

# Predicament of Construction of Service-Oriented Government of Township

## --Based on the Perspective of Township Finance

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**Abstract.** The government reform objective of constructing service-oriented government clearly set by the CPC Central Committee is the inevitable result to meet the development of social economy in the case of according to the international background and the current domestic social environment. Since the tax sharing reform in 1994, the central government revenues realized stead and fast growth, but the revenues of the governments at township level grew at a relatively slow rate, especially the revenues of the township government. At the same time, the financial expenditure of township grew at a very high rate. Because of the short of money for township government, the lack of the concept of providing public goods and perfecting the public services and the incomplete reform, there exist some common problems such as insufficient aggregate, low efficiency and low quality in the aspect of supply of the public services of township in our country. From the perspective of the public finance, this paper points out the current situation of constructing a service-oriented government at the township level and puts forward proposals of solving problems on the basis of analyzing the causes of the current predicament.

### Introduction

As a grass-roots administration, the township government plays a fundamental role in the development of the whole country's economy which is the bridge between the city and the countryside and the link between the Party and the masses. the report of the eighteenth congress of the CPC proposes that China must speed up the formation of the government-led, covering both urban and rural areas and sustainable basic public services system, improve the government's ways of providing the public services and enhance the construction of the basic social management and services system; The Third Plenary Session of the 18th CPC Central Committee highlights that the government must promote the equality of basic public services and speed up the formation of scientific and effective social governance system; The Fifth Plenary Session of the 18th CPC Central Committee proposes that the government should strengthen country's infrastructure construction with long-term investment to promote the extending of urban public services to the rural area. As a part of Chinese political organization, the township government must set the services-oriented government concept keep up with the trend of the times starting from the government self-reform to accomplish the grand goal of building a well-off society, only in this way, can the township government provide the public services and public products which meet the real needs of the base general people.

### Current Situation of Construction of Service-Oriented Government of Township

"Service-Oriented Government" is a government model or a government form within the framework of the democratic system in which services is seen as the core of social governance value system and the focus of function system of government under the guidance of the concept of citizen standard and social standard. Public services refers to the floorboard of activities that government and its public branches provide all kinds of public goods with material forms or

non-material forms for the general people with the help of public power to continually meet the public needs and maintain public interests by flexibly applying many systems and ways. At present, China has made some achievements in the construction of service-oriented government such as the transformation of functional organization, the building of responsibility system and the improvement of services efficiency, but the scope and breadth of services still need to be extended. The definition of "service-oriented" is still imperfect, and its positioning is not accurate enough. In addition, the "official standard " thought is still existed. Township government is the most fundamental state power in China rural area and the link between the state and the grass-roots society. Compared with government organizations at other levels, township government has the characteristics of directness, grassroots and comprehensiveness. Take the performance report of the fiscal budget of Daqiao Town of Dafeng City in Jiangsu Province of the first half of 2016 for example, the actual revenues in the general public budgets of this town is 44.02 million yuan in the first half of 2016. The general public services expenditure is 18.0471 million yuan which covers 44.1 percent of the annual budget and grows year on year by 6.99 percent.

Table General Public Services Expenditure in Our Country

General Public Services Expenditure in Our Country ( million yuan )		Year-On- Year
2007	8,514	
2008	9,796	15.05%
2009	9,164	-6.45%
2010	9,337	1.89%
2011	10,988	17.68%
2012	12,700	15.59%
2013	13,755	8.30%
2014	13,268	-3.55%
2015	13,548	2.11%

Data Source: the Ministry of Finance

### **Main Problems Existed in Construction of Current Services-Oriented Government of Township in Our Country**

At present, China has achieved greater progress and promotion in construction of services-oriented government of township, and the situation of rural public services is obviously improved. With the growth of social economy and the improvement of living standards, people have new and deeper level of requirements for the rural public services. Staying with Daqiao Town example, in the first half of 2016, its general public services expenditure is 18.0471 million yuan which covers 44.41 percent of the annual budget; the expenditure of agriculture, rural areas and farmers, forest projects and water conservancy projects is 3.06 million yuan which covers 47.82 percent of the annual budget; the expenditure of culture sports and media is 52,700 yuan which covers 23.74 percent of the annual budget; the expenditure of health care and family planning is 780,600 yuan which covers 68.83 percent of the annual budget; the expenditure of social security and employment is 1.7958 million yuan which covers 50.65 percent of the annual budget; the expenditure of public security is 204,000 yuan which covers 47.5 percent of the annual budget; the expenditure of urban and rural communities is 390,000 yuan which covers 49.61 percent of the annual budget; the expenditure for education is 60,000 yuan which covers 45.98 percent of the annual budget; the expenditure of energy conservation and environment protection is 10,900 yuan; the housing security expenditure is 400,000 yuan which covers 49.94 percent of the annual budget. The requirement type of rural public services is transformed from living type at a low level to development type with higher requirement. As well as the traditional concerns such as basic goods, health care and education, the

living environment and cultural work also have become the hot points that numerous farmers concern. In addition, farmers start to pay attention to their public rights in politics, economy, society and other aspects and seek public products and public services with higher quality. In the face of the current increasing requirements of farmers for public services, the public services level of township government has been unable to meet the increasing requirements of farmers for public services in our country. In other words, the contradiction of public services and the public services ability of township government is comparatively outstanding. From the perspective of public finance, the main problems existed in construction of services-oriented government of township mainly manifest in the following points presently.

**Incomplete Township Reform Caused Severe Grassroots Government Debt.** After the rural tax and fee reform, the present township government lost most of the original old functions such as collecting taxes on farm lands, collecting taxes and fees, urging planting and urging harvesting. The institutions built according to the old functions have been very difficult to adapt to the new situations and tasks after tax and fee reform. At the same time, governments at the town levels lost much revenues because of the abolition of agricultural tax that cause financial constraints and seriously affect the level of providing public services.

At the same time, the institutional reform at townships is carried out in many places across the country to consolidate the achievements of rural tax and fee reform, further emancipate the rural productive forces and promote the rural economics development and society advancement. Among them, the comprehensive coordinated reform in towns of Hubei Provinces experts a deep influence especially. In 2003, the party and government in Hubei decided to advance the comprehensive coordinated reform in towns in the province and transform the systems and modes by replacing the mode of “Yi Ren Yang Shi” with the mode of “purchase of public services”. the reform way of “purchase of public services” of township government in Hubei Province obtained some achievements in practice, but it has a serious drawback that it cause server debt at the village-town level. According to the survey, 15 townships are in debt among 17 townships of Honghu City, the total debts are 80 million yuan, the average debt of each township is 4.6 million yuan, there are 5 townships whose debt is more than 8 million yuan. In 187 township institutions, half of the township institutions is in debt, the total debts are 20.14 million yuan (not includes unpaid wages of cadres and workers and the debts of rural fund cooperation ), the average debt of each institution is 108,000 yuan. These debt problems not only affected the comprehensive coordinated reform in towns but also affected the efficient operation of township government, and which are not effectively addressed for a long time. These grassroots government debts cause three results. First of all, township debts cause the descending of the legitimacy of government and the crisis of government management. Secondly, it affects the normal operation of political power at the grass-roots levels and increase the whole financial risk. Thirdly, the serious township debts cause a lot of social contradiction and become an important hidden of affecting the social stability.

**Unreasonable Financial System Impede the Functional Transform of Grassroots Government.** In our country, the unreasonable financial revenues allocation system is the real reason of bad financial situation of grassroots government. After the implementation of tax sharing system in 1994, the central government control the items of taxation with rich tax revenues and design the tax allocation policy helpful to get more taxes for the central government, and which bring the stable growth of revenues for the central government. The governments at lower levels start to imitate the tax allocation policy of the central government by which after seeing great benefits brought. However, as the peripheral nervous system of the state administrative organization, township governments pay most of tax revenues to the higher authority, and the tax revenues left is difficult to meet the requirements of all kinds of expenditures. At the same time, the income of township government greatly decreases because of the abolition of agricultural tax. In some places, the wages and salaries can not be paid in time. Government has no extra money used to invest public services and provide public goods because of the lack of financial support. Some branches of government become the profit organizations with pursuing the private benefits as the goal for casting off difficult position. Thus it can be seen that unreasonable financial system, especially the

unreasonable revenues allocation system, bring very bad influences to the township governments in a weak position. Under the unreasonable financial system, the township governments have no enough revenues to meet its own requirement of development and promote the development of local economy and society. They have no time to listen to public opinion under extremely difficult circumstances for living, they can not serve the people for protecting themselves, so the functions of government can not be developed and perfected.

**Less Sources of Income Limit the Extent of Meeting Public Requirements.** As well as the tax revenues, the income of financial investment also is an important source of income in the financial revenues of government. Unlike county government which has revenues of land conversion and other sources of financial revenues, the amount of money in investment of township financial budget invested in some important aspects such as the expenditure of basic construction, the expenditure of educational science and culture and the expenditure of health and social welfare has increased in recent years, but its share is gradually declining. Just a small share of fund come from budgeted investment in the public investment fund. However, township finance should be further standardized to promote the smooth implementation of the construction of the new socialistic countryside by bring the revenues not covered in the state budget into the budget management. So it is an important way of improving the level of providing public products of township government to greatly develop the township economy and strengthen the township finances.

### **Proposals for Construction of Services-Oriented Government of Township**

**Township Debts Should Be Reasonably Dissolved to Reduce Financial Pressure of Township Government.** Township debts has the following characteristics in our country. Firstly, the total amount of township debts with a wide range of areas is tremendous. The scale of township debts is far beyond the endurance capacity of the current financial revenues of township government that cause higher debt risks. Secondly, township debt structure is complex, and financial institution debt possesses upper proportion in the total debts. Thirdly, township debts is mainly used for the expenditure of public welfare of township (includes construction of road, bridge and other infrastructure and the expenditure of education) and starting enterprises. The fundamental dissolving of township debts can be started with the following points.

Government should speed up function transformation and standardize its economic functions according to the requirements of market economy. It is the key point of avoiding the new township debts; Government should build and perfect the moderate scale warning mechanism of township debts, get the clear picture of current debts and avoid the new debts. It is the most important point to avoid the new debts; Government should further perfect township financial system and standardize and enhance the transfer payment; Government should establish scientific and reasonable the responsibility system by leaders for dissolving debts and the supervision and management mechanism of township debts, make diversified investigation for the performance appraisal system of officials and township decision mechanism to avoid the leadership which pay its all attention to the grassroots government's political achievements and effectively repay township debts. The above proposals measures can help township government to clear the dominant position of debt obligations, effectively ease debt pressure and improve the quality of public services.

**Reasonable Financial Policy Should Be Introduced to Provide Support For the Function Transformation of Grassroots Government.** Financial revenues is an important tool of exercising the functions for grassroots government. If there is no support of finances, grassroots government can not provide all kinds of public resources and exercise a series of measures of public welfare. But the existing unreasonable revenues allocation policy cause the financial strains of grassroots government. However, government must adjust the existing revenues allocation policy to tilt financial revenues towards grassroots government to a certain extent and benefit the people.

Governments at all levels should reasonably minimize government intervention in financial revenues of administrative units at lower levels.

If governments at all levels must get part of the financial revenues of the administrative unit at lower levels, as the end of the administrative system, the financial revenues of the basic



administrative units inevitably will be unable to meet the basic requirement of public expenditure of government, and development and progress are not impossible. However, governments at all levels should reasonably minimize government intervention in financial revenues of administrative units at lower levels to make the financial revenues of the basic administrative units to not only ensure all kinds of expenditures but also provide economical support for the function transformation of government based on the concept of integrated development and mutual support.

Government should reasonably tilt the central finances towards the local finances.

As the governor of administrative units at high levels, the central government and the provincial and municipal governments have good financial condition compared to the basic administrative units because of more sources and more channels of financial revenues. However, governments at high levels should care to the development of administrative units and help grassroots governments to get out of the financial dilemma and realize function transformation by reasonably tilting financial policy towards the grassroots governments.

Grassroots governments should reasonably reduce financial support burden.

For getting more financial revenues for supplement of public resources and construction of public projects and utilities, grassroots governments should try their best to create income to ensure the stable growth of financial revenues. At the same time, grassroots governments should also reasonably reduce financial support burden by streamlining the administrative structure, distributing personnel and avoiding extravagance and waste to make the limited financial revenues to be really used for the people.

**Township Government Should Try Their Best to Create Income and Enlarge Channels of Financial Revenues.** Each township government should do their best to create income by improving the quality of agricultural development with the help of agriculture high technology and increasing production of crops or developing tourism by making full use of local natural resources. In addition, each township government should strive to develop industry and commerce to promote economical level. Because only development of industry and commerce can really generate tax revenues for grassroots governments in a short period of time after the abolition of agricultural taxes. Huaxi Village is a good example as the star village in the east part of China. It became a nationwide well-known “model village” because of its achievements in agriculture, rural culture, science and technology and tourism as early as the 1970s and 1980s, and it attracted people from all corners of the country to visit and study. Under guidance of reform and opening policies, historical and tremendous changes also took place in the service industry of Huaxi Village which make it “Huaxi Tourist City” and “Countryside Tourist Center in South of the Yangtze River”. Huaxi Group of Huaxi Village is assessed as Chinese large township enterprise with class A by the Ministry of Agriculture in 1996. 20 villages with weak economy around Huaxi Village joined Huaxi Village family one after another. The area of Huaxi Village was expanded from 0.96 square km to 30 square km, and the population of Huaxi Village increased to more than 50,000 people from more than 2,000 people. The average wage income of Huaxi Village is 122,600 yuan in 2004, and Chinese farmers’ average income is 2,936 yuan in 2004, urban per capita disposable income is 9,422 yuan in 2004. The average income of villagers in Huaxi Village is 41.76 times of that of Chinese farmers, and 13.01 times of that of urban residents. But it is important to note that grassroots governments must separate government functions from enterprise management, otherwise the development of local society and economic will be obstructed.

## Conclusion

This paper analyzes the difficulties and proposals of constructing services-oriented government of township in our country from the perspective of public finances. In fact, as the end of the administrative system of our country, township government is ineffective in the aspects of property rights, resources and others, and township government has no independent financial rights. The most important task now is to cultivate the concept of public services, ensure financial fund and transform function system of government for construction of real services-oriented government. Township debts caused by the incomplete reform should be dissolved combining with developing

financial sources and economy and reasonably distributing the financial rights and property rights of township government to make township government out of debts distress. Dissolving debts, introducing reasonable financial policies and enlarging the source of income are short-term goals of construction of services-oriented government of township. It is a long-term mechanism of ensuring the continuous innovation and improvement of services-oriented government to build grassroots government financing system with municipal bonds as the main body. It can be believed that the above proposals can help to solve the financial problems of long standing of township government to a certain extent, and services-oriented government shall be really realized to serve the people in the near future.

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