

## A Study of Improving the Safeguards for Gross-root Social Governance Performance

--From the Perspective of Financial System Reform

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**Keywords:** Financial difficulties at the grass-roots level, Grass-roots social governance, Reform of financial system

**Abstract.** Finance is the foundation and important pillar of national governance, its function and action space covers the sub-system of national governance - social governance. Grass-roots social governance, as an important foothold and component unit of social governance, is the foundation of the whole system of governance, and the quality of governance is directly related to people's well-being and social stability, however, as an important guarantee of grass-roots social governance, local finance is facing the realistic problem of financial shortage. This paper comprehensively explains the causes of financial shortage in grassroots social governance from two aspects, including the theoretical sources of "the relationship among financial power, administrative power and financial resources and the realistic sources of the impact of "tax sharing system" reform, and fully demonstrates the significance of promoting the current financial system reform to improve the grass-roots social governance through the analysis of typical cases. And it put forwards some pertinent suggestions, such as perfecting financial system in which financial resources and administrative powers match each other, setting up special fund and supporting policy, giving play the leverage role of financial, absorbing management talents in grass-roots society and so on.

### 1. Introduction

The Third Plenary Session of the Eighteenth Central Committee first put forward that finance is the foundation and important pillar of national governance, which is a major shift in the orientation of financial functions, with profound implication. Before the Eighteenth National Congress, China mainly focused on economic reform, as an important grasp of the landing of the national strategy, finance was directly involved in readjusting the relationship between the state and the market (enterprises), fully mobilizing the enthusiasm of all parties, and significantly improving the material living standards. After the Eighteenth National Congress, the reform has entered the deep-water areas, it was not only confined to the economic field, which caused many social problems with the widening gap between urban and rural areas and regional development levels and prominent contradictions among different stakeholders, but also focused more on grass-roots society. In the social governance, which is an important part of national governance, grass-roots social governance is undoubtedly an important foundation and breakthrough to solve social problems. Therefore, as the intersection of various interests, what is the relationship between finance and grass-roots social governance? How can finance assist grass-roots social governance? The analysis of these problems is the significance of this paper.

### 2. Posing Problems

The concept of "modern finance" that matches the national governance was put forward following a certain historical development track. In the early stage of reform and opening-up, for the purpose of "the contradiction between meeting people's growing material and cultural needs and backward social production", China continued to promote market-oriented reform and promote

economic development in an all-round way. At that time, the structure of the social main body is relatively single with relative simple interest relations, and the financial system served the economic domain more. With the deepening of market economy, different social strata and interest groups are gradually formed, the main body of economy and society are increasingly diversified, the interrelated interest points are increasing, and the contradictions and conflicts are rising. The traditional single management method can no longer meet the needs of the times, a new national structure is needed to accommodate all kinds of interests and conflicts. Otherwise, it will lead to various public risks, and the central government has put forward the target orientation of “modernization of national governance” in time. The Nineteenth National Congress of the Party clearly made a major judgment that the main contradictions of the current society have been transformed into “the contradiction between people's growing needs of better lives and unbalanced and inadequate development”. The people have not only satisfied the material needs, but also have new demands on people's livelihood, politics, culture and many other fields, and reforms in various fields are also deepening, and they have a common intersection point, namely, finance. One of the focuses of “modern finance” is to guide and support the multi-subjects such as grass-roots governments, social organizations, mass organizations and the like through financial funds, and to change the original mode of solely depending on government to provide management and public service through financial resources support, so that more main bodies can participate in social construction.

Because more attention has been paid to economic development in the past, there have been many problems in social governance, especially in fields of social security, public service and the like in people's livelihood field. A variety of unsTable factors have made the situation of grass-roots social governance grim, showing the characteristics of fragmentation, decentralization and contradiction as a whole. Specifically, the following problems have been highlighted: First, contradictions and disputes develop in depth caused by multiple-interest demands, and the problems are not easy to solve, such as land expropriation and demolition, resettlement compensation, environmental pollution and other new problems increase; second, the pressure of public security stability is increasing, mainly reflected in the urban community residents involved in cases, disputes, residents petitions and other issues, and the rural crime rate against the left-behind elderly and children remains high; third, the ability and level of public services are relatively insufficient, reflected in the current grass-roots social governance system cannot meet the increasing demands of the people's interests, single and backward service; fourth, the talent stock of grass-roots social governance is obviously insufficient, reflected in the shortage of full-time personnel in the administrative system and insufficient professionals in social organizations and the lack of young people and the lack of enthusiasm for work, etc.

The improvement and perfection of public risk awareness, ability, knowledge, technology, public system, public innovation ability and other key factors, reflected in this series of problems, will all require cost, and the burden of these costs will ultimately fall on finance, therefore, financial system is an important guarantee foundation of grass-roots social governance. However, China's grass-roots social governance is currently facing problems of unremarkable effect and lack of depth. One of the reasons for its universality and commonality is that grass-roots governments and social organizations are facing prominent financial problems- financial difficulties at the grass-roots level. Therefore, only by finding the root of the financial difficulties at the grass-roots level, effectively solving the practical problems of financial, can we provide an important financial guarantee for the improvement of the grass-roots social governance system and the improvement of the level of governance.

### **3. Analysis of reasons for the financial difficulties in grass-roots social governance**

#### **3.1 Theoretical analysis of financial difficulties in grass-roots social governance**

There are many manifestations of inter-governmental financial relations, which can be summed

up as the combination of three elements: financial power, respective power and financial resources. ① The financial power refers to the power of governments at all levels to organize income according to law, which is mainly embodied in the tax power and the charging power. Respective power refers to the power and responsibilities of the government in public goods and public services. Financial resources refer to the amount of monetary and financial resources owned by governments at all levels within a certain budget time limit, which mainly come from the tax revenue of governments at the corresponding level, transfer payment of superiors, non-tax income and so on. In general, only when these three achieve symmetry can ensure that governments at the first level are functioning properly. The essence of “tax-sharing system” reform in 1994 was to determine the financial power between the central and local governments by dividing the tax categories, and the financial power are relatively stable. However, there are uncertainties in the standardized or non-standardized allocation of financial resources through transfer payment system. And the most core of the respective power, because of its numerous, overlapping and complex characteristics, has not yet formed a clear and complete boundaries, the respective power also exists uncertainty, and the present situation of the three elements has laid a hidden danger for various contradictions in the financial system. In the final analysis, both financial power and financial resources are financial means for the service of respective power, the respective power is uncertain, the matching of financial power and respective power, the matching of financial resources and respective power are difficult to achieve. At present, the respective power and financial resources under the provincial are uncertain, the development and evolution of both are the process of mutual game between governments at all levels, and the root cause of the financial difficulties at the grass-roots level is also derived from this.

It has been proved by practice that the financial principle of “financial power and administrative power matching each other” is inappropriate. Because financial power represents only the power to tax or charge at the level of government, it is not the same as actually having money-based revenue. For example, a poverty-stricken agricultural county, although it has the power to levy multiple taxes, because of its single industrial structure, economic backwardness, difficult development, there is no real possibility of organizing enough income at all. On the contrary, the government may have heavier responsibility for providing public goods and services such as education, health care, social security and urban construction, while the grass-roots government at the bottom of the game with the upper level is weak, and the financial resources obtained through taxation and transfer payment are often insufficient to support the huge and heavy public expenditure. Therefore, in order to fundamentally solve the problem of financial difficulties at the grass-roots level, we must reduce the uncertainty of respective power and financial resources, and realize the balance between respective power and financial resources by improving the transfer payment system under certain circumstances (as shown in Figure 1).

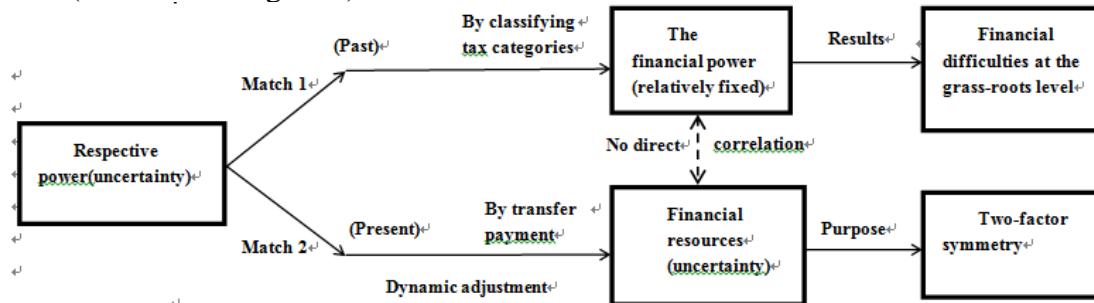


Figure 1:Relationship diagram of the three elements of finance

### 3.2 Realistic analysis in governing financial difficulties of grass-roots society

China's current main financial framework is still the “tax-sharing system” implemented as of 1994 reform, the great significance of the “tax-sharing system” is the realization of tax decentralization at the central and local levels, “local” here is a concept of gathering, which ensures

a sTable growth of the central finance and income centralization. But the problem is that China implements the administration of the central-provincial-city-county-township five-level government, the “tax-sharing system” only distinguishes between the tax ownership of the central and sub-provincial level, while the sub-provincial level do not continue to carry out the “tax-sharing system”. Local finance, especially at the county and township level, is generally lacking in financial power. After the implementation of “Township Finance managed by County” in 2006, the budget at the township level was directly cancelled, and the township finance was managed by the county level with unified revenue and expenditure. In recent years, the tax system reform of “Business Tax to Value Added Tax” being carried out nationwide., the original local business tax was changed into VAT, and the general tax revenue was allocated to the central finance according to the proportion of five to five. This series of reforms has made grass-roots finance increasingly tight, some places with poor natural resources and geographical endowment even need to borrow money to pay wages, and the grass-roots financial difficulties have become a common phenomenon (as shown in Figure 2).

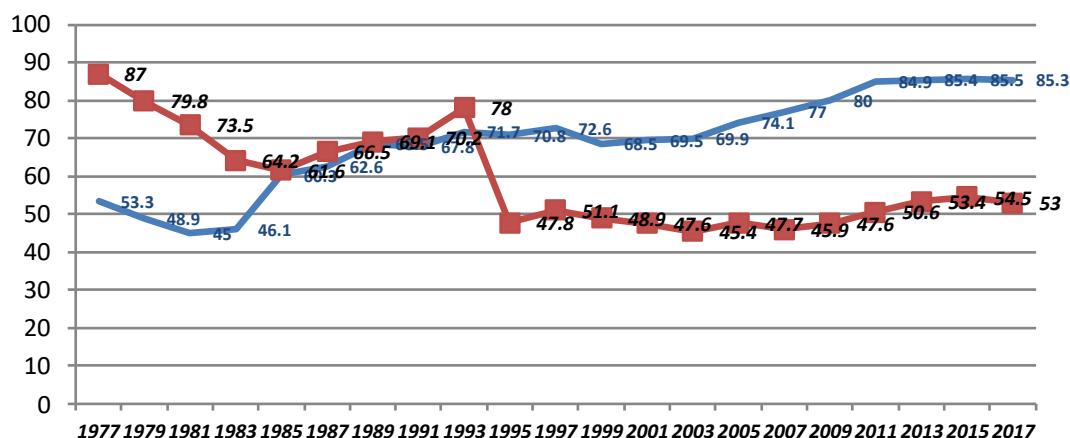


Figure 2: Tendency of proportion of local fiscal revenue and expenditure in the national fiscal revenue and expenditure over the past 40 years (1977-2017)

Date source: calculated by inquiry of “national data” from the National Bureau of Statistics

In contrast, after 40 years of reform and opening-up, with the continuous improvement of the people's material living standards and continuous appearing of various interest bodies, contradictions and conflicts frequently occur, and the people's livelihood problems in the fields of health care, education, unemployment and environmental protection, etc. have increased sharply. Governance of these problems is often at the grass-roots level, regardless of the participation of grass-roots governments or multi-social organizations, the biggest contradiction in solving the problem still lies in funds, therefore, in order to change the financial difficulties at the grass-roots level formed on the basis of the “tax sharing system”, we need to further reform the financial system, realize the “matching of financial resources and administrative powers”, and ensure that the grass-roots financial resources are sufficient to support grass-roots social governance. Whether this can be achieved is directly related to the success or failure of grass-roots social governance.

#### 4. Significance of Financial System Reform to Grass-roots Social Governance-Taking Two Typical Cases as Examples

The report of the Nineteenth National Congress of the Communist Party of China points out that social contradictions and problems are intertwined and superimposed, and the state governance system and capacity need to be strengthened. In recent years, an important institutional factor that highlights social problems and deepens and escalates social contradictions is that grass-roots social governance fails to play its due positive role. An important and realistic common reason that affects the level of grass-roots social governance is that grass-roots governments and social organizations generally lack sufficient financial support. In contrast, in some places, the financial system reform

in support of grass-roots social governance has achieved remarkable results, which provides a model for financial reform that can be used for reference to better improve the level of grass-roots social governance in China.

1). Fiscal system with financial resources matching respective power support grass-roots social governance -- a case study of Jinyang community in the urban-rural junction of Wuhou District, Chengdu, Sichuan Province as<sup>②</sup>

(1) “Decentralization of respective affairs”-- is to restore the decision-making power of residents as a breakthrough to build a platform for deliberation in urban and rural communities. Chengdu City adheres to the principle of community consultation in “consensus and joint decision-making on various issues”, creates the discussion and consultation system of village (residential) people's affairs under the leadership of party organization, democratically elects village (residential) people's affairs council, and promulgates four systems, such as organizing rules and guidelines of deliberation for urban and rural community residents' affairs council. At the same time, it promotes the establishment of community norms such as the convention on residents and the convention on courtyards, and forms a platform for multi-party participation in consultation and deliberations under the leadership of Party organizations. Promotes community stakeholders to reach consensus through consultation, and regularly revises resident conventions and courtyard conventions to promote self-management, self-education, self-service and self-supervision of residents.

The grass-roots social affairs are complicated and multifarious, so it is difficult for the grass-roots government to implement meticulous management in time and in place. In order to resolve the risk of grass-roots social governance in a timely manner and solve the problem by brainstorming, through the urban and rural community deliberation platform established under the leadership of grass-roots Party committees, Jinyang community transfers the management power of related affairs in grass-roots social governance from the government level to the people's hands, and realized the residents' autonomy of community affairs.

(2) “Matching financial resources”--is the establishment of participatory budget community funds at the village and community levels. Since 2009, Chengdu City has established a public finance system covering urban and rural communities, created special funds for urban and rural community public services and social management, and incorporated them into the municipal and county budgets. As a community fund with a participatory budget for residents, in addition to public and private areas of government, the power to use and evaluate funds is fully vested in residents in accordance with the principle of “civil deliberations and civil decisions”, and resources are effectively allocated through self-government to ensure that public financial funds and the actual needs of community residents are effectively docking.

**Conclusion:** The social management work of Jinyang community in Wuhou District of Chengdu City has made remarkable achievements, and the residents' life happiness index has been improved continuously, which is closely related to the establishment of the matching public finance system. The case fully proves that only by grasping the three elements of theory law of financial power, respective power and financial resources, perfecting the public finance system of grass-roots social governance with matching financial resources and respective power, and making finance the basis and important pillar of grass-roots social governance, can we help urban and rural community governance operate efficiently and benignly with sufficient financial funds.

## 2. Case study of the leverage effect of financial funds in grass-roots social governance

### Case 2: Jiyang Street Social Service Center, Rencheng District, Jining City, Shandong Province

The service center, established in early 2016, is an early-established street-level hub-type social organization in Jining City. Its purpose and service content are to explore the social service and multi-participation community governance model. At the beginning of its establishment, there were no full-time social workers, no space, unclear direction of development, and it was difficult for the government to purchase public services and projects. Due to that the relevant fiscal policies, cities, districts and streets had no special financial support for the development of social organizations, in the day-to-day work, the service centers can only carry out basic works such as regulating community social organizations, linking service resources, encouraging participation in social

workers' examinations, supporting community service activities and so on, and the role of participation in social governance is not prominent.

With the attention paid by Party committees and governments at all levels to the work of social organization, Jiyang Street Social Organization Service Center was appraised as the demonstration unit of hub-type social organizations at the municipal and district levels in 2016,, and received 40,000 yuan of financial incentive funds. The center also participated in the social service venture capital contest held in Rencheng District and won 10,000 award. With the 50,000 yuan, the service center took out 20,000 yuan to support 10 community projects ("Warmhearted Cares for the Happiness of Jiyang," welfare for the elderly micro-venture project, "Heart • Flying "youth practice project, "Jiyang • Impression" --- looking for old photo project," Happy Jiyang the Most Beautiful Building Master "project, "Love Household Visiting" public welfare project, "25.8" love charity sale project, " Warm Winter Action----- Accompanying you for the New Year" project, " Ability Growth of New Grid Staff "team project, " Caring for Young People's Growth "psychological team activity and "Colourful Summer Vacation Class "project), used 10,000 yuan financial fund to provide basic soft decoration and environmental improvements for street venues, and used 10,000 yuan financial fund to carry on the outdoor study and the training to the service center staff.

Fifty thousand Yuan of financial fund is not much, but it has played a leverage role in the initial development stage of Jiyang Street Social Organization Service Center, realized the normal operation of the service center, and promoted the service center to actively expand the development of a number of community innovation work; and laid the foundation for the future development of the service center entity team and accumulated valuable innovative experience.

**Summar:** General Secretary Xi Jinping pointed out that "A large number of tasks for promoting reform, development and stability are at the grass-roots level, the main body responsible for promoting the landing of various policies of the Party and the state are at the grass-roots level, and the basic work of promoting the modernizing of the national governance system and capacity for governance is also at the grass-roots level", all those can fully show the importance of grass-roots social governance. At present, there are still many weak links in the grass-roots work such as urban community governance and rural village governance , so we should find the breakthrough point to stimulate the use effect of the " accomplishing a great task with little effort by clever maneuvers " of financial funds and promote the rapid development of grass-roots social governance. The establishment, operation and development of Jiyang Street Social Service Center in Rencheng District of Jining City, Shandong Province is a good example of the leverage effect of financial funds in grass-roots social governance.

## 5. A solution to fiscal reform for improving gross-root social governance

### 5.1 Adjusting the financial relationship between governments and establishing a local financial system with financial resources matching the administrative powers

1). Determine further the administrative powers at all levels and, determine the expenditure responsibility of grass-roots government

The essence of financial system reform is to adjust the interest distribution between governments at all levels. After the "tax sharing system" reform, the financial system appears the trend of the financial power shifting up, and the expenditure responsibility shifting down, and has the increasing tendency, which is also the surface reason of financial difficulties of the grass-roots governments in urban and rural areas.. Further analysis shows that the root of the problem is the unclear definition of government administrative power sat all levels of our country. A lot of common administrative powers(see Table 1), and unequal powers make the expenditure responsibility of common administrative powers under provincial level more allocated to the grass-roots governments at the city and county (district) levels, but the corresponding supporting funds can not follow up synchronously, which makes the financial difficulties at the grass-roots level common.

Table 1: the scope of central and local financial administrative powers (2016)

Attribution of administrative powers	Content of administrative powers
Central financial administrative powers	National Defense, Diplomacy, National Security, Entry and Exit Management, National Defense Highway, Border River and Lake Governance, National Major Infectious Diseases Prevention and Control, National Great Passage, National Strategic Natural Resources Use and Protection
Common administrative powers of central and local financial	Compulsory education, higher education, scientific and technological research and development, public culture, basic old-age insurance, basic medical care and public health, basic medical insurance for urban and rural residents, employment, food security, construction of major infrastructure projects across provinces (districts and municipalities) and environmental protection and governance
Local financial administrative powers	Public security, municipal transportation, rural roads, urban and rural community affairs

Note: The division of “content of administrative powers” is in accordance with GF [2016] No.49 “Guiding Opinions of the State Council on Promoting the Reform of the Division of Central and Local Financial Administrative Powers and Expenditure Responsibilities”

As can be seen from Table 1, in addition to a few areas involving national security, diplomacy and national infrastructure, which are entirely within the scope of the central financial administrative powers, and very specific public security, transportation and social governance at the grass-roots level, which are completely managed by local finance, there is still a large number of matters under the jurisdiction of the central and local authorities. This kind of division is only a rough definition. There is no clear stipulation on the proportion of central and local common administrative powers projects to be divided between the two, and the proportion of pure local administrative powers to be divided among provincial, municipal and county governments at all levels. The determination of inter-governmental administrative powers and expenditure responsibility is more the result of the mutual game among governments at all levels, which has great uncertainty and brings great financial risk to the grass-roots governments. Therefore, in order to ensure the financial resources guarantee of social governance at the grass-roots level, the financial departments at all levels below the provincial level should make relatively clear attribution division of expenditure responsibility for social governance and support the corresponding management funds. Avoiding buckpassing is the fundamental solution.

2). Determine expenditure responsibility further, and make sure the path of realization for the matching of financial resources and administrative powers.

On Feb 8, 2018, the General Office of the State Council issued a document on “Circular on Issuing the Reform Programme on the Division of the Central and Local Common Financial Administrative Powers and Expenditure Responsibility in the Field of Basic Public Services”, which is the refinement and upgrading to the “Guidance Opinion” of 2016. It is no longer limited to the general definition of responsibility scope of the central and local finance, but also clearly stipulates the specific matters, decision-making power, expenditure responsibility and share proportion in the field of basic public services, thus providing a more reliable financial resources guarantee for social governance led by governments at all levels (see Table 2). Local governments, after the “Notice of Reform Program” issued by the General Office of the State Council, have successively formulated lists of administrative powers and provisions for the division of expenditure responsibilities of governments at or below the provincial level. Some of the major public services involved have also been made specific provisions on the proportion of expenditures for the provinces, municipalities and counties at all levels (see Table 3 for example). Thus, on the premise of clear definition of administrative powers, by dividing expenditure responsibilities at all levels, the financial departments at all levels can estimate relatively accurate expenditure quota, and the deficit balance can be filled as far as possible by applying for transfer payments by superiors,

which lays a foundation for the matching of financial resources and administrative powers.

Table 2: List of Central and Local Common Financial Administrative Powers, Basic Standards, Division of Expenditure Responsibility in the Field of Public Services (excerpt)

Common financial administrative powers matters		Basic standard	Expenditure responsibility and sharing method
Compulsory education	1. Guarantee of public funds	The central government sets a unified benchmark quota. On this basis, it will continue to raise the level of public funds such as boarding schools according to regulations, and separately approve the public funds of special education schools at the compulsory education stage and disabled students learning in regular class.	The central and local governments share it in proportion. The first is 8:2, the second is 6:4, and the other is 5:5.
	2. Subsidies for students with poor family finances	The central government formulates the national basic standards of living subsidies for boarders living in families with economic difficulties and those boarders living in the nationalities with a smaller population. The central government approves the standard of living subsidies for non-boarder with financial difficulties in their families according to a certain proportion of the national basic standards, and each district may determine the standard of living subsidies for non-boarder according to the actual grades.	The central and local governments shall share in proportion, and each region shall be 5:5. The central finance shall bear the additional funds for increasing living subsidies of boarders of the minorities with a smaller population.
Student aid	3. State Grant for Secondary Vocational Education	The central government sets standards for funding.	Central and local governments share in proportion according to the grades. The share ratio of the first grade is 8:2. In the second grade, the proportion of students from the areas of the first grade is 8:2, the proportion of students from other areas is 6:4. As to the third, fourth and fifth grades, the proportion of students from the first grade areas shall be 8:2, the proportion of students from the second grade areas shall be 6:4, and the proportion of students from the other areas shall be the same as that in the study area, respectively as 5:5, 3:7, 1:9.
	4. State	The central government sets the	The required funds shall be

	Grant for General High School Education	average standard for funding, and the local government may determine grading funding standards according to the actual conditions and regulation.	shared in proportion by the central and local governments according to grades. The first is 8:2, the second is 6:4, the third is 5:5, the fourth is 3:7, and the fifth is 1:9.
Basic employment service	5. Basic public employment services	The standards shall be set by the local authorities in combination with the actual situation.	Mainly based on local financial resources status, the number of guarantee objects and other factors to determine.
Basic Pension Insurance	6. Subsidies for basic Pension insurance for urban and rural residents	Basic standards shall be set by the Central government.	The basic pension standards set by the central government shall be shared by the central and local governments in proportion. The central government is responsible for all expenditures in the first and second grades, with the others being 5:5.
Basic medical security	7. Subsidies for basic medical insurance for urban and rural residents	The central government sets guidance subsidies standards, and local governments shall, in light of actual conditions, determine specific standards for subsidies.	Central and local governments share in proportion according to grades. The first is 8:2, the second is 6:4, the third is 5:5, the fourth is 3:7, the fifth is 1:9.
Basic life assistance	8. Aid to People in Difficulties	The standards shall be set by the local authorities in combination with the actual situation.	Mainly according to the local financial difficulty degree, the safeguard objects quantity and other factors to determine.

Note: This Table is transmitted from the GBF [2018] No. 6

Table 3: List of Central and Local Common Financial Administrative Powers, Basic Standards, Division of Expenditure Responsibility in the Field of Public Services of Heilongjiang (excerpt)

Common financial administrative powers matters		Basic standard	Local expenditure responsibility and sharing method
Compulsory education	1. Guarantee of public funds	To implement the benchmark quota set by the central government. On this basis, to continue to raise the level of public funds such as boarding schools according to regulations, and separately approve the public funds of special education schools at the compulsory education stage and disabled students	Province and county share according to 8:2 proportion; the province and the city share in a ratio of 6:4.
	2. Subsidies for students with poor family finances	To implement the national basic standards for boarders with poor family finances and living subsidies standards for non-boarders formulated by the central government.	The province and the county share in a ratio of 7:3.
Student aid	3. State Grant for Secondary Vocational	To implement the funding standards set by the central government.	The province and the county share in a ratio of 7:3.

	<b>Education</b> 4. State Grant for General High School Education	To implement the average funding standards formulated by the central government, the municipal and county governments may, in accordance with the provincial regulations and in light of the actual conditions, determine the grading funding standards.	The province and the county share in a ratio of 7:3.
Basic employment service	9. Basic Public Employment Services	The city and county formulate standards according to actual situation.	The provincial level mainly conduct subsidies on the basis of such factors as the financial resources status of the cities and counties and the quantity of the insured objects
Basic pension	11. Subsidies for payment of basic pension insurance for urban and rural residents	The provincial level formulates the basic standard.	The province and the county share in proportion to 6:4.
Basic medical security	12. Subsidies for basic medical insurance for urban and rural residents	Implementation of central basic standards.	The province and the county share in proportion to 6:4.
Basic health family planning	14. Basic public health services	Implementation of central basic standards.	As to the incremental part through comparing with the previous year, the province and the city and county share in a ratio of 5:5.

Note: This Table is transmitted from HZBF (2018) No.57.

In grass-roots social governance, there are many complicated problems, but in the final analysis, they are people's livelihood. Education, medical care, social security, housing, employment and other basic public services are the core of grass-roots social governance. At present, there are all kinds of prominent problems in grass-roots social governance, which are caused by the lack of basic public service. Local governments at all levels, as important subjects of grass-roots social governance, only after defining their respective administrative powers and financial power and the boundary and scope of corresponding rights, responsibilities and money, and realizing the matching of financial resources and administrative powers, can gain sustainable impetus and strength to better provide basic public services and solve the problems of social governance at the grass-roots level. As can be seen from the above Table 2 and Table 3, although in some areas of basic public services, governments at the central and local levels have taken firm steps to clarify their respective expenditure responsibilities and to serve grass-roots social governance, the matters involved are still very limited, in the future, there is still much room in further expanding the scope of administrative power division related to social governance and matching the administrative powers and financial resources at all levels.

## **5.2 Further improve the financial system and give full play to the leverage of financial funds**

General Secretary Xi Jinping put forward that “building a social governance pattern of co-construction, co-governance and sharing” in the report of the Nineteenth National Congress of the Communist Party of China. Co-construction, co-governance and sharing embodies the core concept of social governance. Specifically to the grass-roots level, it is to build a social governance led by grass-roots Party committees and jointly participated by grass-roots governments, social organizations, social enterprises, urban and rural community self-governing organizations and the masses. In order to better serve the grass-roots social governance, the fiscal and tax departments can make efforts from the following aspects:

1). A special fund will be set up for supporting and development in financial budget to give full play to the effect of direct financial leverage

In the face of multiple and complex social problems, the government can no longer handle all social affairs as before. It has neither energy nor complete professional ability and should hand over professional affairs to professional people. In order to strengthen the financial support for grass-roots social governance, we should further improve the budgetary mechanism and set up special financial funds to support the development of social organizations. The public service and social undertakings funds originally allocated directly by the financial department are included in the social organization development fund. For social organizations, financial funds are like the blood flowing through the body, only with the continuous and steady growing government support of financial resources, can grass-roots social organizations have a source of life and flourish from small to large, from little to much.

2). Increase the support from financial and tax policy and indirectly promote the development of social organizations and social enterprises

Local governments at all levels should promote the development of social enterprises while cultivating and developing social organizations. A social enterprise is an institution that operates through commercial means and makes profits to contribute to society. Its surplus is used to help vulnerable groups, promote community development and invest in social enterprises themselves.<sup>③</sup> At present, the social enterprise development is still at the beginning stage, the scale is generally small, the influence on the society is weak, the attention is not high enough, and the most important problem is the lack of funds and business volume. In order to promote the development of social organizations and enterprises, on the one hand, give preferential treatment from tax policies, such as the tax reduction and exemption system with clear classifications and regulations on other sources of income of social enterprises (social organizations) other than financial appropriations, involved business tax, enterprise income tax, deed tax, property tax, urban land use tax and other tax items, which are to reduce its tax burden.. Clear provisions are made on tax deduction and preferential policies of social organizations such as popular science, academic seminars, public welfare services and social assistance. On the other hand, the financial departments should, on the premise of increasing the purchase of social public services year by year, further detail the list of social services to be purchased, and incorporate it into the financial budget and government procurement catalogue; expenses for the purchase of services or results of social organizations shall be uniformly included in the special budget for the municipal and county financial year and shall be paid for in a unified manner.

## **5.3 Establish special financial funds to attract professional personnel for grass-roots social governance**

Whether the level of grass-roots social governance can be effectively improved depends on people. High-quality professional talents are the source of power for social organizations and enterprises to innovate and develop continuously. However, among the many problems of the current development of social work industries, the brain drain and shortage are the most prominent one. A questionnaire survey conducted by some scholars on the social organizations in Wenzhou

shows that among the impediments to the introduction of talents, 77.04% are due to the salary and treatment, among which 42.62% are due to social welfare benefits<sup>④</sup>. It can be seen that the factors such as low salary, low social welfare, and uncertain career prospects have become important factors impeding the inflow of high-quality professional social workers. To this end, local financial departments can focus on the following aspects of work:

Firstly, the salary and incentive and guarantee funds for social workers professionals undertaken by the government will be included in the local financial budgets at all levels. Finance at all levels, especially at counties (districts), should refer to local salary standards, focus on helping cities, districts and streets to establish and improve hub-type social organizations, account for the service costs of social workers at the territorial, and specify the salary funds of social workers in the budgeting of finance at this level, establish a dynamic linkage mechanism to adjust the salary level of social workers in time according to the local economic development and the overall salary level.

Secondly, set up social work professionals fostering special funds. City finance is included in the annual budget, which is mainly used for social workers talent training, rights and interests protection, subject research and so on. On the basis of ensuring the treatment of social workers, incentive mechanisms should also be established to encourage community (township) grass-roots full-time social workers to participate actively in the vocational level examinations. For full-time staff members who have obtained certificates from assistant social workers, social workers or senior social workers, subsidies are awarded at different levels according to the type of certificate obtained. To commend and reward the backbone of social work talents who have made outstanding contributions to grass-roots social work and have greater social influence.

Thirdly, increase financial input to rural grass-roots social workers, and retain talent to serve rural social governance. Properly raise the salary and government welfare allowance for township work, and set the special funds for Social Work Helping Poverty Alleviation and the Rural Revitalization Strategy to solve the problem of insufficient social professionals in rural areas in various ways. With certain special training funds, support rural grass-roots government to actively cooperate with social training institutions, and select suitable personnel from rural areas for professional social worker knowledge and skills training to train talents for the development of rural social worker institutions.

## Acknowledgement

This paper is a phase-specific achievement of a key subject under the 2018 innovation program of party school of Shandong Provincial Party Committee “grass-root social governance in the new era: specific practices, development dilemma and solution” (project No:2018ZD007).

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