavsky, 1964), because it is about distributing scarce resources and making choices on alternative plans for government operation. Obviously, public budgeting is closely related to public interests and social welfare as well as the state-society relationship. Hence, budgeting plays a significant role in mitigating social dissatisfaction and consolidating state legitimacy. Howev-

er, few existing studies discussed these issues from the perspective of public budgeting.

Given that market-oriented economic reforms have fundamentally changed China's economic structure and the relationship between the state and citizens as taxpayers, strengthening the rationality and democracy of public budgeting has been one of the major tasks in China's fiscal reform (Ma, 2005). In view of this demand, citizen participation in public budgeting processes, often labeled participatory budgeting (PB), has been introduced to some local governments in China as a new method to improve the financial accountability of the government (Ma, 2009) and the rationality of the current decision-making procedures of public budgeting.

PB came into existence in Brazil for the first time. After its first implementation in Porto Alegre in 1989, many countries, developed or developing ones, began to adopt this model. Up till now, PB has been adopted in many countries and regions, including Europe, North and South America, and Asia. In 2005, some cities in China began to implement PB and have made some substantial progress, setting a great example for the development of PB in China. The first group of pilot cities to implement PB includes Wenling in Zhejiang province, Wuxi in Jiangsu province, Harbin in Heilongjiang province, and Shanghai (Chen, 2007). In 2010, more cities have joined in this reform, including Jiaozuo in Henan province, Ninghai in Zhejiang province, and Yulong County in Yunnan province (Meng, 2010).

Though citizen participation in public budgeting processes has received attention for decades, research in this area still has significant limitations. We are in the early stage of theory development for PB. Though there has been quite some empirical work in this area, largely case studies, few definitive statements can be made on what makes PB successful or unsuccessful and if we can generalize the conclusions to all stages of the budgeting process and for all participants in different localities (Ebdon and Franklin, 2006). We choose to study Wuxi based on the following considerations. First, this study adds to the literature on PB in developing countries. Second, PB in Wuxi has developed a relatively stable pattern. Among those pilot cities, only Wuxi and Wenling have implemented PB continuously since 2005 (Wenling stopped once temporarily in 2007). Third, PB in Wuxi has not attracted enough academic attention. In comparison, Wenling has been well-studied because it first introduced public participation into the budget decision-making process in Local People's Congress. Wuxi has achieved a great success in PB in a different way but a comprehensive analysis on Wuxi's experience is still not available in the literature. Finally, Wuxi introduces public participation into the budget compilation process of the government's budgetary decision-making, which not only has a significant influence on policy outcomes but is more feasible to be promoted in other localities than a political reform in

people's congresses.

This paper intends to provide a comprehensive analysis on participatory budgeting reform in Wuxi, focusing on the driving forces for its implementation, the procedures of citizen participation, the outcomes of participation, and the future challenges in implementing the reform. To begin with, this paper gives a description of PB and provides a theoretical framework for the evaluation of PB from the perspective of budgetary decision-making. Then it analyzes the challenges of public budgeting in China's contemporary context, followed by a comprehensive case study of Wuxi on its implementation of PB reform and its future challenges. The final section concludes.

2. PARTICIPATORY BUDGETING AS A REFORM TO ENHANCE BUDGET RATIONALITIES

2.1 What is Participatory Budgeting?

PB is a creative decision-making process that involves citizens to decide or help decide how to deal with disposable public resources. It is regarded as an important tool for an inclusive and responsible government to implement its policies. In PB, local citizens will be able to gain first-hand information about government operation and directly influence policy-making. With their involvement in decision-making and participation in related forums and meetings, citizens will have opportunities to play a role in allocating resources, prioritizing social policy programs and supervising the use of public expenditure. Citizens and social organizations can discuss the priority of different projects and vote on the expenditure plan, allowing local citizens to audit and supervise the budget and expenditure of the government (Ahah, 2007; Chen, Jiagang, 2007; Participatory Budgeting Unit, 2009; Wampler, 2000). Traditional participation mechanisms include "public hearing, citizen forums, community or neighborhood meetings, community out-reaches, citizen advisory groups, and individual citizen representation. Citizen Surveys and focus groups, the Internet, and e-mail are also used" (Wang, 2001: 322).

PB was initiated in Porto Alegre, Brazil in 1989. It was adopted by the Workers' Party, a progressive political party founded during the military dictatorship from 1964 to 1988, to help poor citizens and neighborhoods obtain higher levels of budget resource (Wampler, 2000: 3). As of 2004, 194 of the approximately 5.56 thousand Brazilian municipalities, including most of the state capitals and larger cities, allocated part of their budgets on the basis of participatory budgeting (Medeiros, 2007: 131).

Although the procedures of participation vary across cities, Wampler (2000: 7-8) generalizes the following common features of the procedures in municipal governments in Brazil: (1) Sustained mobilization of participants and

year-long mobilization of their elected representatives (citizen-delegates); (2) The division of the municipality into regions to facilitate meetings and the distribution of resources; (3) The municipal government creates a Quality of Life Index to measure the level of poverty, size of population, and quantity of infrastructure across regions. Each government designs its own formula to ensure that regions with higher poverty, larger population size, and less infrastructure receive a higher proportion of resources than those better-off neighborhoods; (4) Public deliberation and negotiation between participants and the government over resource allocation and other relevant policies, the results of which become part of the public record.

Rules of PB vary from city to city, and from state to state, given that they are designed by government officials “with input from citizens” (Wampler, 2000: 7). Thus, PB will gain new features when it is introduced in the Chinese context. Based on the experiences from other countries, six questions need to be considered in order to implement PB. First, what is the procedure of PB? It is mainly consisted of mobilization, deliberative discussion at different levels (community assemblies, local and departmental meetings, and municipal-level assemblies etc.), polling, budget execution, and evaluation. In a majority of cases, participatory budgeting is combined into the decision-making process of annual governmental budgeting. Hence, the timing of citizen participation should be subject to the schedule of governmental budgeting. Second, who has the authority to organize PB? Special agencies are often set up for participatory budgeting in some places. With regard to their functions, some of these special agencies are designed for the convenience of budget discussion, such as the budget sub-committee of the local Community Committee in Bradford, Britain (Lavan, 2007); some are for coordinating budgeting preparation, such as the Neighborhood Coalition's Finance Committee in Guelph, Canada (Lerner and Wagner, 2006), and the Finance Sub-committee of People's Congress in Xinhe Town, China (*renda caijing xiaozu*) (Niu, 2007); some are for supervision over project construction, such as the Local Committee in Brazil (Medeiros, 2007). Third, what are the criteria of resource distribution? There are two ways of distributing budget resource: One way is to use certain criteria to determine the budgeting priorities among regions at different levels of development. For example, Brazil uses a Quality of Life Index, and Canada has a Budget Matrix System to evaluate the priorities of programs (Wampler, 2000). The other way is to determine the ranking of programs according to citizens' votes. Fourth, what should be decided through PB? Contents of discussion can be sorted into two kinds. One is focusing discussion on specific public infrastructure projects. The other concerns the general expenditure of public policies (Wampler, 2000). Fifth, what mechanisms should be used to select citizen representatives? Finally, as a decision-making tool, should PB be adopted by the legislative branch or the administrative branch? All these questions should be considered carefully while implementing PB.

2.2 How to Evaluate Participatory Budgeting

How to evaluate PB is indispensable for understanding and maintaining the quality of PB. There are various ways of evaluating whether it has achieved the expectation. The approach that evaluates the outcomes from the perspective of economic efficiency and political democracy is widely used (Li, 2006). Another approach is to account for three perspectives, including how they “promote public learning and active citizenship, achieve social justice through improved policies and resources allocation, and reform the administrative apparatus” (Wampler, 2000: 5). A third approach is to evaluate participatory opportunities in different phases. For example, Medeiros (2007: 157) uses the participatory procedure as a framework to evaluate participatory opportunities of citizens in decision-making.

All of the three approaches point out efficiency alone is not comprehensive enough to measure the achievement of PB. Additional perspectives—such as civil society, political democracy, and institutional reform—should also be taken into account. Although these approaches list many operational details for evaluation, they are organized in a fragmental way, which blurs the distinctive status of budgetary decision-making process. Since an essential function of PB is to let citizens participate in the decision-making process directly, we recommend a framework from the perspective of budgetary decision-making to evaluate PB here.

2.3 A Framework of Budget Rationalities

Budgetary decision-making was often evaluated based on the rationality model found in economics, which often refers to the utilitarian economic actor or “economic man” (Simon, 1947). But its application to government activities and budgeting has been widely criticized because it is too narrow and unrealistic (Elster, 1986; Buchanan and Musgrave, 1999; Wildavsky, 1964). Diesing (1962) argues that economic rationality is just one of several types of rationalities, such as technical, social, legal, and political rationality, in decision-making. Based on Diesing’s concept of multiple rationalities, Richard Hartwig (1978) develops an administrative rationality model that focuses on “ideal types” of organizational decision-making with the essential notion that the activities of organizations necessarily involve multiple types of rationalities.

Thurmaier and Willoughby (2001) point out that “Hartwig’s use of Diesing’s concepts of multiple rationalities has an intuitive appeal for budgeting as well” (77). In light of their theory, public budgeting involves both efficiency and effectiveness decisions. Efficiency decisions include economic rationality and technical rationality, while effectiveness decisions focus on social relations including social, political and legal rationalities. The public budget is a

focal point of economic rationalization because it is the point at which the alternative ends of the government can be compared, and the given resources are allocated among the alternative ends so as to maximize achievement of the goal. Technical rationality embodies the efficiency principle to maximize the output/input ratio, that is, to gain the maximum achievement of a specified end with given resources. The social facet of budget rationalities usually pertains to social problems, which involve social disintegration and disharmony. These problems are often addressed in a largely unconscious manner in the interactions of social members as they attempt to adjust their lives to accommodate differences in values among subgroups and individuals (Diesing, 1962; Thurmaier and Willoughby, 2001). The unconscious actions of adjustment and accommodation improve social integration by forming a common set of values accepted for social members. Socially rational decisions contribute to promoting greater social integration, which develops and strengthens the attachment of members to common social values. Political decisions are often about who gets how much of what in the public policy debates. Who gets invited to participate in decision-making is the aspect of political decisions that is most salient to a model of budget rationality. Political rationality is the rationality of “decision-making structures where members of the decision-making group share a common set of beliefs and values and commitment to a course of action to previous decisions” (Thurmaier and Willoughby, 2001: 86). Effective decision-making structures should accommodate a plurality of values, views, and beliefs as well as achieving a unified decision through discussion. Application of legal rationality to budgeting is often preliminary and indirect, which is constrained by laws governing the budget process and those defining program responsibilities as well as restrictions from the “rights-based budgeting” and contractual obligations between an agency and other levels of government, nonprofit organizations, and private firms and individuals (94).

Ho and Zhao (2008, 2011) adjust the classification of budget rationalities of Thurmaier and Willoughby in emphasis of four points: (1) economic and technical rationality of cost-efficiency and effectiveness, (2) social rationality of social integrity, stability and collective wealth, (3) political rationality of power allocation and policy supervision, and (4) legal rationality of emphasis to control and monitor behaviors with laws and regulations. They apply the model of Thurmaier and Willoughby to study the motives of performance budgeting reform, and explain that this reform is initiated to solve problems caused by the unbalanced development of multiple rationalities in the current budgeting system.

Budgeting is a dynamic process. If the balance among multiple rationalities in the budget system is lost, there would be a series of political, social, legal or economic problems. Then new policies would be proposed to reinforce one or several of these budget rationalities so as to solve the resulting problems and rebalance the budget system. However, this new system would

be unstable. As the internal factors of the budget system change, more new problems would emerge, and new solutions would be expected (Thurmaier and Willoughby, 2001).

Furthermore, these four rationalities are not isolated from each other but interrelated (Ho and Zhao, 2008). For example, the discussion of value, faith and ideology involves issues of budgeting politics, which is a consideration of political rationality. However, it also relates to social rationality, because it influences the interests of various stakeholders. Similarly, a consideration of legal rationality is involved if the government is considering how to improve the efficiency and effectiveness of public expenditure, given that public expenditure not only concerns about how to allocate resources but also the legal standard to regulate and support the decision. Consequently, changes on one kind of rationality will impact other rationalities in a chain reaction.

3. CHALLENGES OF CHINA'S CURRENT BUDGETARY SYSTEM

Previous studies (Ma and Hou, 2009; Ma, 2009) provide a good review of recent budget reforms in China. State finance in China from 1978 to 1999 was characterized by having “neither effective administrative control within the government nor legislative oversight of government finance” (Ma and Hou, 2009: s56). Before the budget reform in 1999, government finance in China was fragmented, mainly revealed in three ways: authority to allocate fiscal resources scattered in several departments besides the finance department, off-budgetary finance expanded rapidly, and lack of departmental budgets. Fragmental authority on budgeting makes governments unable to compile a budget that embraces all their departmental activities and associated costs. Aiming at enhancing the financial accountability of the government, the budgetary reform initiated from 1999 consisted of three parts—Departmental Budget Reform, Treasury Management Reform and Government Procurement Reform. These reforms have begun to set up standardized budgetary formats and procedures and establish a uniform, centralized budgetary control within the government (Ma, 2009).

However, even with the rise of the power of the purse facilitated by the Departmental Budget Reform (Ma, 2009), the people's congresses at all levels can still only exercise limited supervisory power over government budgeting. First, China's fiscal year starts from 1 January, but the NPC is often held in February or March, which means the public expenditure in the first one or two months in a fiscal year is not approved by the people's congress before its usage. In addition, final accounts of public revenue at the end of a fiscal year deviate substantially from the budget plan, partly because of the huge share of transfers are not included in the annual budget, indicating a weak budget constraint by the people's congresses on local governments at the corresponding level (Yu, 2010). Second, the people's congresses do not have the power to

make amendment to the governmental budget draft, which means there are only two choices on budget decision-making for the people's congresses—approve it all or reject it all. The item veto power—signing parts of the bill while rejecting others—is not granted to the people's congresses. Third, an absence of specific and practical instructions for the implementation of budgetary power in current laws and regulations weakens the effectiveness of the examination and supervision of the people's congresses (Ma and Niu, 2007). Fourth, the people's congresses have the right of imposing supervision over the budget and final accounts of the governments at the corresponding level and lower level, but it does not have an independent committee or a mechanism to exercise the function. The fact that the justice system is not completely independent from the influence of the administrative branch also fails to offer support to improve the supervision function (Ma et al., 2008).

The people's congresses at different levels are supposed to have the authority to make decisions about the allocation of fiscal funds. As we mentioned above, given the fact that they do not have the authority to amend the budget draft and can only approve or veto the draft as a whole, the power of distributing budgetary resources is constrained by the government, whose members are not elected by citizens. Therefore, the extent to which the budget reveals citizens' opinions depends on how the people's congresses execute their supervision over the government's budgeting procedures at the corresponding level.

In addition, how deputies of the people's congresses, who are not subject to a competitive and open election (Ma, 2009), perform their duties greatly depends on the self-discipline and professional capacity of deputies. According to descriptions in *the Constitution* 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* (National People's Congress, 1992; 2004), their rights and obligations are ambiguous, especially their obligations between legislative sessions. Attending meetings and collecting public opinions are two essential obligations for deputies. However, absenteeism of deputies from meetings of the people's congresses happens so frequently that some cities, such as Guangzhou, issue regulations to punish those who often flee from the meetings of the people's congresses (Wang et al, 2011). In conclusion, the people's congresses neither have the essential power over public budgeting nor incentives to fully exercise their duty of supervision.

4. CASE STUDY: PARTICIPATORY BUDGETING IN WUXI

Wuxi is located in the southern coastal area of Jiangsu province, which is part of the economically developed Yangtze River Delta in China. It has two cities, that is, Jiangyin and Yixing, and seven districts, including Xishan, Huishan, Chong'an, Beitang, Nanchang, Binhu and Xinqu, under its jurisdiction

(Meng, 2010). Wuxi's innovation of PB began in 2006, with one community from Binhu district and the other from Beitang district selected as the pilot sites for PB, involving a total budget of RMB 3 million for capital projects in 2006 (Financial Bureau of Wuxi City, 2006; Finance Bureau of Beitang District, 2006). In 2007, except for Huishan and Xishan, 16 communities in five other districts, began to implement PB, involving 32 capital projects and a total budget of RMB 25.06 million. As of 2008, 22 communities in five districts in Wuxi had all implemented PB, covering 36 capital projects and a total budget of RMB 30.63 million (Financial Bureau of Wuxi City, 2008). In the following sections, we will examine the motivation, participatory procedures, outcomes and challenges for the implementation of PB in Wuxi.

4.1 The Driving Forces

There are several advantages to implement PB in a local government. First, it may contribute to ameliorating the relationship between citizens and governments. Citizen participation is not only a social obligation but also a way to obtain social identity (Box, 1998; King and Stivers et al., 1998). There is a close connection between participation and public trust in government (Wang, 2001). Based on a national survey conducted in the U.S., Berman (1997) finds out that improving PB in decision-making restores trust in government and reduces the level of cynicism of citizens. Second, PB is a way of citizen education. The procedure of participating in meetings, such as public hearings and citizen forums, helps citizens to learn more information about government operation, budgeting and project selection (Ebdon, 2002a; Ebdon and Franklin, 2004; Wampler, 2000; Ma and Luo). By presenting projects to and discussing them with citizens, some projects recommended by the government, which are unfavorable to citizens at first, may become their priorities after discussion (Watson, Juster and Johnson, 1991). A third purpose to implement PB is to achieve social equality and spur administrative reform and distribute public resources to poor neighborhoods by incorporating citizens in policy decision-making (Wampler, 2000).

During the process of public budgeting, different stakeholders have their own purposes to achieve through PB and may try to create favorable conditions for its implementation. In Wuxi, the driving forces of PB mainly come from four aspects. First, the support from the leadership of the government is crucial. The process of budgeting can be regarded as a political process, for budgeting reform is in close link with political changes, in which political leaders also play an important role. In November, 2004, Weize Yang, the mayor of Suzhou city was officially appointed as the secretary of Wuxi's Municipal Party Committee, becoming the first secretary elected by vote of the Provincial Party Committee. Hence, the new secretary was encouraged by this form of democracy and would like to integrate the practice of democratic decision-making into public administration (Xu and Chen, 2009). As soon as he

took office, he launched a “Sunshine Project,” which contained such tasks as to develop internal democracy of the Party, to use power properly and build the “Sunshine Government,” and to perform duties properly and be open to the public supervision. Budget transparency was a pillar in this project. The notion of PB was in line with the secretary’s sunshine project and thus received his fully support. With the support of the top leader in command of the Municipal Party Committee, PB in Wuxi had an opportunity to be implemented with little resistance from the leadership.

The second important driving force comes from policy entrepreneurs, who are individuals active and influential in the process of policy making (Eyestone, 1978; Kingdon, 1984; Polsby, 1984; Price, 1971; Walker, 1974). As such a policy entrepreneur, China Development Research Foundation (CDRF) is a nationwide organization established by the Development Research Center 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. Wuxi’s participatory budget reform was a research project of public budgeting initiated by CDRF in March, 2005, which lasted for two years. The project of public budgeting reform aimed to promote research of public budgeting, and to attract more attention and support from the public, the mass media and nonprofit organizations. CDRF made efforts to facilitate the implementation of PB. For example, it organized an academic seminar to discuss how to apply PB in China and provided their suggestions to the government. Then, it organized a visit for the leaders of the pilot cities to Brazil to learn their experiences in PB. A professional research and consultancy firm, the Horizon Research Consultancy Group, was hired to give an objective evaluation on the outcomes of PB. Finally, thanks to the great support of CDRF, PB in China attracted attention from many local and international organizations and institutes, such as the Financial and Economic Committee of the State Council, Research Institute for Fiscal Science, the Ford Foundation, and the International Development Research Center etc. (CDRF, 2007).

Third, Wuxi has a historical and cultural background of citizen participation. Jiangsu province lies in the lower reaches of Yangtze River, occupying an outstanding coastal location. It bloomed into a famous industrial and commercial center with lots of civil chambers of commerce at least a hundred years ago. By 2005, the number of registered industrial associations in Wuxi had reached 288, covering fields of trade, hospitality service, traffic, transportation, machinery and textile, and gradually extended to industries such as finance, communication, software and consultancy (Wuxi Committee of China Association for Promoting Democracy, 2009). A transformation of governance in Wuxi is required by the speeding economic growth and growing civil society. The Wuxi government’s promotion and publicity on “Sunshine Project” makes it more closely connected with the people, paving a foundation for PB to be

accepted by the people and Wuxi government.

Fourth, a rapid economic growth and solid fiscal revenue provide PB with a substantial support. According to the data of Statistics Bureau of Wuxi, by the end of 2008, Wuxi's population of permanent residents had reached 6.1 million, an increase of 88% in 5 years, ranking second after Suzhou City in Jiangsu Province. Its GDP (according to resident population) had increased by 97.6% from 2004 to 2008, 91.8% higher than the GDP growth rate of Jiangsu Province, which indicated the rapid economic development and urban prosperity of Wuxi (Jiangsu Statistics Bureau, 2005-2009; Wuxi Statistics Bureau, 2005-2009). Thus, its sufficient fiscal capacity has enabled Wuxi government to implement PB and meet citizens' demands of more and better public services.

In sum, the impetus of Wuxi's PB comes from both the internal need of local government and external demands of the society. It intends to improve the rationalities of public budgeting by taking citizen participation into the budgetary decision-making processes.

4.2 Procedures of Participation

Citizens participate in budgetary decision-making in different forms in each of the four steps of public budgeting. According to the introduction of an officer of the Finance Bureau of Wuxi in our interview, there are the following four steps.

Step one is preparation. A leading group is usually established first, which includes the leaders of the party and government in Wuxi, the director of the Municipal Finance Bureau and Chief Executives of the districts, as well as the heads of other relevant departments. It is set to define the content, objectives, procedures, methods and approaches of PB and to build up communication networks and cooperation among various departments. Then the government uses the mass media to advocate the value of PB and explain the idea of new policies and projects to residents in order to encourage their participation. This step is indispensable to increase the number of participants and maintain their motivation and initiative. In addition, it also serves as a good opportunity to educate citizens about public budgeting and citizenship.

Step two is project selection. First, the representatives of residents are selected based on neighborhood committee's recommendation and self-recommendation rather than an election by all residents. Second, the leading group drafts a list of candidate projects according to the general requirement for the development of social undertakings and public opinions collected through neighborhood committees and door-to-door surveys. Then a meeting of the representatives of residents is organized by the district gov-

ernment to decide on the priority of candidate projects. Projects will be introduced to the representatives respectively in the meeting, and then the representatives vote for their favorable projects. Generally, public funds will be allocated for projects according to the results of voting.

Step three is project implementation. The budgets will be operationalized by the line departments with the help of professional agencies, and then be handed over to the Financial Investment Auditing Institute for evaluation of feasibility. After that, they are contracted out to private sector vendors based on the principles of openness and transparency. The implementation of projects is under the supervision of residents in three forms: intendancy organized by the leading groups, intendancy organized by relevant departments, and individual residents. Actually, because these projects are constructed near or within residential communities and are closely related to their daily lives, many residents are highly motivated to check on the progress of the construction work.

Step four is evaluation. After step three, projects are to be evaluated, audited and assessed by financial auditors, resident representatives and relevant experts. The result serves as the basis to evaluate the efficiency and effectiveness of the selected projects, and whether the process of PB itself is fair or not.

The distinction between Wuxi's PB and the current public budgeting process elsewhere is that PB introduces direct citizen participation into budget compilation, budget execution and evaluation. Especially citizen participation in the process of budget compilation in government has profound meaning because in China's current budgeting system, the people's congresses cannot change the budget draft proposed by the government. In these four steps, step two is the most important one because it determines what projects will be granted a budget by voting of residents.

4.3 Evaluation of the Outcomes

Above all, we need to know whether this reform is done in a good faith by the government, which is not always the case elsewhere (Wang and Van Wart, 2007). The government could easily find ways to manipulate the administrative procedures of such a reform, such as inviting public participation only after policy determination has already been made, using misleading terms in the policy debate, influencing the selection of citizen participants, and minimizing the public notice of participation (Wang and Van Wart, 2007). In Wuxi's case, PB was implemented in a good faith in that citizen participation was arranged before making the final decision, a large public event was organized to encourage more citizens to participate, and participants were required to receive some training on public budgeting before the voting.

In 2008, CDRF employed the Horizon Research (HR) Company to evaluate the performance of PB reform in Wuxi and Harbin. The HR is famous for its professionalism and independence in research, which provides services for marketing research, public opinion polling, policy analysis, and internal research for government or non-government organizations (Horizon Research, 2011). HR conducted 15 in-depth interviews and a survey with 547 respondents to evaluate PB from four aspects, including citizens' cognition towards PB and public participation, process assessment, impact assessment, and environmental assessment (CDRF, 2009). First, according to the study, about 60% of the interviewees participated in PB, and the residents showed more interests in the projects under discussion than the name of PB. Second, in terms of the process assessment, the residents were satisfied with the communication mechanism between the government and the public, the project selection procedure and improvement on financial transparency of the government. Meanwhile, they were less satisfied with the mechanism of electing resident representatives and the method of deliberative discussion in the project selection process. Third, the impact assessment of the survey indicates that PB has improved the efficient and effective use of public funds by improving the performance of government officials, ameliorating the relationship between the government and the public, allocating money for the projects demanded the most by the public, and helping the public to better understand policies. Fourth, PB also has some effects on the administrative environment in that the government becomes more active in policy innovations and more oriented towards the provision of public services; residents also become more active in participating in public affairs, and a sense of mutual understanding between the residents and the government has been enhanced.

Based on our field research and previous studies, such as HR's report, we find that, generally speaking, PB in Wuxi has enhanced economic, technical, social and political rationality of public budgeting but not legal rationality. PB in Wuxi improves the economic rationality by bridging service demands and provision. Resident representatives participate in the procedure of project selection in PB to decide on the priority of candidate projects. Public funds are allocated for projects according to the results of voting by these representatives. Citizen participation helps decision makers to compare and allocate resources across multiple means represented by those governmental projects to maximize the achievement of multiple ends demanded by the public. Thus it is likely to contribute to a more efficient distribution of limited budget resources to the most needed services.

PB in Wuxi also improves the technical rationality of public budgeting by reducing the cost of projects. Citizen participation in the supervision of project implementation, including the process of contracting out, is beneficial for lowering the cost of projects. Consent reached through PB also helps to reduce the administrative cost in coordination. As an official who had participated in

PB told us in an interview, it was often trouble free to carry out construction work granted through participatory decision-making, such as road widening and construction of recreation centers, because citizens were supportive and always volunteered to supervise the quality and progress of projects.

PB in Wuxi increases the social rationality by cultivating the development of a civil society. One of PB's essential functions is citizen education. By collecting public opinions through neighborhood committees and door-to-door surveys, encouraging citizens to participate in public affairs, and providing training for them to understand public budgeting, the government provides more opportunities for citizens to express their different opinions on policy issues and communicate with the government, interest groups, and professional experts. This process promotes social integration by forming a common set of values and beliefs that are commonly accepted by members in the community.

Direct participation of citizens also increases the political rationality of public budgeting in Wuxi, given that PB involves more resident representatives in the decision-making procedures. The discussion for the selection of projects helps to accommodate a plurality of values, views, and beliefs held by citizens, and to make a unified decision through consensus. However, Wuxi has not passed any law to institutionalize or consolidate PB; it has made little contribution to improving legal rationality of public budgeting.

4.4 Challenges in the Participatory Budgeting Reform in Wuxi

Wuxi provides some precious experiences for developing PB in China. However, it has met a bottleneck in its further development. According to our observation, the obstacles may not lie in the nature of PB, but in China's administrative and political environment.

First of all, the progress on enhancing legal rationality of public budgeting is limited. On one hand, PB in Wuxi has not involved legislative. Citizen participation is employed in the budget compilation process in the government instead of the Local People's Congress where the final budgetary decision is made officially. It does not have much real budgetary power, because even with citizen participation, the government decides how much money can be determined through PB, who can vote and through what procedures. As shown in table 1, citizens can participate in project recommendation, selection of project, implementation of project, supervision and evaluation through various formats, except for the identification of the impact of PB and candidates who are qualified to participate and vote as resident representatives, which is the most influential step in PB. This top-down style of policy-making reduces the incentives for the public to participate (Finance Bureau of Wuxi City, 2006).

On the other hand, the government only announced some guidelines for PB rather than institutionalizing it by law. Citizen participation is at the risk of being manipulated or abandoned at any time, which is detrimental to the development of PB in the long term. Zhang (2007) points out that institutionalization is the key to the success of participatory budgeting reform. Only institutionalized democratic participation can effectively prevent PB from being swayed by leaders' personal policy preferences. In China, many government innovative programs were abandoned due to the tragedy of "policies terminate with the administrative turnover (*ren zou zheng xi*).” Innovative programs may often be at the risk of being suspended due to the job rotation of the responsible person.

A successful evaluation system would effectively improve the development of PB. However, neither the performance evaluation on projects selected through PB nor the evaluation on PB itself has been done in a systematic and professional way in Wuxi. In addition, professional expertise and advanced technology are often required for the effective implementation of PB. Long-term planning requires participants to compare the benefits and costs between different projects under discussion. As cost-benefit analysis is often technical, it usually takes citizens years to grasp the complexity of the proposed scheme. Many countries have developed advanced technology to improve the effectiveness of PB. For example, residents in Washington D. C., U.S. are able to vote for their preferable programs on Internet. South Africa developed two technical systems—Ward Committee Systems and Sub-council Participatory System—to attract more residents to participate in PB (CDRF, 2009). Wuxi, however, has no such plan to bring in professional analysts or advanced technology to enhance the effectiveness of PB yet, which may prevent its further development in the future.

Table 1. Opportunities of Participation and Formats of Participatory Budgeting in Wuxi

No.	Opportunities of Participation	Format	Y/N
1	Project Recommendation	Collect the residents' opinions from the neighborhood committees and the media.	Yes
2	Identification of the Project Impact and Qualification of Participants	Including fund utilization, program design and selection of resident representatives.	No
3	Selection of Project	Decide how much fiscal funds will be allocated through PB; design the procedure of participation; and select participants.	Yes
4	Implementation of Project	The resident can participate in this process on their initiatives.	Yes
5	Supervision and Evaluation	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	Yes

5. CONCLUSION

Participatory budgeting provides citizens with a precious opportunity to get involved in policy-making and to regulate the use of governmental power in China's non-electoral environment. It helps to add a form of societal control that relies on an active civil society, in addition to these existing budgetary controls, to ensure financial accountability of the government (Ma, 2009). Our analysis of participatory budgeting in Wuxi shows that, although citizen participation increases to a certain extent the rationalities of public budgeting regardless of the limitation under the Chinese context, its effectiveness has indeed been restrained by China's contemporary Party-state system. PB in Wuxi has been implemented in a conservative way—without reforms on empowering the citizens and the People's Congress in the budgetary process—in order to avoid perhaps the biggest political constraints stemming from the nature of non-election of political leaders in the current political system in China (Ma, 2007). In order to improve the effectiveness of governmental innovations, such as PB, in local governments, the government needs to take measures to provide incentives for non-elected local officials to become more interested in involving citizens in budgetary decision-making. Complementary reforms in other processes of the public budgeting system and a fundamental restructuring of the power structure of the state would also be essential.

There are several policy implications concerning the further development of PB. First, PB should not focus on specific projects only, which may lead to discordance with a democratic reform in the future. As we can tell from the case of Wuxi, the changes in the methods and depth of citizen participation in public budgeting is still limited. Fiscal funds to be decided by citizens mostly cover a small amount of short-term construction projects and are often determined within the government itself, rather than being dependent on the evaluation and approval of the People's Congress. Starting from citizen participation in making decisions for specific projects is a feasible method to improve democracy, but it may not be a sustainable way to cultivate the development of a civil society. The excessive attention on short-term, small and regional projects may lead to a neglect of long-term and regional strategic planning. When the interests on specific projects overwhelm citizens' attention, they might overlook the importance of obtaining more opportunities of participation, professional training, institutionalization of the right of participation and social justice etc. Participants may come and go when their own preferences are satisfied, which makes it difficult to promote citizens' self-consciousness of forming an independent social force. A well-developed civil society does not come out of nowhere but need to be fostered and cultivated. The government should intentionally include in PB deliberations or debates on long-term and broader policy issues, such as education and environmental protection, which may greatly facilitate a democratic reform in the future. Second, the

evaluation of and reflection on PB need to be improved. As shown in published materials in Wuxi, the performance evaluations of PB in every district each year were almost the same from 2006 to 2008, which lacked of a cautious reflection and systematic evaluation on previous experiences. Questions, such as why these projects are chosen, whether the residents are satisfied with selected projects, have never been probed. Likewise, the evaluation on administrative process is too general to answer questions such as whether PB has promoted the government organization reform, whether it has helped to improve citizen awareness of public budgetary issues, whether it has optimized the allocation of public resources, and whether it has helped improve social fairness or justice. Third, institutionalizing PB by law should be accelerated. Only after that, can the outcomes of PB become legal and be protected by law, which will strengthen the incentive for citizen participation as well as the rationalities of public budgeting. Finally, as mentioned above, PB in Wuxi does not involve direct citizen participation in the People's Congress or reinforce the budgetary power of the People's Congress, which has a greater potential to increase multiple rationalities of public budgeting. It could be a new orientation for PB in Wuxi to pursue in the next step of its reform.

This analysis only serves as an initial start to study participatory budgeting in China. More future research in this area is necessary to not only examine the benefits of the participatory process itself, but also the link between citizen involvement and the performance of public budgeting. The accumulation of such empirical studies will contribute to the theory development for PB.

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