

**The Levels, Dimensions and Structure
of Local Governance Capacity in China:
A Theoretical and Empirical Study**

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Abstract

Different from trust in the central government, the public's trust in the local government is derived from their evaluation of governance performance. However, the existing researches suggest that there exist a lot of problems in the local governance capacity in China, including the key point is not prominent, the objective is unclear, the indices setting is improper, and the maneuverability and feasibility of the evaluation system is relatively low. All of which meant that it cannot provide reliable data and effective policy suggestions for the development of local governance capacity.

On the basis of the Resource-Based View (RBV) and dynamic capability theory, combined with China's national status at this stage, this paper aims to build an evaluation model of the local governance capacity in China by outlining the basic situation and major problems of China's local governance capacity. Based on the dimensions and structure of China's local governance capacity, the paper first propose a set of evaluation index system and then select five cities in western China and five in eastern China to assess and compare their governance capacity. Through comparative analysis of the data, this paper found that the current China local governance has both that the development of the local governance capacity in the eastern cities is better than that of the western cities, and the higher administrative level of cities, the better development of governance capacity. Then, valuable suggestions will be made to effectively improve their local governance capacity. In this paper, the research is expected to provide some worthy experience and theoretical knowledge for other regions in China and even other similar developing countries in the world.

Keywords: Local governance capacity, Evaluation, Structural model

Introduction

Since the 1980s and with the development of the market economy and globalization, local governance movement gradually developed into an international phenomenon. It can be easily realized that it is an influential trend of institutional transformation of governance control that has gradually changed the democratic reforms of the national macro-political system; structural changes of governmental functions and powers in the middle level; and governance evolution of local government and social interaction in the micro-level. All of which have form into development directions and the main objective of the emergence of local governance system and the accompanying improvement of local governance capacity.

Since the reform and opening up, China has been continuing to explore to build a new central-local relation under a centralism paradigm and take efforts to strengthen and improve the capacity and effectiveness of local governance. Although there are many experience and lessons we can learn from other countries, we have to consider the existential truth that different countries faces different problems because of different national conditions. At present, Chinese local governments bear a lot of pressure from the transformation of governance. On the one hand, under the pressure of economic globalization, the ability of local governments needs to continue to be improved in order to meet the challenges and the risks of both the international and domestic competitions. On the other hand, the growing demands of citizens' aspiration for democracy present higher requirements to the formation of public service and democratic participation ability of local governments. Therefore, under the situation of China's economic development and social transformation, it is significant to analyze and evaluate the level, dimension, and structure of local governance capacity; carry out related empirical study; and put forward policy recommendations and suggestions for improvement. These will not only help to further improve the building of China's current local governance capacity but also provide some useful references for other developing countries with similar problems.

I. Background

The relationship between central-local governments is an important issue and should cause a great concern in the construction of China's basic political and economic system and local governance. Since the reform and opening up, China's local governance reform was carried out in accordance with the logic of the centralization and decentralization of the central government. The process of adjustment on power relations and power structures between the central-local governments not only refers to the process of the bargaining and competition in policy formulation, policy implementation and other areas between the central and local governments, but also refers to the process of clearing their division of labor and assuming corresponding responsibility of governance.

In the early reform stage to mid-nineties of economic decentralization, a large number of economic decision-making authorities are delegated to local governments in China. Some major economic departments, such as the Plan Commission, the State Administration of Industry and Commerce, State Administration of Taxation and some banks, were divided and brought to the same level with that of local government administration. By the early 1990s, excessive fiscal decentralization for surrendering profits made economic regulation and administrative capacity of the central government declined significantly. As a result, the 'national capacity' is badly weakened, which has exceeded the baseline of powers decentralization. Consequently, fiscal revenue in the proportion of gross domestic product (GDP) and the central fiscal revenue in the proportion of total fiscal revenue have declined continually. Previously, revenue to GDP was at 28.4% in 1979 and then dropped to 12.6% in 1993, whereas; central fiscal revenue comprises 46.8% of the total fiscal revenue in

1979 and dropped to 31.6% in 1993. The central government relied on the local fiscal revenue to maintain balance and even established two kinds of fund in 1980s where the central government can 'borrow' money from the local governments.

Meanwhile, local governments took this opportunity to mobilize all resources to develop the local economy but public services and public goods, such as livelihood, cultural development, population control, etc. took a back seat. In the process, local government focused on the improvement of economic performance and neglected other requirements of local governance such as the provision of public service, citizens' aspiration for democracy, and other social needs.

In order to ensure the dual effectiveness of national and local governance, the central government reclaimed some powers and authorities previously delegated to local governments during the middle of 1990s. One example is the tax sharing reform done in 1994 was revised. Reform of the banking system meant that the provincial branches of the central bank were revoked and nine large banks across different provinces had been established. These weakened the authority of local government power to intervene in the financial system. Furthermore, public finance reform of the fiscal budget system tried to establish a unified and comprehensive national budget system and a financial system for public services. A vertical administration system started in the new century directly regains the whole or part of many authorities that were originally exercised by local governments. Specifically, the central government reoccupied the supervisory rights of national security, state taxation, and some financial departments, while the local governments remain to hold the administrative rights for industry & commerce, local tax and land management. The central government recollected the administrative examination and approval for some major projects, releasing the administrative supervision on national land acquisition, environmental and ecological protection, serious accidents, directly intensifying the degree of supervision on local government. Evaluation index system for the promotion of local officials become more rich and refined, such as adding parameters of green GDP and measuring public opinion in the assessment, especially the central government increasing in many areas of assessment and accountability of local officials, and the introduction of 'one vote' principle on the land, safe production, fertility population, petition, environmental protection and other assessment projects, directly increasing the constraints and controls on the local governments from political level. Those measures forced local governments to both promote local economic development and to pay more attention to people's livelihood, cultural development, and take more efforts to provide public services and public goods. However, those actions mostly aimed to cater to the review of superior governments, which means the initiative and enthusiasm of local governance were still not being mobilized. Besides, due to the return of rights, governance autonomy of local governments was limited by the central government greatly, and local governments suffered delays in the implementation of policies and measures, thereby hindering the overall improvement of local governance capacity.

With several causation dynamics, central-local relations have different degrees of impact on local governance. Therefore, understanding the special relationship

that exists between the Chinese central government and local governments and analyzing the impact of this relationship on local governance will help us understand the formation process of local governance in China. Besides, it will be also be important to study how to improve the local governance model in China and then to enhance the local governance capacity.

II. Literature Review

In recent years, the research process of Chinese scholars on the formation of local governance capacity have been accelerated significantly. One idea is to look into various theoretical perspectives and conduct a standard analysis to formulate a local governance framework for China. When Guoliang Shi (2009) looked into the various local governance model involved in formation of local governance capacities, the writer posits that there are 4 types of local governance model in China. These are the Flattening model, Joint Governance model, Participatory Governance Model and the Co-governance model. He also stressed that when the local government liberalized business management practices, particularly the management of state-owned enterprises and companies, it lead to power capital¹ and rent-seeking. Jianhong Huang (2009), in the study of China's local governance capacity in the process of modernization, mentioned that to enhance local governance capacity, we should pay special attention on updating of governing concepts, improvement of governing mechanisms, optimization of governing methods, development of governing resources, and solutions of governing risks. Suping Lou (2010) conducted a comparative study on governmental ability and governance capacity from their objectives, resources, and management tools. Lou found that the target identification and integration capabilities; ability to integrate resources; communication skills; and the ability to control cooperative governance have become the key elements of local governance, thus, local governments should be equipped with the above capabilities of governance. Xueming Liu (2010) found that overly concentrated administration, pressures from performance competition, and the self-oriented behavior tendencies of local government restrains local governance development. Fuming Xiao (2010) drew a quantitative summary on the construction of the grassroots governance framework in the management of rural group events. Weihua Xu (2011) believes that in the process of grassroots development, the grassroots governments should try their best to guide the public to participate in governance and encourage the sound interaction between the government and the public to enhance the grassroots governments' governance capacity and realize effective performance. Qinglian Gao (2011) argues that there exists a valid association between village autonomy and local governance in a sense that the development of grassroots government roles, the object of villager autonomy, the connection of psychological and organizational functions of grassroots officials and the mechanism of social administration could improve local governance. Yuquan Tang (2011) describes the administrative dilemma against the realization of grassroots governance. The above scholars employed quantitative analysis to describe the specifics of local governance. Feipeng

Tu (2012) summarized the status and causes of poverty in the poor western regions and discussed the approach to build the local governance capacity of county government in poor areas viewed from the lenses of government, market and society. Min Huang (2013) proposed that the four elements of governance involves the resources acquisition capacity of local government, resources allocation capacity, resources utilization capacity and the ability to administer laws. By analyzing the above four capacities of local governments, she put forward some effective and constructive suggestions to improve the development of local governance in China. Haotian Chen (2011), from the perspective of national integration and based on the nature of good governance, analyzed the method to find out the structure of local good governance capacity from social governance structure, national finance revenue and allocation, legal system construction and social resources of state democracy. Qinnan Du (2014), discussed the local governance capacity from the perspective of citizen participation and concluded that this participation will focus in three aspects: institutional capability, management capacity of network participation and official competency, specifically information disclosure system, participation policy, government response policy, ability to identify and integrate interest, coordination ability, ability to preserve and participate to networks, ability to respect civil rights and ability to select and join in strategy. Xiangyang Xin (2014) proposes in his study on the modernization construction of governance capacity in China that it is important to pay attention to press ahead with reforms on finance and taxation system, cultural system, social governance system, eco-civilization system and party institutional construction when it comes to the development of governance capacity in China and the realization of good governance.

Some Chinese scholars conducted contextual studies about local governance capacity as it relates to specific Chinese local governance practices. Employing empirical analysis, they pointed out some factors that influences local governance capacity and built a model as an end-result. Lin Han (2007) studied a specific case of rural governance in Huoqiu County, Anhui province of middle China and focused on rural governance; Daoming Qin (2008) learns from the township government reform in Hubei province in middle China, a township government with advanced governance capacity, by focusing on modern rural governance, which is the essence of the township government reform. Keping Yu (2008) argued that the first step to conduct a reasonable evaluation of social governance is to build a set of evaluation standards of governance and he emphasized the feasibility of governance evaluation through related literature review as well as proposes to highlight the focus of the governance evaluation, quantify indicators and put out 12 dimensions of governance evaluation framework. Xiaoyuan Li (2010) employed the theories of government capacity and enterprise capacity to build a structure model to study on the public service ability of the county government and its influencing factors by conducting an empirical research on Jiangxi and Hebei province in middle China. Then, he drew the conclusion that the development of high-quality government human resources is the key to advance public service capacity and that the positive interaction between government response and the quality of public service are the effective ways to

improve public service capacity. Mingjun Liu (2010) selected as an example the Taoyuan sub-district office in Shenzhen city, Guangdong province in south China to discuss the positive impact of meticulous management on local governance capacity. Gang Zhang and Xianchuan Xu (2004) constructed a model for governmental organizations and treated it as the basis for the establishment of a government capacity evaluation system by carrying out an empirical study on 16 cities in the Yangtze River Delta and proposing some effective suggestions to improve governance capacity. Guiyun Wang (2011) discussed the study framework of local governance from the perspective of sustainable development of a resource-based city. Xiangli Kong (2012) selected the urban fringes in Beijing to analyze the building difficulty of local governance capacity in urban fringes from administrative system, financial supply mode, management and services performance, the orientation of villager political power and the transformation of rural sub-district offices. And he supports to find out the governance model of township sub-district governance by providing high-quality public service.

Throughout China's existing research and theories, various scholarly literatures suggest many ways on how to improve local governance capacity mainly through increasing citizen participation, the transformation of government functions, governance optimization, government information disclosure and the exploration of various local governance model. However, these studies did not comprehensively consider some factors influencing local governance, specifically how the special relations between the central and local governments affects local governance. Furthermore, other researches focused mainly only on empirical analysis through the establishment of structural model and evaluation system by evaluating the local governance capacity in a certain city or region. Some scholars conducted comparative studies on local governance capacity among different regions in an attempt to completely reflect the real situation of local governance in China. However, a lot of problems exist in China's local governance capacity, including the key point is not prominent, the objective is unclear, the indices setting is improper, and the maneuverability and feasibility of the evaluation system is relatively low, all of which meant that it cannot provide reliable data and effective policy suggestions for the development of local governance capacity. Therefore, building an advanced local governance evaluation system to analyze and research the local governance capacity and putting forward feasible suggestions according to the results of the analysis has theoretical values and practical significance.

III. The Evaluation Model of Local Governance Capacity

A. *The Dimensions of Local Governance Capacity*

According to the Resource-based View (RBV) and Dynamic Capability Theory, heterogeneity between different groups and the basis of gaining comparative advantages strongly rely on resources and capacities within groups that are unique and difficult to be imitated. Besides, organizational resource refers to the stock of various kinds of elements possessed or controlled by an organization, including

human resource, material resource, culture element and other resources employed by the organization to manufacture and market products or services. Organizational capability is reflected on the process to achieving expected targets by acquiring, integrating, allocating and utilizing different kinds of resources. Therefore, we can draw a conclusion that an enterprise organization should possess at least four capacities, including abilities for resource acquisition, integration, allocation, and utilization.

Due to a certain differences between government organization and enterprise organization, we should take the special elements of governance capacity into consideration during the process of research on local governance capacity. Those special elements includes: firstly, in the whole process of local governance, the government should not only achieve the objectives of providing public service and product by acquiring, integrating, allocating and utilizing resources but also should perform the role of supervisory control. This is in addition to the ability in providing public service as an indispensable evaluation index of local governance capacity. Therefore, to analyze local governance capacity, it can be regarded as a process of input and output of local resources, divided into five indexes, including the capabilities of monitoring management, resource acquisition, resource integration, resource allocation and public service.

Based on the above analysis, the process of local governance refers to the process of acquiring, integrating, allocating, utilizing resources to produce public services, and controlling the whole governance activities to realize the governance objectives. From this complex process, a structural model can be proposed as follows:

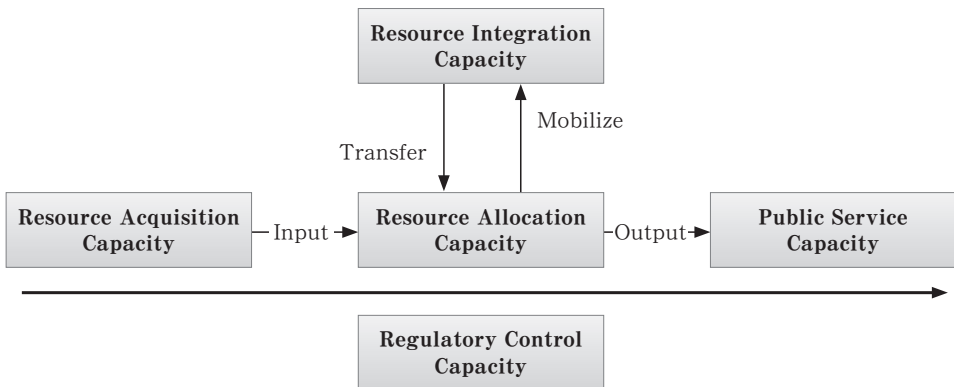


Figure 1 Structure of Local Governance Capacity

Figure 1 demonstrates five kinds of relationship between governance capabilities of governmental organization in the process of local governance. Resource acquisition capacity refers to the ability of local government organization to obtain related resources required by local governance, including financial resources, human and material resources. This resources may also contains science and technology, culture and other resources that can be used for public services or products produc-

tion and manufacturing. Resource allocation capacity refers to that the organization distribute, redistribute and recombine acquired resources in accordance with specific requirements. Resource integration capacity reflects the local government's ability to mobilize social resources of other departments. Regulatory control capacity reflects the control and supervision of the governance process of local government. Because providing good public service is the purpose of governance, the strength of public service capacity is directly linked to the effectiveness of local governance.

In the whole process, all related resources will be acquired, allocated, and integrated by the local governance subject, they will be finally transferred into local public service or goods. It is known that the public service capacity determines the short-term performance of local governance, while the resource acquisition capacity, resource integration capacity, resource allocation capacity and regulatory control capacity will determine the long-term competitiveness and performance of local governance.

B. The Evaluation Index System of Local Governance Capacity

Based on the model of local governance capacity and after the first stage of literature review, this paper will establish the evaluation index system of local governance system. This index system will conclude two kinds of index: 'soft index' and 'hard index', in which the 'hard index' refers to objective data that can be directly collected from literature review or other authoritative statistics, while 'soft index' refers to subjective data that will be synthesized from the questionnaire or other survey methods. In this way, we can quantify some complex capacity information so as to improve the effectiveness of the evaluation.

Local governance capacity is the subject of this evaluation system. On the basis of the above analysis of local governance capacity, the five dimensions of this evaluation system includes regulatory control capacity, resources allocation capacity, resources integration capacity, resources acquisition capacity and public service capacity. As for choosing the indices, this paper adopts the International Governance Index and the index systems proposed by Chinese scholars as references. Zhenzhi Li (2013), studying the governance index released by the World Bank Institute (WBI), found that governance has the following aspects: expression and accountability, political stability, government efficiency, supervision quality, rule level of law and corruption control. Keping Yu (2008) points out that the evaluation of the local governance capacity in China should contain 12 indices, such as citizen participation, public service and clean government. Therefore, after the comprehensive consideration, this paper decides to divide the above five capacities into 18 specific indices, including the above six indices of WBI and other 12 indices focused by Keping Yu. At the same time, in combination with the 'soft index' and 'hard index' and after comprehensive consideration of WBI's governance evaluation index, with expert interview, literature review and other methods, this paper decides to choose 53 secondary indices to detail the primary index. The complete evaluation index system of local governance can be seen in table 1. Among them, (+) means the

Table 1 The Evaluation Index System of Local Governance Capacity

Evaluation objectives	Evaluation dimensions	The primary index	The secondary index
Local governance capacity	Regulatory control capacity	Political participation	The number of policy feedback and the policies devised by decision-making department (+)
			The number of hearings (+)
			completion rate of petition (+)
			Satisfaction of the public to political participation (+)
		Corruption control	The proportion of cost to cars in administrative expenses (−)
			The bidding ratio public construction project (+)
			The proportion of the cost of reception and meeting in administrative expenses (−)
			The level of transparency in government affairs (+)
			The number of registered corruption (+)
		The Rule of Law construction	The ratio of average litigation costs in net income (−)
			The number of law enforcement officers per ten thousand people (+)
			The concluded number of criminal case (+)
			Judicial petition rate (−)
			the crime rate and the detection rate of criminal case in ten thousand people (+)
	Resource allocation capacity	Capital	per capita saving balance of the urban and rural residents (+)
			Per capita government expenditure (−)
		Investment	The rate of investment in fixed assets (+)
		Transportation	The density of highway (+)
			Freight volume (+)
		Labor force	The number of employment (+)
			E-government level (+)
			The number of migrate labor force (+)
	Resource integration capacity	Social resource integration	Developmental level of social intermediary organizations (+)
		Market resource integration	The proportion of the total employees in the tertiary industry practitioners (+)
			The expenditure of fiscal budget (+)
		Future resource integration	The number of patent application (+)
			R & D expenditure in a percentage of GDP (+)

	Resource acquisition capacity	Human resource acquisition	The number of employees in public administration and social organizations (+)
		Financial resource acquisition	The revenue of fiscal budget (+)
			Taxation in a percentage of GDP (+)
		Information resource acquisition	Collection of public library (+)
			The number of Web user (+)
	Public service capacity	Infrastructure	The proportion of urban and rural community affairs in total expenditure (+)
			The city's electricity consumption (+)
			Per capita road areas (+)
		Education	The number college students in each the thousand people (+)
			The rate of junior students in school (+)
			Gross enrollment rate of high school (+)
			Average Years of Education (+)
			The popularity of the nine-year compulsory education (+)
		Environment protection	Energy consumption for per unit of GDP (−)
			Proportion of the total expenditure on environmental protection expenditure (+)
			The satisfaction of the public on the local health and environment (+)
			Air quality rate (+)
		Social security and employment	The registered urban unemployment rate (−)
			The per capita amount of social insurance coverage (+)
			The number of urban basic pension insurance(+)
			The number of basic medical insurance system for town staff (+)
			Annual per capita disposable income of urban households (+)
		Medical health	The number of hospitals and beds of the thousand people (+)
			The number of doctors of each ten thousand people (+)
			Expenditure proportion of medical health to the total expenditure (+)
			Satisfaction of the public on public health and medical cost (+)

index value increases with the increase of numerical value, while (–) means the index value decreases with the increase of numerical value.

V. The Method and Procedure of Evaluation

A. Method Selection

The Analytic Hierarchy Process (AHP) will be employed in this paper to carry out a comprehensive evaluation in local governance capacities of ten cities in China. AHP is an objective method to organize and summarize people's subjective judgments, and it also a combination of quantitative and qualitative methods, which is suited to handle evaluation projects of multilevel hierarchical system such as the evaluation of expenditure efficiency. The basic idea of AHP is, according to the nature of the problem and the goals to be achieved, the problem will be divided into different factors, and those factors will be grouped in accordance with the connections, impacts and subordinate relations to each other, then resulting in a multi-level structure model for analysis and finally integrating this system into four levels: the goal level (the start or target of conducting evaluation), the criterion level (the standard of evaluation), the index level (the specific data of evaluation) and the program level (the object of testing). It is important to organize the relationship between these factors, determine the relative importance of different kinds of factors, and finally make these results as the basis of judgment. When people conduct systematic analysis on society, economy, management, etc., they are always faced with a complex system with many factors connected with each other. Fortunately, AHP provides a new, simple and applicable method to deal with those kinds of complex problem.

B. Index Selection

In comprehensively considering the feasibility of the evaluation and the availability of authority in data collection this paper will select 18 secondary indexes from the above 53 secondary indexes based on the above evaluation index system of local governance to carry out empirical analysis. These 18 secondary indexes includes the trial and completion number of criminal cases; the registration number of corruption and bribery; the average balance savings of urban and rural residents; fixed assets investment; freight volume; the total number of employment; the revenue in a fiscal budget; the user number of web; the amount of collected books in public library; the number of patent application in the whole city; the expenditure in a fiscal budget; per capita urban road area; the number of insured urban employees' basic endowment insurances; the city's electricity consumption; the number of beds in health institute for each ten thousand people; the number of college students at schools in each million people; and the excellent and good rate of air quality.

C. Weight Determination

The weight of evaluation dimensions and the primary indices will be determined by scores from experts while the number of the secondary indexes, being too

many, will be given an equal weight relative to the upper indexes. Firstly, the judgment matrix (the integral of $a_{ij} = A_i / \text{the integral of } A_j$) of consultant expert will be constructed in accordance with the scores from experts and the single hierarchical arrangement and consistency check will be implemented on the basis of the pair-wise judgment matrix.

The steps of single hierarchical arrangement are to firstly find out the maximum Eigen value λ_{\max} of the judgment matrix, and then use the $AW = \lambda_{\max}W$ to solve the corresponding eigenvector W of λ_{\max} , and after unitizing the W , a rank value is formed for a certain element in the same level with the same weight as a corresponding element in the upper level. Then, the greatest Eigen value λ_{\max} and its corresponding eigenvector W need to be solved out. Though there are many methods to decide and select the weights, this paper chooses to employ the sum-product method to decide the weights. The specific steps are as follows:

(1) Regulation (normalization) of the judgment matrix in each column:

$$\overline{a_{ij}} = \frac{a_{ij}}{\sum_{k=1}^n a_{ik}}, \quad (i, j = 1, 2, 3, \dots, n)$$

(2) The matrix after the regulated (normalized) will be added by lines:

$$\overline{W_j} = \sum_{i=1}^n \overline{a_{ij}}, \quad (i = 1, 2, 3, \dots, n)$$

(3) The Regulation (normalization) of the vector $\overline{W} = \overline{W_1}, \overline{W_2}, \dots, \overline{W_n}$

$$\overline{W} = \frac{\overline{w_i}}{\sum_{j=1}^n \overline{w_j}}, \quad (i = 1, 2, 3, \dots, n)$$

(4) Solving out the greatest Eigen value λ_{\max} of the judgment matrix.

(5) $\lambda_{\max} : \lambda_{\min} = \sum_{i=1}^n \frac{(AW_i)}{nW_i}$, (AW_i) refers to the i item of the vector AW .

(6) If $n \geq 3$, it is necessary to check the consistency of the judgment matrix.

The process to determine the consistency of the matrix is first to find out the consistency index, which is calculated by the formula $CI = \frac{\lambda_{\max} - n}{n - 1}$, second is to test coefficient operationalized by the formula $CR = \frac{CI}{RI}$, in which RI the average random consistency index, and finally, if $CR < 0.1$, then we can say that the matrix have a satisfactory consistency.

By bringing the normalized data into the calculation, the index weights of the local governance evaluation system can be determined, as shown in Table 2:

Table 2 The Index Weight of the Local Governance Evaluation System

Evaluation objectives	Evaluation dimensions	The weight of evaluation dimensions	Evaluation index	The weight of evaluation indexes
Local governance capacity	Regulatory control capacity	0.26	Political participation	0.024
			Corruption control	0.072
			The rule of Law building	0.095
	Resource allocation capacity	0.15	Capital	0.047
			Investment	0.047
			Transportation	0.009
			Labor force	0.047
	Resource integration capacity	0.13	Social resource integration	0.054
			Market resource integration	0.071
			Future resource integration	0.044
	Resource acquisition capacity	0.20	Human capital acquisition	0.055
			Financial resources acquisition	0.097
			Information resource acquisition	0.068
	Public service capacity	0.26	Infrastructure	0.065
			Education	0.036
			Environmental protection	0.052
			Social security and employment	0.065
			Medical health	0.042

D. Cities Selection

In order to fully understand the situation of the local governance capacity in China's cities, this paper selects 10 cities in China to carry out the empirical analysis. The first purpose of such a selection is to know the overall development of the local governance in China, the second is to find out the linkage between the administrative hierarchy and the local governance, and the third is to fully understand the differences of local governance in the eastern and western regions. Based on the above evaluation index system of local governance, the following part of this paper will focus on the evaluation on the local governance in the 10 cities in accordance with some related data. The administrative hierarchy of the selected cities is listed in Table 3, their geographical location in Figure 2 and their basic situations in Table 4:



Figure 2 The Geographical Distribution of the 10 Cities

Table 3 The Administrative Hierarchy of the 10 Cities

Administrative Hierarchy	Cities' Name
municipality	Beijing, Shanghai, Chongqing
sub-provincial city	Chengdu, Xi'an, Guangzhou, Hangzhou
prefecture-level city	Kunming, Guiyang, Fuzhou

Table 4 The GDP, Population, Covering Area, and Number of Counties among Each City

		GDP (a hundred million Yuan)	Population (ten thousand)	Covering areas (Square Kilo- meters)	The number of counties (items)
Eastern cities	Shanghai	21602.12	1432.34	6341	17
	Beijing	19500.56	1316.34	16411	16
	Guangzhou	15420.14	832.31	7434	11
	Hangzhou	8343.52	706.61	16596	13
	Fuzhou	4678.5	655.49	11968	13
Western	Xi'an	4884.13	806.93	10108	13
	Chengdu	9108.89	1187.99	12390	19
	Chongqing	12656.69	3358.42	82403	38
	Kunming	3415.31	546.79	21473	14
	Guiyang	2085.42	379.09	8034	10

VI. Empirical Study

A. Data Acquisition and Measurement

In the secondary indices, the observation data are from the 2013 Statistical Yearbook of the 10 cities²; from the court work report in 2013³; from the 2013 China Statistical Yearbook of all cities⁴; whereas, the data of the average balance savings of urban and rural residents and the number of beds in health institute for each ten thousand people are calculated from the 2013 Statistical Yearbook of the 10 cities.

B. Data Processing

After the measurement, the paper finally calculate sample data matrix $[x_{ij}]$ ($i = 1, 2, \dots, 10; j = 1, 2, \dots, 10$), in which i refers to the number of samples and j refers to the number of indexes. In view of the different dimension of each index value and because the judgment directions of some indexes are inconsistent, it is necessary to employ non-dimensional forward processing. The specific processing method is shown as follows:

For any j ($j = 1, 2, \dots, 10$) item listed in the data, saying:

$$m = \min\{x_{ij}\}, M = \max\{x_{ij}\}, R = M - m, i = 1, 2, \dots, 10$$

Then, the sample data may be varied according to the following formula:

- (1) When the greater item j reflects the stronger government capacity, it can be transformed as the following formula:

$$y_{ij} = (x_{ij} - m) / R$$

- (2) When the smaller item j reflects the stronger government capacity, it can be transformed as the following formula:

$$y_{ij} = (M - x_{ij}) / R$$

The data matrices after the above processing can be denoted as

$$[y_{ij}] (i = 1, 2, \dots, 10; j = 1, 2, \dots, 10)$$

Through calculation, we can get the scores and the weighted evaluation scores of the 10 cities in the five dimensions.

The specific method employed in the evaluation of scores is X for all evaluation objects and the evaluation weights W of the AHP to carry out weighted calculation. Finally, the scores of single index can be obtained as $d_{ij} = X_{ij} \times 100$

And, the scores of the local governance capacity is calculate by $D_i = \sum_{j=1}^{L10} d_{ij} \times w_j$

C. Calculating Result

According to the method described in the above, the sample data and index data are processed by computer to obtain the single index scores and the composite scores of the local governance capacity in the 10 cities, then arranging the scores of the local governance in descending order, as shown in Table 5:

Initially, there exists a big gap as shown by the scores of the local governance capacity among the 10 cities in China. The scores shows Shanghai on the five dimensions are much higher than those in Guiyang showing the former's excellent local governance capacity. It also demonstrates that the top five highest in local governance capacity includes four eastern cities, indicating the unbalanced development of local governance in China. Meanwhile, the score in regulatory control capacity in Chongqing is largely higher than that of other cities but the scores in public service capacity in Chongqing is the low, the score of public service capacity in Guiyang is

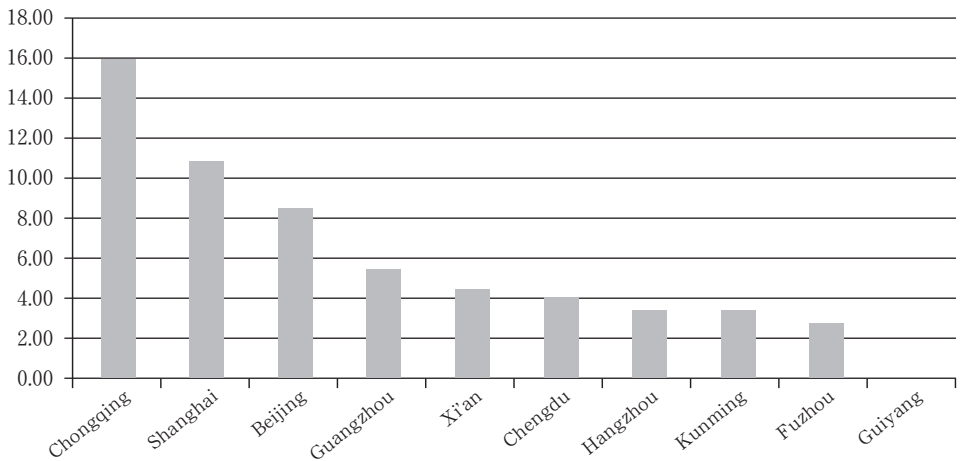
Table 5 Comprehensive Evaluation and Ranking in Ten Cities

Cities	Local governance capacity		Regulatory control capacity		Resource allocation capacity		Resource integration capacity		Resource acquisition capacity		Public service capacity	
	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank	Grade	Rank
Shanghai	64.34	1	10.88	2	9.53	2	10.40	2	16.50	1	17.03	1
Beijing	54.70	2	8.52	3	7.77	3	10.52	1	14.23	2	13.65	3
Chongqing	46.44	3	15.99	1	10.29	1	6.60	3	5.50	4	8.06	10
Guangzhou	36.89	4	5.55	4	7.46	4	3.45	4	6.12	3	14.31	2
Hangzhou	25.39	5	3.47	7	4.48	6	2.57	6	3.67	5	11.20	5
Chengdu	24.66	6	4.10	6	4.93	5	3.30	5	2.96	6	9.36	6
Xi'an	20.23	7	4.44	5	3.56	7	1.88	7	1.54	7	8.81	9
Kunming	20.09	8	3.44	8	1.67	9	1.33	9	0.85	9	12.79	4
Fuzhou	16.35	9	2.77	9	1.92	8	1.53	8	1.25	8	8.88	8
Guiyang	10.55	10	0.00	10	0.65	10	0.52	10	0.04	10	9.33	7

relative high, while all other scores are very low, both displaying the unbalanced development of the local governance capacity within each city.

D. Comparison on the Capacities in accordance with the Evaluation Dimensions

1. Comparison on the Regulatory Control Capacity



Graph 1 Comparison on the Regulatory Control Capacity

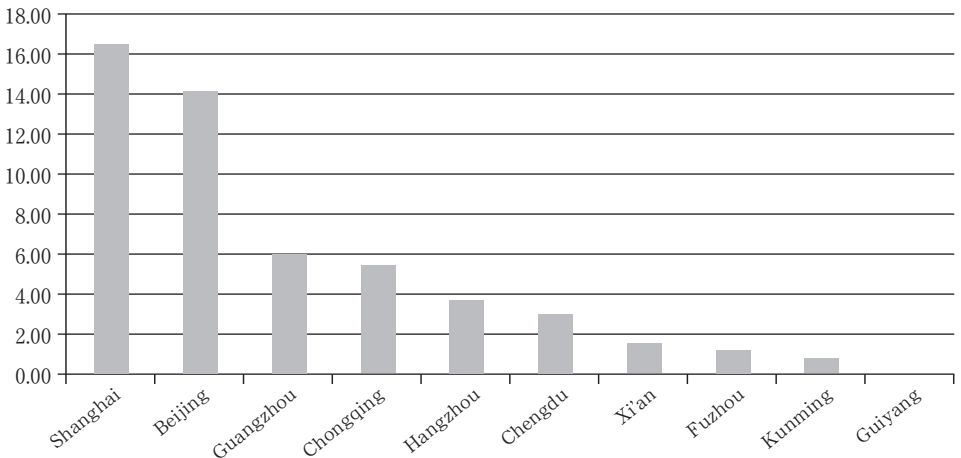
Chongqing ranks first in regulatory control capacity mainly because the Chongqing municipal government continues to crackdown on crime gangs in recent years. Chongqing is located in the southwest and due to its unique geographical location, history and culture; it has attracted underworld organization after the

reform and opening. This also resulted to collusions between cops and robbers, collusions between government and gangsters and complex social environment. All of which do serious harm to the public safety and they even openly against the government. Thus in recent years, to maintain social order and stability, Chongqing has increased efforts to crack down on crime gangs and it apparently has achieved good results.

Beijing and Shanghai ranked at the top among the 10 cities. As China's political and cultural center and economic center, these two cities, in terms of local governance, must provide a harmonious and stable social environment for the economic and cultural development. Thus, Beijing and Shanghai showed more efforts to establish the Rule of Law and strengthen anti-corruption initiatives, maintaining their high scores in the regulatory control capacity.

All in all, China's local governance capacity in regulatory control shown imbalanced development, and due to different geographical location and historical and cultural background, different local government has different attitudes on the construction of the regulatory control capacity. Local governments should realize that a stable social environment is a basic guarantee for economic development. It is still a long way to go for the formation of the local governance capacity.

2. Comparison on the Resource Acquisition Capacity



Graph 2 Comparison on the Resource Acquisition Capacity

From the Graph 2 and Table 4, it can be found that cities with higher GDP and better economic development have stronger ability to obtain resources because the cities with better economic development possess more local resources.

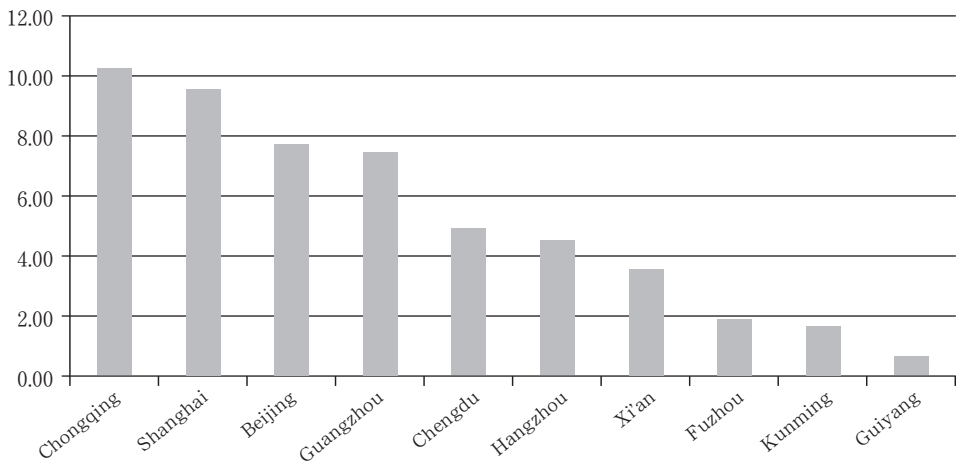
Although the GDP of Hangzhou is lower than that of Chengdu, its resource acquisition capacity is excellent than that of Chengdu. The reasons why this phenomenon exists is that Hangzhou fully takes advantage of the benefits of being a coastal city by accelerating economic development to enhance its abilities to obtain human and financial resources. Further, It improve its ability to acquire information

resources such as increasing the amount of collected books in public library and increased number of Web users.

From this, we can understand that the local government in the formation of the resource acquisition capacity should not blindly pursue high economic growth but should strive to make up their disadvantages in the acquisition of some particular resources. It is better to consider the characteristics of local cities to optimize resource acquisition structure, forming competitive advantage and realizing balanced and effective development of resource acquisition to ultimately achieve good results in local governance.

Data shows that there exists a positive relation between the economic development and the resource acquisition capacity, Furthermore, the overall resource acquisition capacity in China's local governance is relative weak. More so, due to the different level of economic development and the industrial structure in different cities, the gap of their resource acquisition capacity is still large.

3. Comparison on Resource Allocation Capacity



Graph 3 Comparison on Resource Allocation Capacity

According to the Graph 3, the 10 cities can be divided into three groups for analysis.

The first group includes Chongqing and Shanghai that develop excellence in resource allocation capacities but still has one function that is not operating so perfect. The allocation capacity in capital terms of Chongqing needs to be strengthened. As a huge municipality, Chongqing has a population of more than 30 million, facing great population pressure in the allocation. So, reorganization and redistribution of funds, and population issues in Chongqing will also be challenges in the future a problem. The Shanghai's ability of investment lies in the middle level due to the scarcity of resources. Shanghai has a population of nearly 15 million but only covers an area of 6341 square kilometers, less than one tenth of that in Chongqing. For this reason, it is no match for that in Chongqing, Beijing, and other cities.

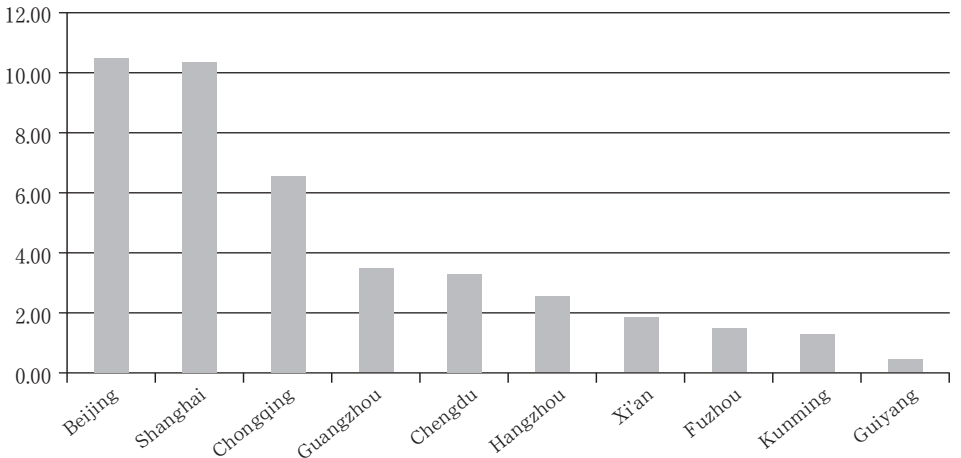
However, Shanghai makes full use of its sound economic development to promote business innovation and it has achieved good results, so there should no doubt to its excellent ability to allocate resources.

The second group includes Beijing and Guangzhou that develop well in the resource allocation capacity, but still has some functions needed to be improved. The traffic situation in Beijing lowers its rank in the resource allocation capacity. The first reason of this is the increased car ownership of Shanghai residents and the speed of the city construction growth cannot keep up with the pace of development. How to improve the local traffic situation in Beijing is an important issue to be addressed. Guangzhou faces the same problems of Shanghai but due to its low level of economic development than Shanghai, its scores in the resources allocation capacity is still lower than that of Shanghai.

The third group includes Chengdu, Hangzhou, Xi'an, Fuzhou, Kunming and Guiyang, which overall level of resource allocation capacity is relative low and many functions need to be enhanced. The authors would like to choose Chengdu as an example in having low scores in labor force and capital resources allocation. This is because, as the western city, the economic development in Chengdu has no match for that of Shanghai, Guangzhou and other coastal cities. Moreover, Chengdu has huge population, especially floating population⁵. Therefore, how to allocate these labor force resource to push ahead economic development and how to improve its allocation capacity of capital resource have become a difficult issue in Chengdu.

Relative to the resource allocation capacity, China's local governance needs varies from on city to city due to geographical differences. For this reason, there should be more emphasis on the development of resource allocation capacity in order to realize the efficient redistribution of resources and to reduce unnecessary waste of local governance resources

4. Comparison on the Resource Integration Capacity

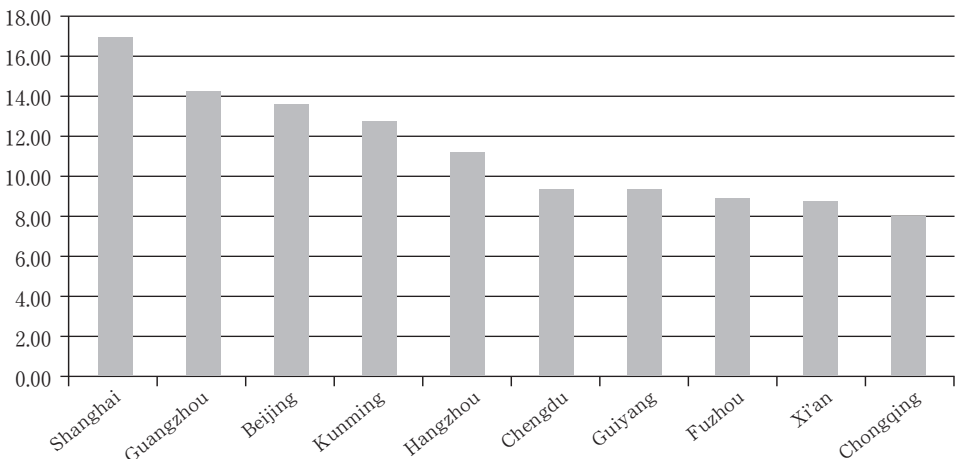


Graph 4 Comparison on the Resource Integration Capacity

The above graph easily demonstrates that the resource integration capacity varies in different cities. The capacity of Beijing and Shanghai are significantly better than that of other cities. This is because the two cities have increased effort to integrate the future resources based on their outstanding economic development. Consequently, the numbers of their patent applications and R&D investments are higher than those of other cities. Thus, they not only possess excellent resources acquisition capacities but are also outstanding compared to other cities in terms of resource integration capacity.

In conclusion, the overall resource integration capacity in the local governance in China is relative weak. The first reason of this is that the different economic development and social organizations lead to the different integration capacity for market and social resources. Furthermore, there is a need to increase the number of patent applications and R&D investments, which is beneficial to the future development of resource integration.

5. Comparison on the Public Service Capacity



Graph 5 Comparison on the Public Service Capacity

From the Graph 5, it can be easily deduced that the public service capacities of the 10 cities do not widely varies. Especially, the scores of Kunming and Guiyang in the public service has been greatly improved than that in other indices. Although the economic development of those two cities is not as good as that of other cities, they increased the efforts of environmental protection and education services in accordance with their special features. And the two higher scores of this index also indicate its good public service capacity. However, Shanghai ranks the first in the public service capacity among the 10 cities but its scores on infrastructure is not high due to the limited space and the scarcity of resources.

However, the development of the public service capacity in a certain city is not balanced. Due to weak economic development in western cities, there are many problem in the aspect of medical services, social security coverage, and education.

Local governments should also pay more attention to environmental protection aspects of governance while pursuing economic development for purposes of future sustainability. Local governments should improve the formation of some particular capacities to realize balanced development of the public service.

E. *Conducting Comparison according to the Administrative Hierarchy and Geographical Location*

After the above analysis of every evaluation dimensions, we found that geographical location and administrative hierarchy have impact on local governance. In order to better understand the specific form of influence, this paper will divide the 10 cities into three groups in accordance with the administrative hierarchy to separately calculate the average scores of municipality, sub-provincial city and prefecture-level city in each dimension; then, this paper will divide the 10 cities into two groups in accordance with the geographical location to separately calculate the average scores of the five eastern cities and the five western cities in each dimension. Finally, employing the radar chart to analyze related data as following Chart 1 and Chart 2:

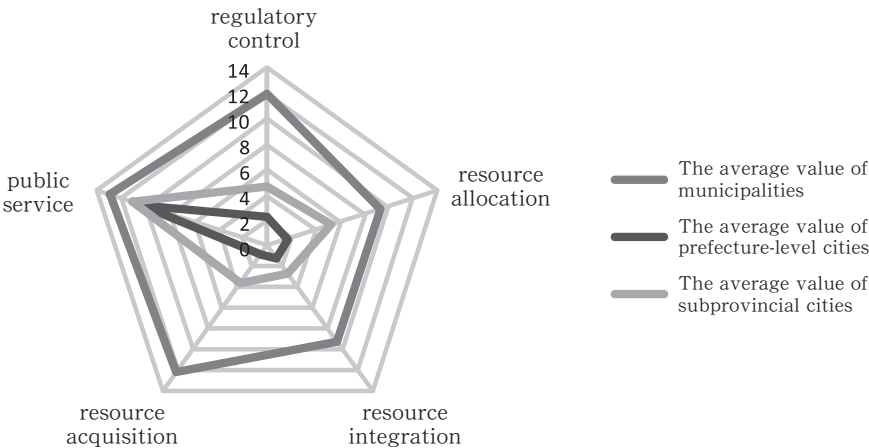


Chart 1 The Governance Capacity of the Three Groups

Chart 1 shows that administrative hierarchy has a positive correlation to local governance. This means that as the administrative hierarchy goes higher, the local governance capacity is stronger; thereby the development is more balanced. The first reason for this phenomenon is that a low administrative hierarchy in cities leads to weak economic development. Also, cities with low administrative hierarchy have less local resources compared to cities with higher administrative hierarchy. As a result, the performance of these cities in resource acquisition, integration, and allocation is poor accordingly. The second reason is that cities with higher hierarchy will be endowed more authorities due to varying influence of the central and local relations for different city with different administrative hierarchy. This enables the cities with greater central influence to mobilize more resources to promote

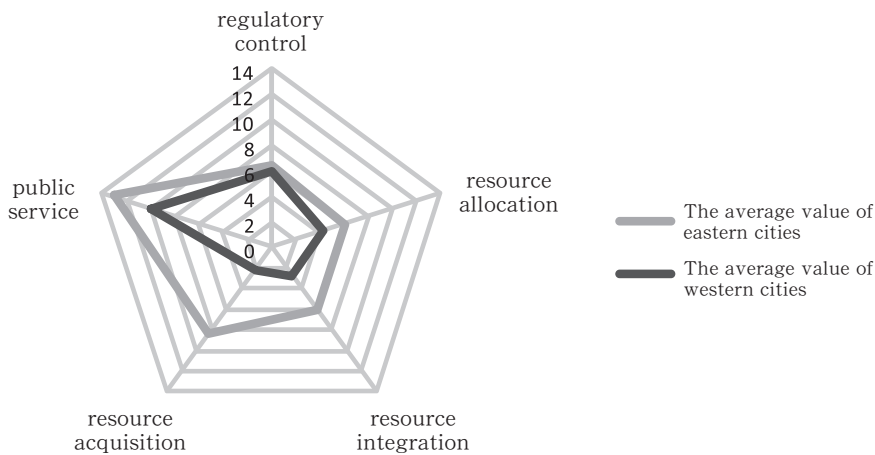


Chart 2 The Governance Capacity of the Eastern and Western Cities

economic development and promote social undertakings and ecological protection. Therefore, the higher the administrative hierarchy is, the stronger the local governance capacity.

In the Chart 2, from the point of geographic distribution, the formation of the local governance capacity in eastern cities presents some superior regional advantages to that of the western cities. This means that the former possesses a significant advantage. Eastern cities have implemented the policy of opening up primarily and the international economic and cultural cooperation have promoted the economic development in the eastern cities. As a result, the economic development in the eastern is superior to that of in the western cities. Secondly, eastern cities have the first opportunity to access advanced foreign culture with open mind and they are easy to accept the new policy. Therefore, the governance reform can be pushed ahead successfully. Thirdly, after nearly 30 years of reform and opening up, the eastern cities have a more profound understanding and more sophisticated countermeasures on economic development, industrial structure, and governance tools. Consequently, the local governance capacity in the eastern cities is superior to that of the western cities.

From the Chart 1 and the Chart 2, we can say that the local governance capacity in China is still weak. Regulatory control, resource integration, and resource allocation need to be improved continually. For China's future local governance reform and social development, the local government should attach more importance to improve the Rule of Law apart from continuing to accelerate the local economic development. They should put more efforts to anti-corruption initiatives, optimize the industrial structure, upgrade resource allocation, and diversify the channels and degrees for citizens' participation in order to perfect the local governance model and improve local governance capacity.

Conclusion

By establishing a local governance evaluation system through an empirical study on the local governance capacities of ten cities in China, this paper draws the following four conclusions and some policy recommendations:

Firstly, the development of the local governance capacities in Chinese cities is unbalanced and the internal developments of different elements of these capacities in each local government are asymmetrical. China should continue to strengthen the formation of local governance capacity as the core foundation to obtain and maintain a competitive advantage in the new competitive environment. According to the bucket principle, the governance capacity of a local government is determined by the weakest element in the capacity structure. Consequently, the unbalanced development of the local governance capacity may become the bottleneck for the local government to further enhance its governance capability and the competitiveness of the city. Therefore, China in the local governance should constantly strengthen the construction of Rule of Law, improve the channel and regulation for the citizens, enterprises and social organizations to participate in political governance and crackdown on corruption to improve the regulatory control capacity of local governance. It is important to strengthen cooperation and exchanges between local governments and to promote resources to flow and share from the eastern cities to the west in order to enhance the resources acquisition capacity of the western cities and balance the development of this capacity in China. The competition and cooperation should be strengthened among local governments, deepen the cooperation in scientific research and organizational learning. It is important to encourage local governments to try their best to realize management innovation and technology updates, giving full play to the governmental and social resources in their areas and improving the resources allocation and integration capacities of local governance. It is significant to heighten the capacity of local government to provide public goods and service in order to promote economic and cultural boost and on the premise of sustainable development, to strengthen the public policy formulation and implementation, which can provide a good environment for social and economic comprehensive development. Due to the relativity of ability itself, the evaluation and construction of local governance capacity can only be done in comparison. It is a must to take the city or even the regional economy, society, population, culture and other elements into consideration to select other cities which possess comparability and are suitable to the standards of comparison so that the evaluation can be drawn from the comparison of capacities. Lessons and experience can be obtained from the above evaluation and some improvements will be drawn from the lessons and experience. Finally, the formation of local governance capacity should be integrated into the overall strategic planning of urban development so that the management and performance evaluation of local governments will be centered on the formation of the local governance capacity.

Secondly, the local governments should find their reasonable strategic position-

ing and take appropriate strategies to promote the construction of local governance capacity according to their cultural background, geographical location and the level of economic development. The local governments in particular areas need to clarify their positions in the area of urban functions, finding suitable competitors, and realizing stagger competition. For example, Chengdu and Chongqing should take the coastal cities or even the international cities as their competitors, rather than other cities in western region, as the leaders in the development of the western cities. Beijing, China's capital, should become the political and cultural center in China but not necessarily become the economic center at the same time. For now, the key point of development of the local governance capacity in Beijing are to improve traffic conditions, optimize labor conditions, protect cultural heritage, paying great attention to environmental protection, improve the quality of public services, establish a good image of the city and etc. As for other provincial capital cities, such as Xi'an, Kunming and Guiyang, they tend to become the so-called economic centers in their regions, so they can become the competitors to each other; but even so, due to the difference of history, resources and regions, stagger competition could become reality. In fact, every city has its special resource endowments and cultural and historical characteristics, and it is impossible and unnecessary to be identical in the methods of local governance. Meanwhile it is better to find out and maintain its own advantages and characteristics of governance, overcoming the deficiency of local governance so as to improve its governance capacity.

Thirdly, it is crucial to handle the central-local relations properly in the process of local governance. There is a need to clarify the boundary of the central-local powers and give full autonomous control to local governments so that the enthusiasm and initiative for local governance could be mobilized. Data show that the higher administrative hierarchy of a city possesses the better local governance capacity because of the difference of economic development, the more administrative autonomy and clear responsibility of the high administrative hierarchy cities and more initiative and autonomy to local governance. Then, they can take more measures to improve its governance capacity in accordance with their local features. Therefore, it is important for the local government to clarify the division of functions and capacity matching between the central-local governments and fully mobilize the enthusiasm of local governance. In the division of functions, the functions of the central government includes national strategy, resource, equity, safety and fundamentality; while the functions of the local government includes taking advantages of the legislation and regulations to strengthen supervision, provide service, build management city, protect the environment, maintain a stable social order to ensure healthy economic and social development in the region. As for some complicated functions of the central-local governments, such as the formulation and implementation of laws and regulations and the definition and protection of property rights, the provision of education, transportation, health and other public goods needs to be completed by both the central-local governments to compensate for market incompleteness and asymmetry of information. Regulating the market order according to the principle of equity and efficiency of public service and social

administration. To mobilize the enthusiasm and initiative of local governments, the range of local governance specified by the laws and regulations is important, and incentives should be employed to encourage the local government. At the same time, it is important to encourage the model innovation to mobilize the enthusiasm of the local government.

Finally, the measurements to enhance the local governance in China should be carried out in accordance with the setting goals of the national governance system. As China begin to participate in international competition, the formation of China's national governance system has also been put on the agenda, which presents a higher requirement on the complement and cooperation of the local governance capacity. In this regard, the reform and innovation of local governance can be carried out from the following three aspects. First, the local government should push ahead the institutional innovation in the implementation of public functions, being guided by the concept and principle of the modern democracy to promote the realization of the government's publicity and service value, making local government functions ranging from unlimited to limited, powers changing from the full burden to reasonable division of the market and social organizations, and the provision of social services changing from the direct supply to policy guidance and system accommodation. Then, the local government should promote the institutional innovation in social autonomy. It is important to regulate government power and to position government functions by modern democratic rule of law, which means that it is better to protect the guidance and leadership role of local government in the process of serving the community, promoting social autonomy, self-government and the social construction. Finally, the local government needs to carry out institutional innovation to regulate the market order. Local governments should gradually withdraw from the market rather than replace the market. This means that governments should let the market regulate some areas it could, operate the institutional innovation by itself, and local governments should only plays the role of regulating the market order. This is the key point in the process of transforming from local control to local governance.

As to an attempt to conduct evaluation and comparison on the local governance capacity, this study still has some shortcomings. First, in order to guarantee the authority, uniformity and comparability of data sources, the numbers of secondary indices were reduced in the empirical analysis on the 10 cities but these indices are important parts in the evaluation of the local governance capacity. Absence of them causes the evaluation to be considered as not comprehensive, thus, needs to be more strengthened in the later research. Secondly, on the evaluation method, although this paper studies combined both subjective and objective factors, it also need to constantly improve on the scope of research and the index selection. Finally, the structural model of local governance needs to be further expanded, enriched, and tested by a wider range of application. It is of great significance not only for the improvement of the structural model and the evaluation index system of the local governance, but also for the development of the local governance in China or even in other developing countries.

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Notes

- 1 "Power capital" refers to the capital that have been used by some officials to gain more privileges in order to seek additional non-legitimate interests of some individuals or groups.
- 2 This includes the fixed assets investment, freight volume, the revenue of fiscal budget, the user number of web, the number of patent application in the whole city, the expenditure of fiscal budget, the employment proportion of the tertiary industry, per capita urban road area, the ensured number of urban employees' basic endowment insurances, the number of college students at schools in each million people and the excellent and good rate of air quality.
- 3 This includes the data of the registration number of corruption and bribery and the trial and completion number of criminal cases are
- 4 This includes the data of the collected books amount of public library, the city's electricity consumption and the total number of employment are
- 5 Floating population is a terminology used to describe a group of people who reside in a given population for a certain amount of time and for various reasons, but are not generally considered part of the official census count.

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