



Logics of government innovation and reform management in China

Lewis Husain

Innovation and Reform

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Since the beginning of reforms in the late 1970s, China has developed rapidly, transforming itself into a middle-income country, raising hundreds of millions out of poverty and, latterly, developing broad-based social protection systems. The country's approach to reform has been unorthodox, leading many to talk of a specific Chinese model of development. This paper analyses the role of innovation (*chuangxin*) and experimentation in the Chinese government repertoire and their contribution to management of change during the rapid, complex and interconnected reforms that China is undergoing. 'Innovation' is understood as the process of generation, putting into use, and spread, of new ideas. This contemporary focus on innovation is an extension of an older Chinese government attachment to sub-national initiative in policy formulation and development that goes back to the beginnings of the PRC and before. Central government backing for, and endorsement of, proactive agency on the part of sub-national governments responds to a belief that China is too large, and conditions around the country too diverse, to allow adoption of 'one size fits all' policy. Sub-national governments are expected to show initiative in adapting policy locally, and creating locally-useable policy solutions within the overall scope of central policy mandates/paradigms. The paper argues that innovation by sub-national government is systemically embedded: while central government sets the policy agenda, local governments are frontline managers, and develop a range of policy practices. Differences in conditions between localities mean that multiple variant policy practices are often in circulation at any one time. While innovation is not quantifiable in the aggregate, there is much controlled experimentation, freewheeling innovation, and trial and error, all of which are part of a search for new policy fixes and institutional solutions. Many forms of policy transfer and learning are in evidence, including much central learning from sub-national models, as well as sub-national circulation of a range of innovative policy practices. While much government innovation is not 'original', and may be 'inefficient' or of little systemic usefulness, overall, the churn of government innovation remains valuable in underpinning systemic adaptation and reform. The paper situates the analysis of government innovation within a larger framework on the functioning of Chinese government and international literature on policy transfer, and outlines an agenda for future research on the structural bases of Chinese government innovation and its contribution to adaptive management.

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Acronyms

CCP	Chinese Communist Party
CCTB	Central Compilation and Translation Bureau
CNKI	China National Knowledge Infrastructure
DFID	Department for International Development (UK)
LGIPP	Local Government Innovation Prize Programme
PRC	People's Republic of China
UK	United Kingdom

1. Introduction

This paper discusses government innovation (*chuangxin*) and policy experimentation in China and the contribution of this to management of change in the process of the rapid, complex and interconnected reforms that China is undergoing. Since the beginning of reforms in the late 1970s, and the move away from a state-dominated and planned economy, China has been transformed from a poor country in which incomes of most of the population stood below the global median, to a middle-income country, raising hundreds of millions out of poverty in the process, and substantially contributing to the development of a global middle class (Rodrik 2013). Latterly, it has actively developed social protection systems, including rural and urban health financing schemes, pensions for rural and urban populations, and others. China's rural health insurance scheme alone achieved near full coverage of the country's vast rural population of more than 600 million within a few years of its launch. All Millennium Development Goals have either been reached or are within reach (World Bank 2015).

China's approach to reform has been both government-led and unorthodox. The speed of development, and the complexity and interconnectedness of reforms have led many to talk of a specific 'Chinese model' of development (Ramo 2004). The Chinese Government has been central to development and to management of reform, and has substantially reshaped itself over time, creating new institutional structures, and repurposing old ones to deal with changing context and emerging challenges.¹ How the Chinese Government manages and copes with high speed change, adapts to changing challenges, and maintains resilience is an important developmental question. This paper focuses on the development, putting into use, and spread of new institutions in and by the Chinese Government. This is framed as a question of 'innovation', a process through which ideas are generated, put into use and spread.

Much has been written about institutional innovation in China, specifically 'government innovation' (*zhengfu chuangxin*), and 'local government innovation' (*difang zhengfu chuangxin*). Discourse 'in and around government' (Kingdon 1984) employs a number of terms to discuss the purpose and functions of government innovation and experimentation, the propagation of innovation, and the roles of central and local government in this. In addition, recent years have seen an increase in non-Chinese research on experimental policy making in China. Most notable among these is Sebastian Heilmann (2008a; 2008b; 2009; Heilmann and Perry 2011) who has written about the importance of experimentation and decentralised 'tinkering' underlying China's economic growth. There have been fewer analyses of government innovation in social policy and existing analyses of government innovation are incomplete. Within the growing political science literature on Chinese Government innovation and experimentation, there remain many questions about the specific mechanisms allowing this, particularly as regards how institutions of a nominally Leninist polity can promote innovation. Such questions are important given increasing attention from both researchers and governments with regard to lessons that other developing countries can learn from China. It also remains the case that analyses remain predominantly within political science, and that there is less application of this thinking to other academic domains, including social policy and health systems. Existing literature is largely silent on what other countries might learn from China in this regard, despite increasing attention to lessons China might have for the world in, for example, promoting population health (DFID 2013), or agricultural development (AgriTT n.d.).

¹ See Yu (2008b) for a Chinese view on reshaping government during the reform era.

This paper has three main purposes. First, to discuss the extent to which government innovation is a useful concept in understanding China's management of change and point to outstanding research questions.² Second, while government innovation is discussed in the abstract, the discussion is intended to provide a framework for discussion of Chinese approaches to management of health and social sector change. Third, the paper attempts to provide an initial basis for dialogue between a body of research in both Chinese and English on institutional innovation in China and research on government innovation, policy innovation and transfer elsewhere and to ask what lessons there are from Chinese government's approaches to management of change for other developing countries.

Section Two provides an initial framing discussion of innovation and its importance, as well as an initial background discussion of government innovation in China. Section Three discusses a range of Chinese sources on government innovation and discusses these as rationalisations 'in and around government' of these phenomena and their causes. This section engages with Chinese literature and understandings of innovation processes in order to discuss outstanding research questions as well as to provide a basis for dialogue with global debates. Section Four broadens the discussion of Chinese analyses presented in Section Three, and poses questions for further research.

² This paper does not claim that experimentation and government innovation are the only factors underpinning the Chinese Government's ability to manage change. There are certainly others and, equally, there are certainly multiple areas in which the Chinese Government's management of change is open to question or criticism.

2. Why Innovation, and Why Should We Be Interested?

Innovation is about ideas. A number of analyses of government innovation in China have shown the emergence of boundary-spanning policy and governance innovations sub-nationally and how these have subsequently been adopted in national policy. This is, in essence, a question of agenda setting. Of more importance is the process of generation, putting into use and spread of new ideas. For the purposes of this paper, innovation is understood as a process of generation, putting into use and spreading of 'new ideas that work' (Mulgan and Albury 2003), 'new ways of doing things' (STEPS 2010), or 'new combinations' of existing knowledge and resources (Schumpeter 1934). These formulations are problematic to a degree in their emphasis on newness, which can only be relative. Innovation, including government innovation, does not exist in a vacuum, and many novel ideas are in circulation at any one time both within the research community and within government (Kingdon 1984). This is discussed in more detail below. Both formulations, however, underline the importance of putting ideas into practice. For Mulgan and Albury, ideas must be able to be shown to 'work, or to increase public value (Moore 2005), while for Schumpeter, the arbiter of innovation is competitive advantage acquired through commercialisation. In larger, developmental, terms, the importance of innovation is in enlarging society's pool of knowledge, or 'artefactual structure', and underpinning the adaptive efficiency of societies or polities (North 2005).³ Prosaically, this is a question of developing and circulating ideas to manage and cope with a changing world.

This paper is primarily concerned with government innovation (*zhengfu chuangxin*) and, more specifically, local government innovation (*difang zhengfu chuangxin*). The importance of government innovation in China is the apparent successful track record of the Chinese Government in managing complex reforms, and in reshaping itself over time, creating new institutional structures, and repurposing old ones to deal with changing context and emerging challenges. There are many reasons why we should be interested in innovation and the development and application of new institutional structures. The seeming failure of existing institutions for economic management in the financial crisis of 2008 (Heilmann 2009) provides a historically contingent, but compelling, example. More fundamental, however, is the need to develop contextually-appropriate institutions in low-income and transition countries (Bloom and Standing 2008) and to adapt to a changing world (North 2005). It is hard to know, *ex ante*, what institutions are appropriate in what situations (Rodrik 2007), or how to create appropriate institutions (Stiglitz 2014). How institutional innovation is fostered, and how innovations are propagated and put into use are important developmental questions.

There are three main reasons for focusing analysis on government innovation in China. First, while the role of the state is changing and diminishing, and new forms of state-society interaction are emerging, any understanding of how change, including economic and social development, has been, and is, managed in China must place government, particularly local government, at the centre of analysis.⁴ Second, this focus derives from the importance attached to these concepts/terms in Chinese analysis and in the Chinese policy community, including government and the research community. In

³ For North, artefactual structure is a form of cultural heritage, a composite of formal and informal practices, encompassing 'beliefs, institutions, tools, instruments [and] technology' which are amassed over time and differ from culture to culture (North 2005: 36).

⁴ Local government can refer to all levels of sub-national government, but is most commonly taken to refer to levels of government at the city/county level and below. Organisation of Chinese government below the centre is complex. In outline, the largest sub-national jurisdictions are provinces, or equivalent administrative units (including autonomous regions and municipalities) directly under the central Government. Below these are prefectures, counties and cities. Below these are townships and towns, and below these are villages, which are not technically considered part of the state structure. Different arrangements exist in different areas, with different numbers of levels and degrees of formal autonomy. See <http://www.china.org.cn/english/Political/28842.htm>

deference to Chinese terminology, this is referred to as government innovation, and not policy innovation. Third, the existence of widespread government innovation poses questions not so much about the usefulness of specific institutional innovations developed in China, as around process (how this occurs), and structure (prevailing institutions and how these create the conditions for government innovation).

A range of analyses, both Chinese and non-Chinese, frame innovation as a systemic and near routine phenomenon. This is how the following discussion should be read, rather than as a discussion of a small number of discrete and rarefied breakthrough innovations. While much non-Chinese analysis of government innovation has focused on high-profile and systemically important breakthrough innovations,⁵ Chinese scholarship more frequently discusses a range of less glamorous, routine and procedural innovations. Many of these are clearly not breakthrough innovations, they are firmly within existing and sanctioned policy paradigms. A Local Government Innovation Prize Programme (LGIPP) was set up in 2000 and run by the Central Compilation and Translation Bureau (CCTB), a CCP research institute, in conjunction with Beijing University, to showcase and propagate local government innovations. Over time, local government innovations shortlisted for the prize have been drawn from many policy areas. The 2009 Blue Book of Chinese Government Innovations (Yu 2009a), for example, provides case studies of reforms in very many policy areas. Many relate to administrative reforms, though others relate to financing, budgeting, public security, property rights, government performance evaluation, food safety, and more. The point to be taken from this is the seeming breadth of sub-national government innovation.

The LGIPP points to a range of variant or innovative sub-national institutional reforms, and is made use of here for the insight it gives into a sub-set of local government behaviour and motivations for this. Saying this, government innovation, and local government innovation, should be understood as a substantially broader phenomenon than that captured by the LGIPP. Government innovation, as discussed here, attempts to capture appropriate roles of central and sub-national governments, as well as modes of propagation, and systemic usefulness of particular practices. Government 'innovation' and reform (*gaige*) are fundamentally linked. Following discussion below, Section 3.6 returns to this point.

⁵ Examples include research by Heilmann, which has shown the use of experimentation and innovation in a number of high stakes areas in China's transition from a state-dominated economy, including reform of state-owned enterprises, introduction of markets and tolerance of business and introduction of stock markets (Heilmann 2008a). Other researchers include analyses of introduction of village elections in China (O'Brien and Li 2000), and decollectivisation and contracting of rural land to households in the early reform era (Watson 1983).

3. Chinese Analyses of Government Innovation

This section analyses a range of Chinese language sources on government innovation, specifically local government innovation, the majority sourced through CNKI (China National Knowledge Infrastructure), a Chinese academic database, supplemented with sources drawn from the National Library of China catalogue and a number of policy documents. This is not a comprehensive review: searches for these two terms returned many hundreds of articles on CNKI, and analysis quickly revealed that many sources relied on similar explanatory concepts and arguments. Note that a number of the analyses cited relate to the LGIPP, and in a number of cases survey data relating to this programme are cited. This is not representative of local government behaviour in China, but is a unique source on perceptions and motivations of local governments involved in such reforms.

Analysis in this section attempts to synthesise important points and arguments from sources examined and to draw these, as much as is possible, into a coherent whole. Much relies on reporting and analysis of Chinese sources, quotation from these, and the citing and explication of key terms used to talk about government innovation and its link to reform. Quotations should not be taken as statements of fact, but as rationalisations 'in and around government' (Kingdon 1984) of certain phenomena and their causes. In choosing to present the rationalisations that follow in this way, I claim that these are not just rationalisations prevalent among, or made use of by, central policy makers or the research community, but that they are, to a degree at least, shared by (or made use of by, which may not be the same thing) sub-national governments in explaining the functioning of the government 'system' within which they work, and in discussing, justifying, and promoting local reforms. This assertion is based on fieldwork and site visits to inspect sub-national reforms carried out by the author since 2010. These include fieldwork in 2010–2011 in five counties in eastern and western China on local government implementation of China's rural health insurance scheme, and county innovation under this framework, as well as site visits to two pilot sites for clinical pathways being implemented in conjunction with the China National Health Development Research Centre, a research institute under the National Health and Family Planning Commission (formerly Ministry of Health), and Nice International.

Section Four discusses the narrative and arguments presented in this section and questions for further research.

3.1 'Space' for Productive Sub-National Initiative Within China's Government System

Contrary to much non-Chinese scholarship over the reform era that has tended to frame local governments as principally implementers of central policy (and often poor implementers) (O'Brien and Li 1999), analyses of government innovation stress the extent to which there remains 'space' at lower levels of government for exercise of initiative. Space (*kongjian*) is a recurring term. Two scholars closely linked to the LGIPP illustrate this. Yu Keping of the CCTB, for example, asserts that 'under China's current political framework, every level of local government has a large space for initiative, reform and innovation' (Yu 2008a: 18). Yang Xuedong, also from the CCTB, summarises the apparent paradox of local government innovation in a political system such as China's:

Higher levels of government control lower levels in the allocation of resources, appointment and removal of personnel, right of approval for large projects, etc, and enforce their orders [...]. According to common sense, in a [political] system with such a degree of centralisation, it should be very hard for local governments to innovate, as their main function is to carry out the tasks assigned by higher levels of government, and any deviation from existing rules may be punished. However, this is only one side of this system. As well as centralisation and control, [China's]

current system retains a degree of space, which directly or indirectly supports innovative behaviour by local governments.

(Yang 2008: 20)

Yu explains this space in terms of another term that is frequently employed in discussion of both policy implementation and innovation, or the 'spirit' (*jingshen*) of policy.

China is a unitary polity. Sub-national government must obey central government, and must carry out reform under the unified arrangement and direction of the centre. This is one side of the question. The other is that central institutions and policy give local government a lot of space for exercising initiative. Acting according to the requirements of the centre, and under the unified leadership of the centre, doesn't mean blindly or mechanically acting according to the instructions of superior levels [of government]. Rather, the reverse is true: each place can [...] in line with their local conditions (*cong ge di sheji chufa*), experiment boldly according to the spirit of central [policy].

(Yu 2008a)

This framing of government innovation within the overall spirit of central policy is a contemporary application of concepts of unity and particularity that date from at least the 1950s. The paradigmatic statement of this comes from Mao Zedong:

Legislative powers are all vested in the central authorities. But, provided that the policies of the central authorities are not violated, the local authorities may work out rules, regulations and measures in the light of their specific conditions and the needs of their work [...]. We want both unity and particularity. [I]t is imperative to have a strong and unified central leadership and unified planning and discipline throughout the country [...]. At the same time, it is essential to bring the initiative of the local authorities into full play and let each locality enjoy the particularity suited to its local conditions.

(Mao 1956)

This framing, and the rhetorical balancing of overall central control with local flexibility, remains common in many central government calls for reform (CPC 2008), and is closely tied to a discourse which stresses the size of China and the difference between places (Guo 2000; Chen 2004). This implies the irreducibility of place in policy development/implementation. This is most often expressed as the importance of 'implementing according to local conditions' (*yin di zhi yi*), and the impossibility of adopting 'one size fits all' (*yi dao qie*) policy.⁶ As Yu Keping states:

Different places have different socio-economic, political and cultural conditions, and the difference between places is very large. There are also large differences [in these factors] in places at different times in the course of their development. It is not possible to simply apply policy in a one size fits all manner, or [for places] to simply copy the approach of another jurisdiction or indiscriminately imitate the experience of other places.

(Yu 2008a)

This formulation is common in central policy discourse and points to two things: first, a belief that the ability of the central government to directly impose specific and detailed policy is limited, summarised by Wang (2009) as a 'deep-seated one-size-does-not-fit-all pragmatism'; and second, a rhetorical commitment to sub-national policy adaptation, experimentation and innovation. Two examples from

⁶ For discussion of the history of this formulation in Chinese government discourse, see Chung (2011).

Wu Yi, then Vice Premier of China, in relation to development of rural health insurance, a national policy process initiated in the early 2000s, illustrate this use:

The difference in conditions between different rural areas is very large, and it is impossible to adopt a one size fits all policy; the main thing is for each area to experiment in the process of implementation in line with local conditions.
(Wu 2005)

We use a method in which the centre sets the principles of policy and localities concretely organise implementable policy; we encourage each locality to experiment and innovate.
(Wu 2007)

Much Chinese policy is highly 'open' (Eco 1989), or is a 'framework' policy,⁷ which is handed down through successive levels of government, requiring operationalisation at relatively low levels of government. This is reflected in analyses and vocabulary of government innovation:

Institutional innovation requires that every level of government create concrete, operationalisable (*ke caozuo de*) institutions for the promotion of economic and social development under national macro institutional frameworks [...].
(Huang 2001)

Government innovation consists in fully using existing space within the system to carry out creative work, to find the potential of the system and improve its functioning. This means experimenting and innovating with [new] systems, policy mechanisms and measures (*tizhi jizhi, zhengce cuoshi*) under the guidance of an already-agreed value orientation (*jiazhi linian*)
(Yang 2008a)

Despite the openness of many policy frameworks, local governments are frequently under substantial 'pressure' (*yali*) to implement policy, and develop workable policy and management solutions.

The point to be underlined here is the extent to which government innovation is predominantly framed as a productive counterpart to, and a means of developing specific and operationalisable institutional mechanisms in response to, an overall central policy 'spirit' or 'direction' (*fangxiang*), and there is an identifiable Chinese policy vocabulary linked to this. Local government reforms are very often framed as innovations in specific policy 'mechanisms' (*jizhi*), 'methods' (*cuoshi*), 'means' (*fangfa*), 'techniques' (*jishu*), or as 'explorations' (*tansuo*), or 'experience' (*jingyan*) and similar, in opposition to, or dialogue with, 'systems' or 'structures' (*tizhi*), or 'system/structural reform' (*tizhi gaige*). Innovations may also be described as 'models' (*moshi*), though this seems more often to denote either a more consolidated set of practices, or a more ambitious attempt at promotion of these. It is hard to be specific how mechanism and its near-correlates should be translated. Such terms clearly occupy a junior position in relation to policy, system, structure and related terms, and predominantly denote something functional, rather than a departure with overall policy. For example, one analysis describes such local reforms as micro-innovations (*weiguan chuangxin*) (Yang 2011), underlining their dependent and limited status. In this view, local government innovations should be considered complementary to, and refinements of, existing policy or the existing system. More profoundly, however, this refers to a notion of direction (*fangxiang*) of policy development in central reforms that is broadly understood but not operationally specified, and for which multiple operational specifications exist or are in circulation/conflict. The existence of a specific vocabulary of policy

⁷ See discussion of statutory precision and decentralisation, below.

implementation/innovation points to the need to understand innovation as a discursive phenomenon as much as a process of institutional development. The importance of such terms lies in what they do, or allow one to do, rather than what they represent. This is discussed below (Section 4.5).

3.2 Local Government Innovation and Central Reform Directions

Analyses by the CCTB describe the interaction between high-level reform concepts promulgated and propagated by the centre, and systemic reform efforts, including government innovation. Yang, for example, describes the 'scientific development' concept (*kexue fazhan guan*) as providing a 'systematic theoretical guide' (*xitong de lilun zhidao*) for government innovation (Yang 2008a). This points to the importance of linking Party/Government theoretical directions, policy, and institutional form in consideration of government innovation. This interpretation of the functioning of central policy and discourse is not monopolised by the centre or by researchers. In many cases innovation is rhetorically linked to implementation of actual government policy or pursuance of broader reform directions by those carrying it out. Surveys of local governments whose reforms have been included in the LGIPP make this clear. In one survey nearly 80 per cent of local governments described their reforms as 'implementation-type innovations' (*luoshixing chuangxin*), that either implement the spirit of central policy, for example in very open reform areas such as development of inner-Party democracy (*dang nei minzhu*), or have been developed in response to concrete demands from government at superior levels (Yang 2011: 83). Heberer and Schubert (2012) point to the breadth of many guiding concepts around which reforms are developed. They cite as an example the 'twenty character objectives' (*ershi ge mubiao*) for rural development (development of a 'New Socialist Countryside') in the 2000s, the aim of which was to prompt a broad range of activities in line with a loosely-specified national direction.⁸ In fieldwork carried out by the author, sub-national health insurance managers invariably framed procedural innovations in which they were engaged as being developments of overall policy, and frequently legitimated these in reference to loose national or provincial policy frameworks. To a certain extent this provides a structural conjuncture which opens up multiple possible framings and pathways (van Zwanenberg *et al.* 2011) under an overarching policy direction. Equally, research on environmental protection shows how localities retain space for flexible implementation, interpretation of policy, bundling, and innovation (Heberer and Senz 2011; Kostka and Hobbs 2012; Ely and Geall forthcoming).

This also calls into question the originality of many reforms labelled innovations. As above, newness in innovation is a problematic concept. Kingdon (1984) points to the 'policy primordial soup' of policy ideas in circulation at any one time, and the fact that there is 'no new thing under the sun', as limitations to a search for origins in policy. A focus on newness and the search for putative policy origins is also criticised in contemporary policy transfer literature (Cochrane and Ward 2012). The same critique applies here.

Much local government innovation in China is straightforwardly acknowledged to be of little actual novelty. Surveys of LGIPP participants point to the fact that newness is not the most important criterion in how they judge whether a reform is innovative. Among local officials surveyed, functional criteria (including increasing popular participation, transparency and other factors) were stated to be more important in assigning this label to any given reform. Very many local officials surveyed state that their innovations are 'learning innovations' (*xuexixing chuangxin*), based on studying reforms in other places and most have carried out inspection visits to other jurisdictions (to other Chinese counties and cities) as a basis for their own innovations. In a 2009 survey 34 per cent of those surveyed

⁸ They summarise activity under a number of headings, including: advancing agrarian production; improving overall living conditions; civilizing rural life; tidying up villages, and; democratic administration.

stated that they had carried out at least five such visits (Chen and Yang 2009). Where innovations are judged to be original, it is generally taken to mean 'first in China' (Yang 2011). In an era of increasing communications, including globalised communication, such a flow of ideas is to be expected. This is borne out by both international literature on policy transfer (see below) and by (some) Chinese analysis (Yang 2008a: 21).

Many analyses of innovations profiled through the LGIPP raise concerns about the types of local innovations local governments tend to produce, and their distribution. Common criticisms include a greater number of such innovations in more developed areas of the country, a tendency of local governments to opt for low risk innovations, which may hamper the spread of good governance reforms, too few pro-poor measures, too few measures benefiting rural residents, and too few innovations from very low levels of government, principally the township level. He (2011) gives an overview of this. Despite clear central demand for local government innovation, or perhaps because of this, there are inevitably concerns over the quality and/or usefulness of many local government innovations and reforms. Dysfunctional local government incentive structures contribute to the production of bogus innovations, which are either poorly thought out, or fostered for local political reasons, including such reasons as trying to make a mark or promotion seeking, and hence of little real usefulness. Limited popular participation in policy making means that local government innovations may not adequately respond to public needs (Jin and Yuan 2005). Equally, researchers criticise the number of local innovations which are simply 'sloganeering' (*kouhaohua*), 'formalism' (*xingshijhua*), or are showcase 'Potemkin-type initiatives' (*penjinghua*) (Yang 2008a). Many local government innovations should be considered second best institutional fixes (see below).

3.3 Spread of Innovations and Learning from Sub-National Practice

Of more importance than the newness or otherwise of many of the innovations produced by sub-national governments in China is the view this affords of an ongoing 'conversation' (Gudeman and Rivera 1990) of reform, in which multiple models and practices circulate. While some sub-national practices get described as models (*moshi*), many local practices and innovations are described less ambitiously as local 'explorations' (*tansuo*), 'experiences' (*jingyan*) or methods (*cuoshi*). Very many local innovations remain local and receive little or no propagation outside the place in which they are developed. This is to be expected, given that most have particular local genealogies or respond to local problems (He 2003; Husain 2013b).

The importance of specific sub-national models or practices, however, is more than local. To a large extent, Chinese analyses of local government innovation frame it as feedstock, and local governments as 'providers' (*gongji fang*) (He 2003) of innovations for policy change on larger scales. With this logic, innovation is firmly linked to larger-scale processes of reform (*gaige*). For Guo (2000), for example, 'China's reform process [...] is a process of Chinese Government promoting government innovation'. Similarly, innovation is frequently framed as thinking in new ways (*jiefang sixiang*), the realisation of this in new institutions, and through this breaking through old practices (Yu 2005: 142; Yu 2009). Bao and Sun's (2011) analysis is fairly typical: 'Local government innovation is not solely about providing cases of successfully solving [policy] problems; rather, its significance is of piecemeal innovation promoting systemic innovation' (Bao and Sun 2011). Various typologies exist of local-local learning in innovation processes. Yang (2008a) describes a range of possible patterns of propagation of local government innovations, including 'systemic learning' (*tizhixing xuexi*) or uptake of sub-national innovations in policy at higher levels of government, 'autonomous learning' (*zizhuxing xuexi*) or processes of more freeform local-local learning, and 'unintentional learning' (*wuyishi xuexi*) in which similar institutional forms emerge, but do not appear to be linked by direct study or copying. Bao and Sun (2011) describe many of the same forms of propagation, but add a geographical dimension. Given China's size and divergence in levels of development, some places encounter problems ahead of

others, and there is a possibility of propagation of innovations in response to problems from more developed places to less developed places. More interesting than this is the inclusion of local-local cumulative learning in their taxonomy, or examples in which sub-national innovations are progressively refined through multiple sub-national iterations before, sometimes, being codified in national policy (though this need not take place). In the view of some analysts, this kind of secondary innovation is part of a cumulative process (*leijixing de guocheng*) of institutional innovation, in which successful practices developed sub-nationally circulate and may be taken up and modified by localities facing similar problems (Chen and Huang 2010: 39), or in which successive iterations of institutional development demonstrate deepening.⁹

Much Chinese academic analysis of local government practices judged to be innovative is of an evaluative kind, which asks what use such practices can be for other jurisdictions or for broader policy development. Chen and Yang (2009) state this clearly:

The focus of scholars researching Chinese local government innovation is to summarise and analyse the concrete reform thinking (*gaige silu*) and reform experience (*gaige jingyan*), and use this to provide a blueprint for design and experience to support reform of China's political system as a whole (*Zhongguo zhengti zhengzhi tizhi gaige*).
(Chen and Yang 2009)

Much research corresponds to this. Chen and Li (2007), for example, provide a clear illustration. Their article discusses leadership calls for transformation of government function to that of a 'service-oriented government' (*fuwuxing zhengfu*) and, based on the authors' fieldwork, profiles various types of service-oriented government in existence and discusses the usefulness of these. The clearly-expressed aim is to discover potentially useful practices, assess these, and summarise them for the wider policy community. In addition, Chen and Yang add a second function of researching government innovation. The use of this as a 'weathervane' (*fengxiangbiao*) to anticipate the direction of development of China's political system. As they remind the reader, implicit in this is the fact that sub-national innovation can affect the ecology (*shengtai*) of the whole political system (Chen and Yang 2009: 8).

Researchers, whether academics or government-sponsored research institutes or think tanks, may be involved in development or promotion of specific reforms. Analysis by Zhang *et al.* (2010) of the development of China's rural health reforms describes the role of researchers as principally that of internal advisers in agenda setting. While researchers may play a role in central government agenda setting and policy development, their role may be broader than this. It may include direct involvement with design, oversight or management of sub-national innovations/experiments (whether formally mandated pilots or not), catalysing sub-national change through uncovering problems in need of solutions, and involvement in codification and propagation/transfer of ideas (between sub-national jurisdictions, between the center and local governments, and between local governments and the centre). Ideas propagated in this way may form an important resource for local governments looking for possible solutions to pressing local policy problems, or help in changing understandings and framing existing problems in new ways.

While researchers are often tasked with investigating and assessing policies of sub-national governments and reporting on these to assist government in policy development, not all involvement

⁹ Bao and Sun, in examination of village elections in Jilin, show increasing deepening over time and over multiple iterations of the election process. For these authors, deepening over time is a measure of success (Bao and Sun 2011). Cf. also work on 're-innovation' by Rothwell and Gardiner (1989).

of researchers in innovation processes is mandated by central or provincial governments. Researchers may also participate in development or assessment of sub-national innovations at the invitation of local governments, or through existing networks of contacts. China has a sophisticated structure of research institutes working in many thematic areas and multiple levels (central state, provincial and city levels). Ministry-specific research institutes clearly have an important role in sub-national piloting of reforms, coordinating, overseeing and assessing these, and providing a communication channel to ministries. They may function as change brokers, able to persuade local governments of the usefulness of certain policy solutions and create conditions for change. Whilst saying this, however, many lower level governments lack research support for local reforms.

In parallel, the Chinese Government has, in many cases, made use of external assistance, including multilateral and bilateral agencies, as well as non-Chinese researchers, in enlarging the scope of ideas available during reforms. In many cases, support through such channels is to sub-national governments helping to develop workable policy solutions which it is hoped will be of use in development of policy at supra-local scales (e.g. central/provincial policy).¹⁰

There are clearly other vectors, or 'informational infrastructures' (McCann 2011), for the spread of innovations and sub-nationally developed practices. Amongst the most obvious is the media which frequently reports local government practices, and may well be used as a platform by sub-national governments for publicising local models. Policy briefing documents frequently provide a window on sub-national practices (for example, following the start of rural health reforms in the early 2000s, a rural health policy briefing was launched by the Ministry of Health covering central policy and profiling many local practices). Meetings and training sessions are convened at national and sub-national levels to discuss reforms, propagate models, and to exchange experiences. 'Inspection visits' (*kaocha*) by sub-national governments to examine policy in other places are extremely common.

Many researchers argue that Central Government should do more to promote useful sub-national models. He Zengke gives a clear statement of this:

Successful government innovation requires distribution of labour and cooperation between central and local governments. Local governments can act as originators and experimenters in reform and innovation, but central government must play an active role in sustaining and promoting outstanding innovative practices.
(He 2011)

Institutions such as the LGIPP are clearly geared to highlighting perceived good practice and bringing this to the attention of a wider audience. Yu Keping, for example, states that main functions of the LGIPP are to encourage local innovation, to propagate good local models, and to circulate good experience in good governance (Yu 2005: 145). LGIPP criteria for what constitutes an innovation worthy of consideration clearly show that possible systemic usefulness is considered important. Among other factors, the possibility of diffusion (*tuiguangxing*) of sub-national innovations is considered important (Yu 2005: 146). Many innovations highlighted by the LGIPP have subsequently been more widely propagated (Han *et al.* 2009).

¹⁰ See Liu and Bloom (2002), Bloom *et al.* (2009), and Liu and Bloom (2008) for examples relating to involvement of the World Bank, the United Kingdom Department for International Development and external researchers in health system reforms in the late 1990s and early 2000s.

3.4 'Sustainability' of Innovations and Enlarging the Artefactual Toolkit

Linked to systemic importance and learning is the question of sustainability of local government innovations and the extent to which they can be maintained or to which they persist over time. A number of analyses have pointed out that while China seems able to produce many local government innovations, a lot of these are not sustained. Reasons presented for this tend to revolve around two things. First, where local innovation takes place in response to a crisis in local affairs, whatever institutional fix is applied, it may fail to be sustained once that crisis has passed. Second, it is often stated that China's government personnel system militates against sustaining innovations. When, for example, county leadership changes, new leaders have a tendency to want to demonstrate their own calibre, frequently instituting new ways of doing things, and this can often lead to the demise of previous local innovations (*ren zou zheng xi*). This is very frequently cited as a consequence of insufficient institutionalisation (*zhiduhua*) of such practices (see Gao 2008 for a paradigmatic analysis). Of local innovations to have been awarded the LGIPP, around one third have been found to have subsequently been discontinued in their place of origin (Chen and Huang 2010). Surveys of local innovators cite a number of factors as important in sustaining local innovations (see Section 3.5).

Set against this is a view among a number of researchers that the existence and propagation of a given innovation is more important than whether it has been sustained in its place of origin. Yang, for example, argues that, 'the degree of propagation [...] demonstrates the potential for institutionalisation of an innovation or its possible usefulness (Yang 2011: 89). This argument is persuasive. Bao and Sun (2011) in an analysis based on institutional economics (North 2005, discussed above) interpret innovation as the production of useful artefacts, and a process of knowledge accumulation that is more important than the sustainability of an innovation in a given place at a given time. Borrowing from Chung (2000), such innovations have the potential to contribute to system-level gains, despite being discontinued in their place of origin.¹¹

3.5 Innovation, Risk and Tolerance

Local government innovation, as a process of attempting development of new institutional solutions to pressing problems, carries a degree of risk. Yang (2008a) argues that innovation is a process of 'trying failures' (*shi cuo*) and that government needs more tolerance of failure. CCTB analysis also points to differences in riskiness of innovation in different policy areas (Chen and Yang 2009). As above, many innovations analysed through the LGIPP framework are described as administrative innovations, to distinguish them from innovations in political and governance processes which are clearly more risky. The CCTB, as a think tank on good governance, understandably laments that there are not more such innovations (Yu 2005; He 2011).

However, local government innovation is seemingly less risky than one might imagine. Central Government and leadership exhortations, backing for innovation, and programmes such as the LGIPP, are clearly attempts to change norms, and increase local governments' willingness to innovate. Central Government rhetorical support for local innovation is not new, and Yang argues that Central Government rarely criticises local innovations, except where these are clearly unconstitutional, and that this tolerance supports innovation (Yang 2008).¹² This analysis parallels analyses of decentralisation by Jae Ho Chung, who argues that Central Government has increased tolerance for a range of sub-national behaviours in the reform era, and compares this to a pre-reform culture that he

¹¹ Chung's argument concerns economic development, and Central Government tolerance for a range of sub-national practices that further this overall aim. The argument here is that innovation and learning also represent system level gains in Chung's usage.

¹² Interestingly, some jurisdictions, including Shenzhen and Chongqing, have introduced regulations intended specifically either to promote innovation or to protect local reformers (Yang 2008a).

characterises as one of absolute local obedience to the centre. Norms of tolerance, he argues, are important to create a favourable environment for decentralised initiative and economic development and excessive central intervention in sub-national affairs risks dampening sub-national enthusiasm. Therefore, a range of sub-national behaviours are tolerated, he argues, where these produce system-level gains. As a result, in examining decentralisation in China, Chung argues that sub-national space has increased over time (Chung 2000; Chung 2011). Chung's argument relates to economic development in the reform era, and economic growth as a system level gain. Here it is argued that this analysis should be extended to include development of sub-national innovations, understood as development of knowledge, tools or artefacts that may be of use for reform.

Tolerance, however, and judgement of legitimacy, is a systemic phenomenon as much as a central one. In multiple surveys of local government innovators, the most common way, at around 40 per cent, in which local governments state that they know whether an innovation is successful is through approval from their superior level of government (Yang 2008a; Yang 2011).¹³ This points to two things. First, a degree of policy fluidity (or under-specification), in which legitimacy of specific policy mechanisms or approaches may be unclear and, second, the existence of a decentralised process of decision-making over legitimacy of reforms. He Zengke argues that concepts promoted in central speeches and discourse, such as the promotion of a harmonious society (*hexie shehui*), and the scientific development concept (*kexue fazhan guan*), help orient decisions over legitimacy throughout government, and at multiple levels:

Setting of priorities [...] for government innovation is closely connected to the preferred ideas regarding public administration of leaders at the superior level of government. [These] leaders' [ideas] derive from the variety of urgent problems they want to solve and from their subjective rankings. At the present time, ideas [...] of building a harmonious society and developing scientific development reflect the evaluation of political leaders regarding contemporary pressing social problems requiring a solution. These ideas of public administration are the reason for the prominence of government innovations relating to social management (*shehui guanli*) and public service provision at the present time (He 2011)

Here, He claims not just that such concepts help orient local would-be reformers, but also that they inform decisions of legitimacy regarding such reforms. This implies a very local (not just central) process of normative evaluation of new practices.¹⁴

3.2 Who Innovates and Why: Evidence from the LGIPP

The Local Government Innovation Prize Programme (LGIPP) was set up in 2000 as a channel for highlighting and propagating sub-national government innovations.¹⁵ Inclusion in the Programme is based on applications/nominations for inclusion. Analysis of local government innovations included in

¹³ In survey results reported in Yang 2011, more than 40 per cent of respondents answered the question, 'What results prove that [your] innovation is successful?' (*Na xie jieguo zhengming chuangxin shi chenggong de?*), with, 'Approval of senior levels [of government]' (*De dao shang ji renke*).

¹⁴ This contrasts strongly with Heilmann (2008a), who asserts the importance of a dedicated State Council office responsible for approval of pilots, before this function was moved to provincial offices. Here, Heilmann points to specific procedures for approval of designated pilots. This analysis seems at odds with the range of sub-national processes discussed here, and may stem from Heilmann's focus on large-scale reforms to economic management and the state sector (see Section 4.2, below).

¹⁵ The programme was set up with backing from the Ford Foundation and was run by the Central Compilation and Translation Bureau, a think tank to the central CCP, and Peking University. Much work carried out through the LGIPP has focused on good governance, and key figures related to this, most notably Professor Yu Keping, have written extensively about good governance.

the LGIPP is clearly not representative of sub-national reform or local government innovation, and the LGIPP should be understood as a limited, but potentially useful snapshot of local government reform activity. First, given the clearly expressed link between decentralisation, appropriate central/local roles, and innovation in many Chinese analyses, cases presented to the LGIPP are just one sub-group of sub-national innovation. Many Chinese analyses discuss sub-national innovation in these terms. He (2008) and Chen (2009), for example, discuss the importance of Zhejiang Province in developing models of good institutional practice that have had national impact. As well as being ahead of the curve in economic development, many government innovations regarding government management of the economy, and decentralisation, including province-county relations (*sheng guan xian*), and selective granting of increased autonomy to sub-provincial jurisdictions (*qiang xian kuo quan* and *kuo quan qiang xian*). Importantly, this is part and parcel of the province's reform process, and institutional innovations are adaptations to the need for increasing marketisation and changing role of government in the economy. Second, much sub-national innovation is principally local and receives little supra-local attention. Fieldwork by the author documented procedural innovations in county management of rural health insurance programmes which, for the most part, received little national attention and were not included in prize programmes or otherwise propagated. Such innovations correspond broadly to 'micro-innovations' (*weiguan chuangxin*) as discussed by Yang (2011). Third, the LGIPP was established to encourage and promote sub-national innovation, not to exhaustively catalogue it (if such a thing were possible). The main focus of the programme is good governance and increasing popular participation in government policy development and reform management. It does not usually include individuals with technical expertise in, for example, health system reforms. Fourth, as I argue below, innovation should be considered a discursive phenomenon as much as a process of institutional development (see Section 4.5). This inevitably complicates any analysis of who does what, and why. Saying this, surveys of local governments whose reforms have been included in, shortlisted for, or awarded prizes through, the LGIPP provide a valuable source of evidence on views of local reformers/innovators. These should, however, be interpreted with the above caveats in mind.

3.6.1 Institutions Involved

Retrospective analysis by Yang (2011) of LGIPP entrants to date shows a number of things regarding institutions involved. First, applications for consideration for the prize from multiple types of public institution, including government, Party (CCP) and others. The majority, at around two thirds, are from government departments. Second, analysis of the levels of administration (government, Party, other) which are most active in the LGIPP clearly shows county and city (*di ji shi*) levels to be most active in this, together making up around 90 per cent of all applications. Provincial level institutions and institutions below the county level (township) make up most of the remainder. With caveats for the fact that the LGIPP is not representative of sub-national activity, this points to most so-called innovation taking place at very low levels of government, and it points to official Party/State institutions as the main drivers of this. Chinese analyses of government innovation overwhelmingly frame sub-national governments as the driving force of innovation (Yang 2008a). Indeed, that local governments tend to be the originators of innovative management practices is something approaching an open secret of Chinese government.

3.6.2 Motivations for Innovation

In surveys, very many local governments state that the main motivation for innovation is in solving problems encountered during their normal work. In a survey of local governments included in the 2007–2008 LGIPP, almost 75 per cent stated that this was their primary motivation. Given that most work of local governments is in some way implementation of central government policy, it seems that this response can be probably be interpreted as indicating that innovation is a response to problems encountered during policy implementation. The other principal motivation cited is 'implementing the spirit of central policy' (*luoshi zhongyang you guan jingshen*) (around 20 per cent). In a review of Chinese literature on government innovation, Chen and Huang (2010: 35) attribute local innovation

to local developmental needs, to a need to compete with other jurisdictions (e.g. for investment), and to 'pressure' (*yali*) deriving from government policy mandates (Wu *et al.* 2007).

To an extent, local government innovations appear to be a response to local crisis of one kind or another (Yang 2011: 89; Chen 2004). Various local-level experiments with village/township elections and other governance measures have been of this kind (Saich and Yang 2003). Chen and Huang (2010) provide a typology of motivations for innovation, including response to crisis (both passive response and active response), and response to developmental needs. While not apparent in survey responses, many believe that carrying out local reforms is a way for local government leaders to advance their careers (cf. Yang 2008a; Wu *et al.* 2007). This is closely linked to the idea of cyclicity in local government innovation, discussed above (cf. Gao 2008). In addition, fully two thirds of reformers responsible for innovations included in the LGIPP are either promoted or they subsequently move to more important positions (Wu *et al.* 2007).

In survey responses, the link between local government reforms and superior levels of government is apparent. Support from leaders (*lingdao*) at the superior level of government is cited as the form of support most local reformers hope for (at more than 60 per cent in 2007–2008 survey responses). Their recognition/approval (*renke*) is cited as one of the most important factors (around 35 per cent, alongside effective local decision making) in speedily initiating local innovations, and as most important in ensuring that reforms are sustained. This links closely to the statement above that the main way local innovators judge success of their reforms is through recognition from superior levels of government. In second place to this, local governments rank enthusiastic support from residents/population (*qunzhong jiji yonghu*) (Chen and Yang 2009).

3.6.3 Sources of Innovations

In LGIPP surveys local innovators cite a number of sources for their innovations (Chen and Yang 2009). This is taken to mean ideas underlying these innovations. The main ones are listed as: originated by farsighted local leader (58 per cent); inspired by studying advanced practice in another place (13 per cent); developed by a lower level institution (e.g. government at a lower level) (7 per cent); part of a pilot (*shidian*) by a higher level government department (7 per cent); suggested by an academic/researcher (1 per cent); developed by staff in the institution in question (6 per cent).

3.7 Criticisms of Local Government Innovation

None of the above should be interpreted to mean that Chinese analyses of government innovation are uncritical. Criticisms are raised by many analysts. He (2011) gives a synthetic view, encompassing many common criticisms based on trends in local government innovations included in the LGIPP are:

- Local governments have a tendency to opt for administrative innovations as these are comparatively low risk. This is a rational choice on the part of sub-national actors, but limits the scope of reform in areas such as democratic elections.
- There are noticeable fashions and swings in local government innovation trends. Some problems in need of solutions fail to get the attention they deserve. Examples include a range of social management issues, including management of migrant populations, dispute resolution mechanisms, and public security. Too few innovations are pro-poor or focused on equalising service provision across social groups. There are limits to the diffusion of many innovations and to their institutionalisation.
- Distribution of local government innovation is unequal. Most tend to be from developed eastern areas, with the centre and west lagging behind. There are also inequalities between provinces. Some categories of public institution, including judicial organs, and People's Consultative

Congresses, show too little appetite for innovation and too few innovations are developed at very low levels of government (principally township). The county level of government remains the main source of local government innovations. Rural areas lag behind urban areas in local government innovation.

Other frequently voiced criticisms are that local governments require better human resources to perform better; that, as above, there is inadequate Central Government support for local government innovation; that local governments are insufficiently responsive to their constituents in developing local reforms; and that there is insufficient public participation in reform processes (Jin and Yuan 2005).

4. Discussion and Research Agenda

In the following sections, first the main points from the above discussion are summarised, and second, a discussion places government innovation in China in a larger context. It briefly discusses, and critiques, analysis of government experimentation/innovation by Sebastian Heilmann which has become prominent in recent years, and returns to themes of efficiency, adaption and resilience discussed above. Discussion is then broadened to include several main areas, including: the need to open the black box of innovation in China, and how we should understand the systemic bases of sub-national governments as a motor for government innovation; the importance of China's discourse of innovation in signalling, positioning, and adjudicating over innovation; and the absence of consideration of spatiality in China's reform processes – how innovations move, and how sub-national transfer and learning take place. These areas provide fertile ground for future research.

4.1 Summarising

To summarise, the previous section attempts to present a synthetic view of local government innovation, based on a range of (mainly) Chinese analyses. A number of points stand out:

- Government innovation, specifically local government innovation, is situated in a larger understanding of appropriate roles of central and sub-national governments. To a large extent, Chinese analyses frame (local) government innovation as a form of productive sub-national agency.
- Analyses point to the existence of space for sub-national governments to innovate and to central rhetorical backing for sub-national policy innovation. Specific innovations are often welcomed.
- Much government innovation takes place at low levels of government (county/city).
- Sub-national innovation, experimentation and flexible (divergent/differential) policy implementation are not entirely separable. Most government innovation conforms to existing, sanctioned, policy paradigms, though should not be considered strict implementation of policy.
- Much government innovation is in response to local crisis, or derives from pressure to carry out normal government work or to implement policy. It is, to a degree, routine and not aberrant behaviour.
- While innovation is framed as risky, risk doesn't appear to be an absolute barrier to local innovation.
- Local government innovation produces a range of policy practices, of varying degrees of usefulness. Much government innovation is not original, and much may be inefficient, but may still be of value.
- There are multiple forms of sub-national policy transfer and codification of innovations in policy, and multiple vectors for diffusion of innovation.
- Multiple sub-national models and experiences tend to be in circulation at any one time.
- Chinese government innovation displays a range of flaws and inconsistencies.

Several clarifications are worth making in relation to the above. First, what is examined here is claimed to be a systemic phenomenon, which fundamentally is a question of appropriate central and sub-national government roles, and generation of useful practices. It is not intended simply to point to the existence of a number of discrete sub-national innovative practices such as those identified/promoted by the LGIPP, though for obvious reasons, that programme has been made use of by researchers (and is made use of here) to understand sub-national reforms and motivations behind these. Saying this, three main factors make it hard to assess how common this kind of behaviour is: (1) Contemporary research which analyses local government management of policy change in terms of complex adaptive systems (Xiao *et al.* 2013) points to the theoretical impossibility of a representative understanding of local government behaviour. Analyses must be place-based and specific, and policy inevitably changes in the process of application.¹⁶ (2) While a range of sub-national practices come to be labelled as some form of innovation, and receive a degree of exposure, either through the LGIPP or through other channels, many do not. Equally, there is no way to assess the degree of useful or productive sub-national innovation and tally this against such things as bogus innovations or poorly-implemented policy. (3) As I argue below, government innovation must be considered as much a discursive phenomenon as a process of developing new institutions, policies, or practices. This inevitably complicates analysis.

Second, analyses discussed above predominantly discuss local government innovation as taking place within existing policy paradigms (Hall 1993) and being complementary to central reforms. Given the control of Central Government over the personnel system and the overall policy agenda, this should not be considered surprising. In this analysis, however, central and local governments are framed as having complementary functions, rather than being locked in an adversarial relationship of central policy vs. local countermeasures (*shang you zhengce xia you duice*). The framing above should be considered as much a statement of *hope*, at least at a broad systemic level, as it is an analysis of existing conditions. The quotation from Mao, above, shows the persistence of this hope over the history of the People's Republic of China (PRC), more than it shows persistence of complementary positive sum or non-zero-sum (Li 1997) relations between central and local governments.

Third, sub-national innovation or experimentation may be a factor in China's continued resilience and adaptation (Heilmann 2008a), but it would be excessive both to claim that these are universally effective or that there are not other important factors that should be considered. Many issues, for example, are slow to hit the policy agenda, and it is not claimed that innovative or experimental dynamics operate in the same ways in different policy areas or in different places. Different degrees of sub-national space in different policy areas, in different jurisdictions, and at different times, will surely influence the dynamics of these processes. Equally, China's ministry-based system is apt to create barriers between policy areas, which may be hard to cross in generating workable solutions to policy problems. Contrary to this, however, sub-national governments may have the ability to coordinate reforms across different ministry systems (*xitong*) within their jurisdictions. Discussion of variables and limitations could be extended substantially.

This following sections discuss a number of points arising from the above. Discussion is by no means comprehensive, but highlights a number of points the writer believes to be of significance or importance.

¹⁶ Note the similarity between this approach and framings of local government behaviour highlighted here which point out the specificity of place in policy implementation.

4.2 Heilmann and Innovation in Chinese Policymaking

Sebastian Heilmann has presented the clearest case in English for considering China an innovative polity. His research focuses on the importance of experimental and innovative policy making in China as an incremental and piecemeal process of contextual institutional development and the contribution of this to institutional adaptation.

Heilmann presents two main analyses of Chinese Government innovation. The first he summarises as 'experimentation under hierarchy' (Heilmann 2008a; Heilmann 2008b), a process of controlled and purposive sub-national piloting (*shidian*) and experimentation intended to inform central policy making and/or breaking through central policy deadlock. Under this framework, local governments develop innovative policy solutions, which are then rolled out by Central Government. Underlying this is a set of institutional mechanisms which allow sub-national innovation in an otherwise top-down authoritarian system (see below). Heilmann stresses that this is a controlled, programmatic, approach to problem solving:

Experimentation [...] implies a policy process in which experimenting units try out a variety of methods and processes to find imaginative solutions to predefined tasks or to new challenges that emerge during experimental activity. Policy experimentation is not equivalent to freewheeling trial and error or spontaneous policy diffusion. It is a purposeful and coordinated activity geared to producing novel policy options that are injected into official policymaking and then replicated on a larger scale, or even formally incorporated into national law. (Heilmann 2008a)

This is a very narrow view of government innovation in China, a sub-set of what is observable. Heilmann (2009) recognises this in subsequent work, in which he describes government innovation as foresighted tinkering, a formulation intended to show that much sub-national government experimental and innovative behaviour is not specifically directed by Central Government, but is generally aligned with the trend of development of China's reforms, which continues to be set by Central Government. This is a lot closer to the analysis presented above.

Three main points are relevant in relation to the discussion that follows. First, Heilmann's initially narrow focus on economic development, and purposive trialling of policy models, means that his analysis fails to take into account the breadth of sub-national activity, which is not reducible to managed experimentation, and which shows more complex geographies than Heilmann allows for. Second, Heilmann's focus on economic policy leads him to state that sub-national innovation is not possible in areas in which local governments do not directly derive benefit, and therefore to rule out the possibility of sub-national innovation in social policy and similar areas (Heilmann 2008b). This is wrong. Third, although Heilmann discusses a number of mechanisms that allow sub-national innovation to occur in China, and situates his analysis in relation to increasing decentralisation over the reform era, and to the functioning of the Chinese Government personnel system, discussion is inconclusive. This is important if we are to understand what lessons it might be possible to draw from China for other countries or systems. The following sections respond to a number of these points.

4.3 Government Innovation and System Resilience

The process of local government innovation profiled here produces a range of sub-national practices. This cannot be considered a process of finding best practice institutions. As above, many sub-national innovations have very local genealogies, respond to local problems, and are of limited usefulness elsewhere. Many should be considered bogus innovations. Among those which receive attention and are propagated, most should probably be considered second best practices (Rodrik 2008), or better practice. Most are, at best, incremental in their contribution to change, and not transformative

practices of system-changing significance. As Cheng and Huang (2010) claim, 'from a certain point of view, the rise in local government innovative practices [is due to the fact that] it is at present hard to achieve structural breakthrough(s) in China's institutional and political system, [making it] necessary to skirt around the core, and [take action] from the peripheries and outside the system' (Cheng and Huang 2010). While most such practices are not of sufficient use to be considered as models for emulation in other contexts or polities (Naughton 2009), tolerance of second best practices, and a lower level of short-term allocative efficiency, may contribute to the adaptation (or adaptive efficiency, see North 2005) of the Chinese polity (Heilmann 2008a; Heilmann 2009). If this is right, a certain amount of noise, sub-national poor (and sometimes deviant) implementation may be a price to pay for development of new and replicable institutional practices. Analyses that point to improvement over time tend to see overall systemic improvement as more significant than static judgements of implementation and efficiency (Husain forthcoming).

4.4 Sub-National Governments as a Motor for Government Innovation

There is a need to open the 'black box' of innovation in China (Bao and Sun 2011). Fundamentally, any analysis of sub-national government innovation in China must successfully explain how this is possible in a nominally top-down polity, in which Central Government controls the personnel system and the policy agenda. In addition, there is a need to explain how local governments conceptualise, put into practice, and package local reforms. As above, if ongoing reforms show complex spatialities or geographies, how do sub-national governments navigate these, recognising that this is not a rational process, but one conditioned by prior understandings and rationalisations?

A striking absence in almost all literature on government innovation in China is the importance of strong government. Heilmann (2008a) is an exception, but his analysis predominantly stresses the importance of strong central government in backing and enforcing roll out of experimental/innovative policy. There is less attention to strong *local* government, and the importance of this in creating or enforcing local reforms, or in bridging multiple ministry or policy systems (*xitong*) to create reforms. Development of China's rural health insurance system, for example, relied heavily on the ability of local government to persuade often reluctant local populations to sign up to a supposedly voluntary system, at least in early stages of its development. Reports from practitioners involved in health reform projects point to the importance of government support for reforms, and there is a belief that once government decides to support a given reform, it can make change happen (Liu and Bloom 2008). Local governments are key actors in creating change.

As above, on one level, it is not surprising that much local government innovation should be systemically non-challenging, and take place within existing policy paradigms, given that both the personnel system and policy agenda are, ultimately, centrally-controlled.¹⁷ However, this begs the question as to how flexibility for differential implementation, experimentation and innovation are introduced into an otherwise top-down and unitary system. Heilmann (2008a) has described various formal mechanisms that create space for this, including use of 'trial' (*shixing*) regulations that allow flexibility in their implementation, 'experimental points' (*shidian*), and experimental zones. Such institutions, for Chung (2000), function to decrease 'statutory precision', and are part and parcel of China's decentralisation. Alongside this, Heilmann argues for the importance of informal networks and patronage in protecting local reformers in what is otherwise an authoritarian system in which deviance may be harshly punished. While informal networks are clearly important in securing permission for, and propagating, local innovations (Heilmann 2008), this fails to explain how flexibility is built in to the

¹⁷ This is complex. With decentralisation in the reform era, the personnel system has undergone changes in both levels at which personnel decisions and target setting are made. This is beyond the scope of discussion here.

personnel system. Most analysis of this relates to its function in controlling local agents of the central state, principally how it sets targets for policy implementation (Edin 1998; Edin 2003). There appears to be little research on how this system enforces implementation, while allowing flexibility and innovation, though the fact that it has a dual function, both restraining local agents and creating space for (semi-) autonomous action, is allowed for in at least some, principally Chinese, analysis (He 1997; Rong 1998; Jin and Yuan 2005; Heberer and Senz 2011).

To a substantial extent, local governments (principally county, city, and township) in China are where the buck stops in policy implementation. They are often under 'pressure' (*yali*) to implement policy from above, and meet performance targets but, as above, how they are expected to do this is often under-specified.¹⁸ Recent research on local government functioning in China points to a credible model for understanding the intersection of pressure to implement policy and to meet performance criteria with a degree of agnosticism as to the means of reform, or the specific forms that implementation is to take. Heberer and Schubert (2012) analyse this in terms of the 'strategic agency' of county and township government leaders, arguing that governments at this level are specifically positioned so as to bear the brunt of policy implementation as, 'upper levels intentionally pass the buck down one level to counties and townships in an effort to induce them to develop best practice solutions to solve 'big problems' [...] and realize ambitious goals [...]' (Heberer and Schubert 2012). Agency of government at this level is systemically embedded and enforced. Institutions of control, including the personnel system, target setting and performance evaluation, create incentives to perform, and this is combined with loose specification of the *means* of reform (actual modes of implementation) by higher levels of government to enforce a degree of sub-national autonomy and 'organised anarchy' (Cohen *et al.* 1972), and create differential implementation of policy at lower levels of the state. This *enforces* agency at a very local level, and embeds a motor for development of differential practices within functioning of the local state. Note that in this reading, innovation is systemically embedded, and is not strictly speaking voluntaristic or external to the state apparatus.

This mechanism creates a vertical pressure for implementation, coupled with multiple forms of implementation/innovation, some of which may be of use elsewhere, and become codified and circulated. These exist in complex spatialities of reform in which multiple possible institutional solutions circulate. Research by the author found this dynamic in operation in development of China's rural health insurance scheme, as sub-national governments produced multiple procedural innovations under an overall policy framework and in response to systemic pressures, some of which achieved degrees of supra-local propagation. To date, there appears to be little research formally linking the existence of state control structures and sub-national innovation, or how judgements of what constitutes legitimate practice are made by actors dispersed throughout the Government/Party system (though see Husain 2013a). How changing management and incentive structures create different kinds of innovation, and how these might be modified to make innovations more pro-poor, or to more directly take into account local populations, as called for by Chinese analysts, above, are important questions.

¹⁸ *Yali*, literally 'pressure' was employed by Rong (1998) and others to describe the functioning of the Chinese Government system and the incentives it creates at local levels of the state. Rong takes this term from language used by local level cadres to describe the pressures they face in implementing policy and meeting targets of higher levels of government. This vocabulary remains common among local government implementers. Note, however, analyses that point to the limited effectiveness of the central state in enforcing implementation of policies. Edin (2003) describes the cadre management system (i.e. personnel system) as selectively effective in enforcing implementation. O'Brien and Li (1999) argue that, '[m]any Chinese grass-roots officials [...] both work very hard and shirk very ably'. Main factors in their analysis are the degree to which policy targets can be specified, and outcomes measured, and degree of popular supervision of implementers.

If, as Chung argues, much central tolerance of divergent sub-national behaviour is based on an implicit calculus of systemic benefit and the necessity of norms of tolerance, and if changing norms is the means of promoting innovation which implies lowest transaction costs (Chen 2004), how are such norms internalised by local governments, and how do these affect behaviour? More pragmatically, how would one generate such norms in a shorter timeframe than that of China's reform era? As above, some sub-national governments seem to have trialled policies intended to protect local reformers, and thereby encourage innovation. It would be interesting to know how these function, and whether they have had the intended effect.

With few exceptions (Li 2006; Hammond 2013), there appears to be little direct research on local government innovators themselves, at least in English, despite the obvious potential for this. This includes detailed research on the career paths of local government innovators. There also seems to be little innovation on failed innovations, or ones that have been cut short or otherwise suspended (though this is a criticism of innovation literature elsewhere) or on those responsible for failed innovations.

4.5 Signalling, Positioning and Packaging: Government Innovation as a Discursive Phenomenon

First, it is worth repeating that the framing of innovation, and the vocabulary and concepts used to talk about this, are discussed in this paper as rationalisations 'in and around government' (Kingdon 1984) of certain phenomena. These rationalisations hold, at least to a certain degree, across levels of government and are employed by many in the wider research community. As above, the term innovation is applied loosely in Chinese policy discourse, and rarely denotes newness or originality. Government innovation must be understood as a discursive phenomenon as much as a process of generation of new institutional forms. As above, local government reforms are very often framed as innovations in specific policy 'mechanisms' (*jizhi*), 'methods' (*cuoshi*), 'means' (*fangfa*), 'techniques' (*jishu*), or as 'explorations' (*tansuo*), or 'experience' (*jingyan*) and similar terms, in opposition to, or in dialogue with, 'systems' or 'structures' (*tizhi*), or 'system/structural reform' (*tizhi gaige*). This vocabulary of innovation/reform points to an operational discourse widely made use of in Chinese policy circles. This is more useful for what it does, or allows one to do, than for what it represents.

This discourse, and terms profiled here, serve a number of functions. First, use of such terms should be understood as a form of discursive positioning, through which local reformers, researchers, the LGIPP, higher levels of government and others, signal liminal or emerging practices, or some variant policy practice, whether original or not.¹⁹ The existence of this vocabulary allows signalling of difference, while avoiding making grand claims to policy novelty and maintaining a claim to continuity with an overarching discursive or policy framework. Second, these terms should be understood in light of the low level of specification of much Chinese policy and political discourse. As above, much policy and political discourse is deliberately open (Eco 1989), giving sub-national governments room to manoeuvre (van Zwanenberg *et al.* 2011), and forcing interpretation by those charged with implementation (see also Section 4.6, below). This process links a notion of direction in central reforms that is broadly understood but not operationally specified, and multiple possible operational specifications that are developed or are in circulation/conflict. Terms such as mechanism, methods' are among those used to highlight the range of differential and emerging practices arising from this process. Third, signalling and the adjudication of good practice that goes along with this should be considered part of a conversation of reform (Gudeman and Rivera 1990), dealing with emerging and liminal practice, that is to say policy practice that has not yet stabilised, and regarding which

¹⁹ Note that this point is applicable more widely. Language used in UK policy circles, including 'beacon schemes', and similar terms point particularly clearly to this function. This is different to what Hartley (2005) calls discursive innovation, which she describes as innovation at the level of discourse/concepts.

judgement as to its usefulness or legitimacy is suspended. Multiple actors, across multiple levels of government, and outside government, including the research community and international agencies/donors (see Section 4.6) may be engaged in such conversations. The breadth of these conversations in which, despite the risk highlighted in the above analysis, multiple sub-national practices and policy solutions, of varying degrees of usefulness, are in circulation at any one time, should be considered a way of dealing with newness, and fostering and signalling emergence, in conditions of rapid change.²⁰ This is clearly linked to the importance of a broad artefactual structure that can be drawn on in reform, as above. Indeed, there is recognition that policy ideas may lie dormant for some time before being taken up and used (Heilmann 2008a).

Transfer agents (Stone 2004), and informational infrastructures, 'individuals, institutions, organizations, and technologies that interpret, frame, package, and represent information about best policy practices [...] and cutting-edge ideas' (McCann 2011b), have received little attention in generation and propagation of innovative practices, despite the existence of programmes such as the LGIPP, and research institutes or think tanks, whether affiliated to specific ministry systems or not, which trial innovative policy practices sub-nationally and promote these, or are otherwise engaged in sub-national reforms, as advisors, diffusers of good practice, etc. There are a number of related research questions, including modes of participation of researchers/research institution in the policy process, their role as transfer agents in the codification and packaging of reforms, and how researchers/research institutes can better perform their intended function.²¹

4.6 Sub-National Innovation, Spread, and 'Spatialities' of Reform

Many local government innovations submitted for inclusion in the LGIPP are similar in theme and in approach. Some observers argue that many places face similar problems, and therefore find similar solutions (Wu *et al.* 2007). Critical literature on policy transfer, however, opens up a series of questions around this, around the circulation of policy models, and how judgements are made regarding the usefulness and applicability of these. There is an absence of attention in existing analyses to where would-be reformers look for models, and why. This should not be considered a rational process of purposive horizon-scanning and comparison, trialling and adoption, but rather a process conditioned by prior understandings which, 'frame and filter policymaking imaginaries' (Peck 2011) and through which local policy makers, 'draw on (and draw in) a wider policy repertoire than [...] available within their national as well as local boundaries' (Cochrane and Ward 2012). A number of analyses of Chinese Government reforms point to differences in understandings between central policy makers and local governments, and stress the importance of changing conceptions and understandings of local governments as a precondition for successful implementation (Liu and Bloom 2008). Better understanding of processes of sub-national framing of problems, agenda setting, and selection of possible solutions is merited, bearing in mind that prior framings and understandings can both hamper and assist processes of exploration of possible reform measures.

Despite a number of Chinese analyses that provide typologies of spread of innovations sub-nationally, as above, there has been little close attention to *processes* of spread. Most analysis has been essentially teleological, and focused on the degree to which sub-national policies are taken up and rolled out by government. In most cases, this implies Central Government. Some argue for retrospective policy studies, which claim to, 'sidestep teleological searches for, for example, a 'real'

²⁰ Indeed, one function of terms such as experience, and exploration is presumably as a risk limitation strategy, used to signal that a given practice is emergent (Chen 2004).

²¹ On this, note that there are currently plans to reform management of Chinese think tanks to provide greater support to policy formulation (Li 2015).

market economy or 'real' democracy' and to seek to explain the actual genesis of the somewhat idiosyncratic institutions that China seems to produce' (Heilmann and Perry 2011). This remains, however, centrist in its understanding of institutional change and is a limited framing of the potential contributions of sub-national reforms. To a certain degree, such analyses point to a process of sub-national agenda setting and national roll out, rather than to innovation as understood here.

There appears to be little attention, for example, to changing *degrees* of centralisation, processes of policy consolidation, and the importance of this in allowing space for generation and promotion of innovative sub-national policy processes. Chinese analyses stress that the Chinese political system operates according to the principle of 'democratic centralism' (Wang 2013; Yu 2008a), which functions to unify central control/discipline with freedom, including (bounded) autonomy of sub-national governments. Given that decentralisation may vary by policy area, by jurisdiction, and across time, the degree to which control over any given policy agenda is centralised/decentralised, and the *level* of government at which policy standardisation (and any given policy solution) is enforced, are all relevant to the possibility of sub-national adaptation and innovation. It is too simple to assume a central-local dichotomy, and recent literature characterised as new regionalism (Rithmire 2014) may offer new ways of conceiving of local reforms as specifically *local*, rather than simply as cases used to illuminate national or central reform trends. Equally, it may be relevant to question the extent to which the same rules hold universally. There is a long tradition of scholarship on China showing differential sub-national models in areas such as rural economic development (Goodman 1986; Baum and Shevchenko 1999; Whiting 2001) and social policy (Solinger 2004). Given this, we should be looking, not for one Chinese model of reform and managing innovation, but for multiple models which change over time.

Sub-national policy transfer receives little attention in existing literature, and where this is analysed, it is most often framed as uninformed mimicry (Eyferth 2003; Pieke 2004). However, observation indicates that where learning occurs, this is visibly critical and adaptive. This is recognised by many involved in policy trialling and propagation in government and in think tanks. In most cases, policy spread should not be considered a literal process (Peck and Theodore 2001, cited in McCann 2011b) of simple diffusion (Walker 1969), or mechanistic 'point to surface' (*cong dian dao mian*) replication at scale of small-scale experiments (Heilmann 2008b). Rather, looser approaches to spread, such as translation (Johnson and Hagström 2005), are likely to be useful in understanding this as a process in which there is flexibility and adaptation, and in which policy, 'is to be understood as continually enacted, performed, and practiced', and in which, 'the socio-spatial process of circulating policy ideas shapes and reshapes policies' (McCann 2011b). Indeed, there is almost no analytical attention to the spatialities of policy change (Larner and Le Heron 2002, cited in McCann 2011b) that can be observed sub-nationally. As even mainstream analysts of policy transfer state, direct homologous policy copying, 'is the exception; hybrids are the rule' (Marsh and Evans 2012).

5. Conclusions and Questions

This paper had three main purposes. First, to discuss the extent to which government innovation is a useful concept in understanding China's management of change, and point to outstanding research questions. Second, to provide a framework for discussion of Chinese approaches to management of health and social sector change. Third, to provide an initial basis for dialogue between a body of research in both Chinese and English on institutional innovation in China and research on government innovation, policy innovation and transfer elsewhere and to ask what lessons there are from the Chinese Government's approaches to management of change for other developing countries.

The paper has relied substantially on an examination of rationalisations by Chinese researchers and the policy community of processes of government innovation, especially innovation by sub-national (local) governments, and the importance of this for China's management of complex, and high-speed reforms. The main arguments from this analysis have been summarised earlier in the paper, and a number of questions have been raised about points for further research. This section presents a number of initial reflections on the above.

First, this paper has attempted to provide an initial framework for discussion of Chinese approaches to reform management. This is an initial attempt, and it is not claimed that government innovation is, or should be considered, the only salient feature of the Chinese Government's approach to management of reform. It is, to a large extent, a contemporary rephrasing of themes of unity, particularity, initiative, and complementary roles for central and sub-national governments that have a long history in the PRC. As above, such framings and thinking are as much expressions of hope as they are reflections of an existing situation.

Second, there is no real way of assessing the extent of government innovation in China. As above, approaches based in complex systems tend to indicate that it is not even theoretically possible to measure the extent of government innovation, understood as development of potentially useful practices. This is further complicated by the need to frame innovation as a discursive process of adjudication of useful practice. Under such circumstances, we can say little about the absolute extent of innovation.

Third, innovation is a very loaded term, both in Chinese Government and policy discourse and in discourse outside China. Innovation clearly means many things to many people, and is as much an operational term used for positioning reforms and initiatives, and for adjudication of useful practices, as it is a neutral marker of some practice that should be considered in some way objectively better than other comparable or pre-existing policy practices. It is certainly an over-simplification to reduce innovation to a question of newness.

Fourth, it is an over-simplification to assume that all innovation must be good. At one level, in judging usefulness of a given policy or practice, we must ask who benefits from this, and how reforms can be made to benefit those most in need. These are political questions. Judgements of usefulness of a specific practice must also be contextual and made within a certain timeframe. The argument advanced here discusses innovation as part and parcel of managing change and adaptation during high speed and complex reform processes. Reform is a broad concept, and China has been actively carrying out reforms in very many policy areas over the course of the post-planned economy (or reform) era, since the late 1970s. Many Chinese local government innovations may not be optimally efficient, but may still play a role in ensuring adaptation and underpinning reform. This requires an understanding of appropriate innovation, or innovation not at the technical frontier, but which remains developmentally useful (Husain forthcoming).

Fifth, the paper has raised a number of questions regarding sub-national governments, how they conceive of, construct and implement innovations, how such dynamic processes fit within the management systems within which local governments sit, and how ideas circulate, and the importance of a range of agents in this process. In a number of areas, there are tentative answers to some of the questions posed. In others, there is almost no research to draw on in explaining how phenomena we observe actually function. There is no claim that China's management of reform, or government innovation, is exemplary, and there are many criticisms from Chinese analysts and researchers to indicate that it is not. Any discussion of how such processes are managed should ask how they can be managed better (Florini *et al.* 2012). While this paper has argued that the main importance of innovation is in creating conditions for continued adaptation, and that second best institutions play a role in that, this is not to argue that efforts to increase the efficiency of existing institutions should not be made. There are presumably trade-offs to be made between allocative and adaptive efficiency. Such trade-offs are a subject for debate.

Sixth, while the Chinese Government has changed very substantially over time, it remains the case that the Chinese Government system is highly distinctive. Much recent analysis of experimentation and innovation in China has been in the context of explaining the resilience of the Chinese polity, and claiming its distinctiveness from other nominally Leninist systems. This distinctiveness, however, raises questions around the portability of lessons from China. As above, a number of contemporary programmes are trying to use Chinese experience in improving population health and other areas in developing and low income countries. The author's discussions with individuals engaged in such programmes almost universally show a high level of awareness of China's distinctive government system, and the limits this is likely to impose on transfer of Chinese approaches and reforms. Given increasing attention within the development community to management of complex reforms, adaptive programming, and the role of experimentation (Andrews *et al.* 2012; Wild *et al.* 2015), however, it remains to be seen what lessons other countries can draw from China at the level of reform management.

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