

2014 Dialogue Workshop: Decentralisation

The 2014 Dialogue workshop was held in October at Zhejiang University in Hangzhou with the theme, 'Maximising the Benefits of Decentralisation'. Decentralisation, whether through a federalist approach or through tiers of administration, offers the opportunity to deliver significant benefits: not only increased responsiveness to local needs and preferences but also wider economic and social benefits if local authorities facilitate local market forces and compete with and learn from each other to maximise efficiency and effectiveness. But local authorities are also often more prone to corruption and mismanagement than central governments, as they usually lack central government's capacity for good management and the scrutiny central governments face from the legislature and the media.

The workshop explored developments in:

- the matching of capabilities and decentralised responsibilities at the local and regional level;
- the role and capabilities required of national and provincial governments to support and monitor local/regional capabilities;
- the role of civil society in enhancing local/regional capability; and
- 'political' as distinct from 'administrative' capability requirements and the role of policy.

These sub-themes facilitated discussion of developments in the three jurisdictions despite the significant differences in institutional arrangements:

- Australia's federalist approach with sovereign provincial governments, compared to the PRC and Taiwan with unitary systems and different degrees of decentralised administration (the PRC with its four levels of sub-national government, and Taiwan with three levels of local government);
- The separation of politics and administration in both Australia and Taiwan, compared to the PRC's lack of any such separation (the Chinese Communist Party having control over both – and also across the executive, legislature and judiciary);
- The well-established and still increasing role of civil society in Australia, compared to the new and still emerging role in the PRC and the growing role in Taiwan.

Mike Woods and John Wanna's background paper, ['Principles and Dimensions of Public Sector Decentralisation'](#), provided a theoretical back-drop to the workshop discussion. It highlights the range of factors that may contribute to the extent and way in which a country may decentralise its public administration, distinguishing between 'devolution' and 'decentralisation'.

The paper discusses the principles sometimes used to support devolution or decentralisation – subsidiarity, differentiation and experimentation, and the adequacy of local capability. It also outlines contextual, administrative and logistical considerations. These principles and considerations qualitatively differ with the powers and functions involved, and there are a number of approaches that can be taken to the design of institutional arrangements (including historical legacies, power conflict and rational design). The paper summarises aspects of the different arrangements in Australia and the PRC before listing key issues for discussion including:

- The practical criterion for determining which policy areas warrant the exercise of national power and which ones can be more appropriately devolved;
- How administration and service delivery can be decentralised for maximum efficiency and effectiveness;
- How performance by local authorities should be managed and monitored; and

- What inter-governmental arrangements are required to promote equity and national social cohesion.

Tsai-tsu Su's presentation (her slides included [here](#)) describes Taiwan's government structure of central and (three levels of) local government and the history of its development.

She suggests further decentralisation is likely but identifies a number of challenges, including capability problems, immature inter-governmental relations, regional inequality and corruption. Many of these would be familiar to an Australian audience discussing local government.

There were several Australian presenters at the workshop, including from Victorian state and local governments, outlining developments particularly around performance management of local governments, capability building and inter-governmental relations. Unfortunately, these presentations were not in a form suitable for wider dissemination.

Jianxing Yu, Lin Li and Yongdong Shen (['Rediscovering Intergovernmental Relations at a Local Level: Devolution of Administrative Power to Township Governments in Zhejiang Province'](#)) describe the renewal of the role of townships in Zhejiang Province which has since become a model for the rest of the PRC.

Townships had been overshadowed by the growing role of provinces and counties, but in fact they offer the opportunity for more bottom-up influence in China's government arrangements, in both economic and social development. The authors acknowledge the challenges, including in particular those surrounding capability and ensuring accountability (both upwards to higher levels of government and downwards to the local people). There is also some way to go to 'institutionalise' the emerging arrangements so that townships can confidently exercise their flexibilities within clear policy frameworks. This paper has been published in *The China Review* (6:2, 1-26) and is made available here with the kind permission of the publishers.

Xufeng Zhu and Hui Zhao (['Experimentalist Governance with Interactive Central-Local Relations: Making New Pension Policies in China'](#)) explore the way China has applied 'experimentalist governance' to develop and test national policies in collaboration with sub-national governments.

The paper has been published in the *Policy Studies Journal* (49:1, 13-36), and is available here with the kind permission of the publisher. The authors use case studies on four pension policies in China to describe the features of China's approach to experimental governance, and to conceptualise some new patterns in addition to classical 'hierarchical experimentation' where central government first sets out the policy goals and policy instruments and local experimentation tests if they work effectively. Policies are not always well defined by the centre, nor the policy instruments, and both may be affected by the local experiments; China also has a unique mixture of decentralised economic and social responsibilities and political authoritarianism in organisational and personnel institutions. Moreover, evaluation of experiments relies heavily on the local governments themselves. Accordingly, the process in China involves quite strong, interactive central-local relationships.

The new patterns identified by the authors, in addition to the hierarchical one, are: 'comparative trials' where policy goals and instruments have been identified and various local government experiments are compared; 'selective recognition' where policy goals have been identified but not the instruments to be applied; and 'adaptive reconciliation' where local practices reflect diverse goals but may then influence national policies and policy instruments. These patterns can be seen in the way different aspects of pensions policies have been developed – for public sector employees, for fully-funded individual accounts, for rural social pension insurance and for pension insurance for migrant workers.

In a related paper ([‘Dynamics of central-local relations in China’s social welfare system’](#)), Xufeng Zhu describes how China has been re-centralising its social welfare system by re-introducing binding targets for local governments, scaling up the proportion of special transfer payments and initiating central-guided pilot projects, and strengthening its line management at provincial level. The article has been published in the *Journal of Chinese Governance* (1:2, 251-268) and is available here with the kind permission of the publishers.

Bingqin Li examines the way Chinese cities compete for economic and social development through a top-down supported process ([‘Top-down place-based competition and awards: local government incentives for non-GDP improvement in China’](#)). This form of competition occurs internationally, for example for the hosting of the Olympics, but is now used in China to motivate city officials including to increase public participation, gain greater inter-sectoral cooperation and to promote inter-regional learning. There are, however, risks due to some perverse incentives and short-sighted responses, and the limited capacity for poor places to respond. The article has been published in the *Journal of Chinese Governance* (3:4, 397-418) and is available here with the kind permission of the publishers.

Ming-feng Kuo and Chun-yuan Wang provide a case study from Taiwan to explore some of the dilemmas involved in decentralisation ([‘Decentralisation Dilemmas in Disaster Management: Lessons from Flood Control in Taiwan’](#)).

Their focus is on how local and central governments need to cooperate and collaborate on disaster management – the field they call ‘the fuzzy zone of cooperative governance’. The study explores Taiwan’s system of flood control of integrated river basin management, and the history of centralisation, decentralisation and considerable recentralisation. Key challenges include the human resources and financial support local government requires, and their capacity to respond in the event of a disaster; and local politics and rivalries across local governments which can inhibit professional management of flood-prone areas and flood disasters. The role of central government is therefore essential, but needs to be managed cooperatively, requiring trust, good information exchange and some clarity and stability surrounding respective roles and responsibilities.

The final two papers included here from the 2014 workshop concern the way governments work with civil society, involving a modern form of decentralisation.

The Australia study by David Gilchrist, [‘Partnerships between Government and the Third Sector at a Sub-national Level: Experience of an Australian Sub-national Government’](#), has since been published by ANU Press in a book in its ANZSOG series: *The Three Sector Solution: delivering public policy in collaboration with not-for-profits and business*, edited by John Butcher and David Gilchrist.

It is based on a series of reviews commissioned by the Western Australian Government to evaluate the impact of its policy of Delivering Community Services in Partnership, which was undertaken by David Gilchrist. Amongst the findings from the reviews was that: progress was being made to enhance the capability of non-government organisations to deliver public services, but further effort was needed; steps were being taken towards longer-term contracts which should enhance confidence and promote greater investment and collaboration; but there was still some distance to be covered to ease the administrative burden and to achieve greater consistency across government departments.

Yongdong Shen and Jianxing Yu examine the increasing practice by local governments in China to collaborate with NGOs in China’s emerging civil society. Their paper, [‘Local Government and NGOs in China: Performance-based Collaboration’](#), has been published by the *China: an international journal* (15:2, 177-191) and is made available here with the kind permission of the publishers.

The paper presents two case studies to illustrate how performance-based decentralisation in China is encouraging local governments to collaborate with NGOs in order to extend local economic and social development. The paper describes some of the history of the Chinese Government's approach towards NGOs and their regulation. The cases presented suggest further steps towards acceptance of the role and potential contribution of NGOs in the context of pressures on local governments to achieve high levels of economic and social development. One case relates to an NGO in one city providing home-based care services to the elderly; the other case relates to a business association in another city focused on air purification products, which was used to help develop accreditation requirements for specialised contractors to facilitate broader industrial development in the city. The cases suggest the likelihood of expanding roles for NGOs in collaboration with Chinese local governments, but also the need to increase their capability and to 'institutionalise' the arrangements through more systematic contracting and clarification of respective responsibilities.