CHINA CASE STUDY ON THE DIFFERENTIATED SUPPORT POLICY FOR THE SELF-DEVELOPMENT CAPABILITY OF THE GOVERNMENT IN EIGHT ETHNIC AREAS

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ABSTRACT

Constructing a long-term mechanism to solve the relative poverty in ethnic areas is inseparable from the improvement in the self-development ability of the government in ethnic regions. The empirical analysis of the eight ethnic provinces in China showed that the self-development capabilities of the governments in ethnic regions were relatively weak; the gap between the economic regulation and public service capabilities of the provincial governments had narrowed, while the gap between social security and environmental protection capabilities had expanded. The self-development capacity of the government in ethnic areas had room for improvement. It was an important national strategy to help minority areas cultivate and improve the government's self-development capability. We observed that the differentiated policies of the state to support the improvement of the government's self-development ability in ethnic areas mainly include fiscal transfer payment policy and mutual interest’s cooperation policy. Measures should be taken to improve them respectively to enhance the self-development ability of the government in ethnic areas and build a solid foundation for the construction of the Chinese nation while promoting a sustainable development of ethnic regions.

Keywords: Minority governments’ self-development ability, financial transfer payment, mutual interest’s cooperation, community of shared future, sustainable development

INTRODUCTION

In August 2021, the Chinese central government Ethnic Work Conference pointed out that by having a common consciousness of the Chinese nation's community as the main principle to continuously promote the construction of the Chinese nation's community, it is required to improve differentiated regional policies and support ethnic regions to improve their self-development capabilities. The cornerstone of an improvement in self-development capability is the sustainable development of the region, and the essence of sustainable development is the improvement of self-development capability. Since the 18th National Congress of the Communist Party of China, China’s poverty alleviation strategy has achieved remarkable results. Absolute Poverty in ethnic areas has become history, but we should also clearly recognize that Relative Poverty still exists and will exist for a long time. Therefore, to solve
the problem of Relative Poverty has become an important content and long-term task of
poverty alleviation in ethnic areas in the new era. If the Relative Poverty in ethnic areas is not
resolved, the relative development gap will continue to widen, which will easily lead to
psychological imbalances and even imbalances in ethnic and regional relations. It is
emphasized that the construction of the Chinese national community is to promote the full
development of ethnic areas, enhance the self-development ability and sustainable
development ability of ethnic areas, and promote the coordination and balance of
development between ethnic areas and developed areas. Although there are many factors that
affect the Relative Poverty in ethnic areas, the lack of self-development ability in ethnic areas
is the most fundamental factor. The formation and improvement of the self-development
capability of a region depends on the cultivation and improvement in the self-development
capability of stakeholders such as enterprises, families, governments and Non-Governmental
Offices (NGO).

Minority areas are relatively poor areas. Considering the poor natural conditions, lack of
capacity in the supply and demand of goods and services, and low socialization in ethnic
areas, the free market enterprise alone cannot establish a long-term mechanism to solve
relative poverty. Therefore, it is necessary for the government to promote ethnic areas.
Sustainable economic and social development must rely on the effective governance of the
government to promote its comprehensive development. At present, China is in a critical
period of promoting the modernization of the national governance system and governance
capacity, and higher requirements are also proposed for the self-development ability of the
government in ethnic areas. Without strong self-development ability, no government can be
effective towards promoting high-quality economic and social development in ethnic areas.

At the time of writing, there were limited foreign literature on self-development capabilities,
while domestic Chinese scholars mainly studied from the following aspects: connotation and
concept, measurement and evaluation index system construction, evaluation method and
model construction. From a geographical perspective, Sun Genjin (2015) and Xu Xiaoyong et
al. (2017), concluded that a region mainly relied on its own strength to integrate relevant
external factors effectively, resulting the local economy to develop rapidly and stably. Wu
Wenfeng, Yuan feng (2019) and others constructed an evaluation index system for poverty
alleviation effects in poor counties based on the perspective of self-development capability.
A composite system to analyze the development trend of Linfen poverty-stricken areas from
time series. Wang Xiuyan (2019) constructs an evaluation index system from the aspects of
Resident Quality Skills (RQS), Enterprise Innovation Capability (EIC), Industrial
Competitiveness (ICC), and Government Regulation Capability (GRC) for ethnic areas.

Shen Peng et al. (2019) constructed an indicator system for the development capability of
deeply impoverished areas in Guizhou from the perspective of capital. Starting from the four
subsystems of economic capital, natural capital, social capital and human capital, they
adopted the direct value method of objective empowerment to develop their development
capability, ability to measure. Zhou Yang et al. (2018) and Xu Xiaoyong et al. (2019) used
the BP neural network model to calculate the multi-dimensional poverty pressure index and
the self-development ability of 14 destitute counties based on the theory of the regional
system of human-land relationship. Jiao Shitai et al. (2020) based on the three-dimensional
perspective of economy, society and natural environment, using factor analysis method and
multi-index comprehensive evaluation method to evaluate the sustainable land resources of
28 counties (districts) in the ethnic border areas of Yunnan, Guizhou and Guangxi. Comprehensive evaluation of utilization status.

Combing the relevant literature, we can find that there are very few literatures on how to improve the self-development ability of the government in ethnic areas. Therefore, strengthening the research on the government's self-development ability in ethnic areas has important practical significance and theoretical value for improving the modernization level of the national governance system and governance capacity, and building a long-term mechanism for solving the relative poverty problem in ethnic areas. Based on this, this paper intends to take the eight ethnic provinces and regions as the specific research objects, and on the basis of analyzing and evaluating the self-development ability of the governments in ethnic areas, to discuss the central government's suggestions for reforming and improving differentiated support policies, in order to promote the self-development of the governments in ethnic areas. The improvement of development ability will make the foundation of the Chinese nation's community more solid.

METHODOLOGY, DISCUSSION AND SUGGESTIONS
Suggestions on improving the differentiated support policy for the self-development capability of the government in ethnic areas

(1) Suggestions on improving the differentiated fiscal transfer payment policy

1. Formulate the Regulations on Financial Transfer Payment as soon as possible to improve the legal system of financial transfer payment

Fiscal transfers play a very important role to coordinate regional development. At the time of study, the financial transfer payment system for ethnic areas was ineffective, mainly due to the lack of higher-level legal protection. The main basis for financial transfer payments was the relevant regulations promulgated by the Ministry of Finance, such as the Transition Payment Measures for the Transition Period, General Financial Transfer Payment Measures, Central to Local Special Transfer Payment Management Measures and Central to Local Ethnic Areas Transfer Payment Measures. The Regional Ethnic Autonomy Law had only some principled provisions on financial transfer payments, and lacked operational and targeted provisions. Therefore, we propose an acceleration of the formulation of the Regulations on Fiscal Transfer Payments to elevate fiscal transfer payments to a higher legal status. This will enhance the authority of the transfer payment system while government behavior can be regulated through specific and feasible legal provisions that will speed the growth of ethnic areas.

The preferential policy of fiscal transfer payment must be strengthened. Fiscal transfer payments in ethnic areas should be listed in a separate chapter in the regulations, while the differentiated fiscal transfer payment policies should be fixed in the form of specific regulations. At the same time, the transfer payments from the corresponding provincial governments to lower-level governments should be further regulated. For better management, it is necessary to strengthen the internal supervision of transfer payments through building an approval, inspection and acceptance system when using transfer payment funds. The system will give supervisory role to the People's Congress and its Standing

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Committee, and support news media and the public participation while increasing the transparency and openness of fiscal transfer payments.

2. Expand the proportion of general transfer payments and optimize the structure of fiscal transfer payments

China’s central government had adopted a transfer payment system that combined general and special transfer payments as the main transfer payment and special transfer payments. The main purpose is to balance the basic financial resources among regions. General transfer payments had been used flexibly and would not list specific purposes. Local governments had the right to make overall plans and control them, which had a more obvious effect in improving the level of public services; special transfer payments were generally specified for purposes, which could only be used for special purposes or in conjunction with other funds. If the proportion was too large, the financial autonomy of local governments would be limited.

In practice, the proportion of special transfer payments made by the central government to ethnic minority areas had been relatively high, while the share of general transfer payments towards the equalization of public services was minimal and lowly prioritized. This severely affects the overall effectiveness of local governments’ financial capacity in ethnic minority areas. The special transfer payment which involved complicated projects had administrative approval procedures which had been complicated rendering the effectiveness application of the funds.

When they accept transfer payments from the central government, local governments in many cases needed a certain proportion of matching funds as a condition. Local governments had very limited financial resources to begin with, thus most of the ethnic area governments failed to come up with matching funds. As such, projects often failed to achieve their expected goals. Therefore, attention should be paid to improve and optimize the transfer payment structure for transfer payments in ethnic areas. We recommend that special transfer payment projects with clear policies and stable funds be included in the scope of general transfer payments, and the proportion of general transfer payments should be increased on a yearly basis. The proportion should be gradually increased to more than 60% to improve the autonomy of financial use in ethnic areas.

3. Improve the “factor method” of general transfer payments, and reduce or exempt special transfer payment supporting funds

At the time of study, because the "base method" was used in the financial transfer payments of local governments below the provincial level, this was not a true reflection of the actual finance status of local finance. It is necessary to create a transfer payment system based on "law". To obtain scientific and accurate finance status of ethnic areas, there is a need to first identify the factors that affect local finance, then establish and optimize the transfer payment system based on the “factor method”, supplemented by rewards and subsidies as the natural resource endowment and development level of the ethnic areas are different from each other. Residents of the region could then have relative equal access to public services. Adopting the "factor method" could significantly improve the efficiency of the use of general transfer payment funds, greatly reduce the behavior of local governments to obtain central transfer payments through rent-seeking, and reduce the interference of human factors. The

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distribution factors involved in the "factor method" needed to be further improved and optimized, and the policy-oriented and guiding role of distribution factors should be brought into full force to promote the scientific, efficient and refined use of financial funds. The existing system only identifies entrusted special projects, therefore for special transfer payments, the central government should prepare to fund the budget completely without any expectations that the local governments have to prepare supporting funds. Additionally, there should be a reduction or exemption of supporting funds for ethnic as an effective way to reduce their financial burden and thereby enable the standardized use of special funds through incentives and other institutional arrangements. That would provide better use of special transfer payments, especially in stabilizing the economic and social development of ethnic areas, as well as encourage the coordinated development of the region.

4. Increase the transfer payment of ecological compensation in ethnic areas, and improve the ecological compensation mechanism that combines the vertical and horizontal

The ethnic areas contribute to China’s national product and serve key ecological function as well, but these areas had been fraught with ecological issues that are intertwined with their poverty. Additionally, they faced the dilemma of choosing between economic development and ecological preservation. The county-level economic assessment index system using GDP as the ultimate metric had discouraged the local governments, especially at county-level, to apply to be key ecological function areas. Thus, the funds tend to diverted pursuing their ecological protection goals. Our study showed us that China’s practice of ecological compensation was mainly through the central government transfer payment funds to key ecological function areas; the aim was to promote the protection and improvement of the ecological environment through the financial support of the central government.

Fiscal transfer payment funds for key ecological function areas was significant for ethnic areas. Ecological protection requires a gradual and long-term approach. The central government needed to prioritize ecological compensation factors in transfer payments to ethnic areas, annually increase the intensity of ecological compensation transfer payment, and gradually create a vertical and horizontal ecological compensation mechanism. The State Council issued the Opinions on Improving the Ecological Protection Compensation Mechanism in 2016, which proposed to promote the horizontal ecological protection compensation pilot. Even though the horizontal ecological protection financial transfer payments had achieved good capital flow between ecological beneficiaries and ecological compensation subjects, but the horizontal assistance obligation between local governments did not have sufficient clear provisions in national laws. In practice, most of them came from voluntarily negotiating local governments’ protocol. Therefore, it would be necessary to accelerate the formulation of the Regulations on Fiscal Transfer Payments for Ecological Protection in Minority Areas so as to define clearly the basic principles, procedures, supervisory bodies, legal responsibilities, etc. The horizontal and organic integration of the ecological protection fiscal transfer payment system helped ethnic areas to maximize their potential in key ecological function areas, and gradually transform their ecological environment by raising their core competitiveness in economic and social development.


(2) Suggestions for the improvement of differentiated counterpart cooperation policies

1. To improve the legal system of counterpart assistance and lay a legal foundation for the transformation from counterpart assistance to counterpart cooperation

Counterpart support that started by the central government was based mainly on government regulations and policy. Often run by multiple departments, it was not authoritative, organized, continuous, and long-term. Due to the regulated and regimented nature of the implementation, there was a serious lack of coordination with local provisions, leading to conflict between policy documents, laws, regulations, and the idiosyncratic use of power above law. The lack in relevant legal protection resulted in reduced managerial ability and coordination advantages of the supporter, which seriously affected the implementation process of the counterpart support; the will of the grantee was often ignored, and easily manipulated by the supporter, making it difficult for long-term cooperative relationship between the governments to form. The corresponding support initiated by the central government was aimed at regional coordinated development, and its original plan included both support and cooperation; but the central government unilaterally emphasized only support in its implementation process. Attention should be paid to the two aspects of support and cooperation, and a benefit-sharing mechanism should be introduced gradually. Therefore, counterpart support should be done in three stages according to the level of economic and social development in ethnic areas. The first stage: support should be the main focus while cooperation is supplementary; in the second stage: support and cooperation should be treated as equally important; in the third stage: support should be supplementary while cooperation should be the main focus. At the time of study, counterpart support should arrive at the second and third stages. To gradually shift from counterpart support to counterpart cooperation, we must improve the recipient's own self-rejuvenating function by changing from unilateral support to cooperation of mutual benefit, and continuously improving the self-development capability of the recipient. All governments in the counterpart support should be active participants in creating conditions for the transition from support to cooperation. Consequently, it would be necessary to rename the counterpart support policy as the counterpart cooperation policy”. Counterpart cooperation would require a strong institutional environment. When there is conflict of interest between different subjects, or when regional interests are not united in the overall interests, it would be difficult for the regional economy to achieve coordinated development solely by relying on the conscious awareness of local governments. Counterpart cooperation necessitates appropriate laws to be enacted. In order to provide support and guarantee, the state should issue the Regulations on Counterpart Cooperation in Minority Areas and its implementation rules as soon as possible to coordinate, standardize and guide the counterpart cooperation work between developed areas in China and ethnic areas.

2. Establish and improve a long-term mechanism for benefit sharing, and build a community of shared future for counterpart cooperation

The counterpart support policy was dependent on political will to ensure the development of ethnic areas. It often used the enforced matchmaking method which mandated that supporting areas help the ethnic areas, and the ethnic areas would be the recipients of assistance. The recipients gained a lot from the whole process of counterpart support through large number of infrastructures that were built. These greatly improved the quality of economic development and people's life. The counterpart support policy tools that had been practiced for years had

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seemed simple but lacked the combined system of policy tools such as management, coordination, monitoring and evaluation, and a refined policy for the recipient areas. The recipients provided the people, money, materials and technology, which seriously affected the enthusiasm of the supporters to participate in counterpart support, and thus the mutual benefit mechanism between the two sides had not been formed. Thus far, the funds for counterpart assistance was mainly derived from fiscal funds and state-owned funds. The contribution from private capital had been low. Main contributors of aid were local governments and large and medium-sized state-owned enterprises. Most of the counterpart support projects were for public welfare purpose. This is not attractive in drawing contribution from private enterprises, and easily adds to the financial burden of the supporters. The counterpart support policy lacked a benefit sharing value to encourage long-term cooperation or form a mutual benefit sharing mechanism. The recipient government accepted the aid passively, with insufficient long-term commitment and spirit of cooperation. In particular, the recipient government would emphasize just the superficial value of the project and lacked effective supervision of the project; the government of the support side would just fulfill their political duty believing that counterpart assistance should be treated as a gift. The government of the support side would have superiority complex and thus ignored the use and follow-up management of aid funds. The supporter and the aid recipient were not sharing each other's benefits from the counterpart support project; on the contrary, the equal rights of the two sides were often harmed by the lack of law. For the side of the government support, to switch from corresponding support to cooperation would require a concerted effort in protecting their own rights and interests that they as supporter should enjoy. The key to the success of counterpart cooperation would be to establish a long-term mechanism for sharing the benefits of counterpart cooperation results between supporters and recipients, and gradually build a counterpart cooperation community with a shared future. It should be noted that counterpart cooperation was not a spontaneous economic cooperation between regions, and would still require the strong intervention of the central government. Although counterpart cooperation was mainly a form of cooperation between local governments in which the supporter provided free support to the grantee, to make the cooperation effective and long term in order to reach the third stage i.e. support as supplementary role and cooperation as the main thrust, sharing of benefits would be important.

For private capital to actively participate in counterpart cooperation, the adoption of tax relief, increased special subsidies and other measures is crucial to provide incentives for enterprises and institutions of the supporting side. The sharing of public goods and public services could also be targeted in different places to manage interests of the supporters. Benefit sharing in counterpart cooperation is the perfect and long-term solution. By fully weighing and coordinating the interests of all participants and all parties, regional coordinated development goal is achievable and the fruits of national economic development can be shared by all the nation’s Chinese people.

3. Innovate the counterpart cooperation management mechanism, improve the supervision mechanism, and ensure the effective implementation of the law

Local governments would be granted more autonomy with intensive reforms and liberalization, and without effective laws, it is inevitable that implementation weakness such as misalignment between policies and practice would occur. Because an effective management mechanism in counterpart support had yet to be found, government functions

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lacked clarity in the implementation of counterpart support. In the past the lack of long-term planning in the counterpart support process caused the recipients to focus mainly on infrastructure construction with minimal attention to industrial development. Therefore, it was arduous to build industries of distinguished characteristics and advantageous industries that would transform and optimize the industrial structure of ethnic areas. The approach had clearly failed to work the way it was intended. The government of the recipient side maintained a traditional mindset that was lacking in service awareness, and its guiding role was not given enough prominence. Because of this, misaligned government actions became more intense. Ever since the implementation of the counterpart assistance policy began, developed areas provided a lot of assistance in economic and material forms to ethnic areas. Also, a high number of counterpart assistance projects were established in the recipient areas, but these projects presented problems as well for example, insufficient project preparation work and preliminary research and non-implementation of actual project. Even after the project was confirmed, it would undergo changes haphazardly, and subjected to improper management, which seriously affected the use of support funds, and diminish any of the expected economic benefits. Upon project completion, the local government would take over the management, leaving the recipient area with continued lack of relevant experience and technology. The phenomenon of unfinished business is an occasional occurrence. In the long run, the role of counterpart cooperation in promoting the economic development of ethnic areas would not be realized while the long-term development of counterpart cooperation had not received enough attention, and the long-term operation mechanism had not been effectively established. In counterpart cooperation, various market forces with enterprises as the main body should actively participate and take action according to the law of market supply and demand by adjusting their own behavior to take actions to achieve entrepreneurial motives. In counterpart cooperation, various enterprises may appear directly as profit, or as charity or public welfare. Regardless of their identity and appearance, the ultimate goal of enterprises would be to obtain economic and social benefits by participating in counterpart cooperation. Therefore, it would be necessary to supplement and avoid the insufficiency of cooperation between local governments by establishing a cross-government substantive counterpart cooperation implementation mechanism through the docking and exit mechanism of innovative aid projects. We would suggest to set up a substantive counterpart cooperation implementation agency jointly invested by the recipient and the supporter. Funds could be added, and financial platforms could also be used to make the sources of funds for counterpart cooperation reliable and diversified. The governments of the two sides could also communicate their wishes to the entity body, and the plans with different opinions would be balanced and coordinated by the body first, and then submitted to the governments of the two sides for negotiation and coordination. Indeed, the normative implementation of laws, policies and agreements would be inseparable from effective supervision and constraints. To actively improve the supervision mechanism of counterpart cooperation, it would be necessary to establish an all-round supervision system and report the progress of each project in real time. Authorities and supervisory agencies in ethnic minority areas should earnestly perform their supervisory duties, further improve the law enforcement inspection mechanism, strengthen supervision and restraint, and improve the effect of supervision and self-restraint.

4. Establish and improve the horizontal financial transfer payment system for counterpart cooperation to achieve equalization of basic public services

Currently, China’s balance of financial resources was mainly a method of transfer payment from the central government to the local government. With economic development, balancing local financial resources would require the central government to pay more and more costs,
and the rigidity of this expenditure increased the financial risk and expenditure pressure of the central government. In balancing the financial situation between regions, western developed countries still use the form of horizontal transfer payments between inter-provincial governments. To some extent, this method has been performing quite well. Horizontal fiscal transfer payment means the direct transfer payment from wealthy areas to poor areas, and by horizontal transfer, the pattern of vested interests among regions would be altered to balance the public service levels among regions. Equality is the purpose of horizontal fiscal transfer payment which would equalize the level of public services in various regions, resolving the problem of unbalanced social and economic development among regions. In China, to fully implement this horizontal financial transfer payment system is unrealistic. The practical experience of counterpart support to design the financial transfer payment scheme between regions in China can be practiced. Therefore, the design of horizontal fiscal transfer payment scheme in China can be restricted to the relevant provinces (municipalities or autonomous regions) for counterpart cooperation. There is an urgent necessity to accelerate the standardization of the horizontal transfer payment system in the form of counterpart cooperation, delineate the objectives and principles of transfer payment, make adjustments to standardize the form and scale of transfer payment, emphasize the maximum effect of counterpart cooperation assistance projects, and strengthen the transfer payment system to achieve transparency in ethnic areas. In the formulation of the "Regulations on Counterpart Cooperation in Minority Areas", it may be considered to increase the content of horizontal financial transfer payments, and there must be clear regulations on the content, specific uses, supervision forms, and punishment rules of horizontal financial transfer payments. Simultaneously, it is imperative to strengthen the establishment of a third-party evaluation and supervisory process for the horizontal transfer payment system. Horizontal financial transfer payments will improve the financial resources of the recipient local governments and enhance their autonomy, so they can make better use of the funds and increase their self-development capability.

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