

Policy Capacity for Urban Village Redevelopment in China: A Two-Case Case Study

CHUNYU SHI, LIAO LIAO, YUJIE HE & QIANYING ZHANG

Abstract Policy capacity is described as a determinant for effective policy implementation. Its contents vary according to modes of governance. Based on available academic studies, grey literature, and semi-structured interviews, this study empirically explores how urban village redevelopment has been carried out in two cities, Hangzhou and Guangzhou, through the lens of policy capacity. By contrasting policy outcomes and the manifestation of policy capacity at different levels in these two cities, we develop three arguments that contribute to our understanding of urban renewal and policy capacity. Firstly, the performance of any policy action is affected by the capacity of the central actor to develop and implement policies. Secondly, understanding the interactive logical between analytical, operational, and political capacities under different governance modes is the key to understanding the strengths and weaknesses of policy capacity in a specific sector. Shaped by local contexts and past experience, local governments are predisposed to path dependence in developing and deploying policy capacity in urban village redevelopment. Thirdly, the capabilities and resources needed to support policies are largely determined by policy problematization at the analytical level: the technique-based approach of policy capacity theory needs to complete the missing link between policy framing and ethical issues.

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1 Introduction

The term "urban village," *Chengzhongcun* in Mandarin, refers to a rural village geographically encircled by an urban built environment (Buckingham & Chan, 2018; Jiang, Mohabir, Ma, Wu, & Chen, 2020). The urban village redevelopment (UVR) in China was originally initiated by some local governments in the 1990s. It stemmed from a new type of urbanization strategy regarding the question of how to intensify land use productivity and achieve urban sustainable development (L. Li, Lin, Li, & Wu, 2014). The central government approved these local initiatives and in 2008 launched a momentous plan for the renovation of shantytowns (including urban villages) to promote sustainable urbanization and improve the housing conditions of disadvantaged urban populations (X. Li, Kleinhans, & van Ham, 2018).

The policy has taken a territorial approach: while the central government, as supervisor, defines the orientation and global objectives of the renovation plan at the national level, local governments enjoy important discretionary power regarding the enforcement of the national policy within their jurisdictions. In response to the mandate of the central government, but especially motivated by the substantial economic and financial benefits from the land development and space reconstruction of urban villages (F. Wu, 2016; He & Lin, 2015), many large cities such as Guangzhou, Hangzhou, Zhengzhou, Xi'an, and Kunming have put into place extensive urban village redevelopment programs since 2009. Shaped by the specific socio-economic and institutional contexts of each city, the implementation of the urban village redevelopment policy varies in approach, pace, and effectiveness. While the cities situated in Guangdong province, such as Guangzhou and Shenzhen, took a bottom-up, collaborative approach, most others opted for a top-down, government-led approach to redevelop urban villages (Y. Lin, Hao, & Geertman, 2015). After more than ten years of redevelopment, some cities have demolished and reconstructed a large number of their urban villages while newly built environments have rapidly transformed into new "urban villages" due to poor housing conditions and the lack of necessary infrastructure and facilities. Other cities have demolished their urban villages but neither the government nor private property developers are capable of redeveloping these areas due to lack of financial capital or serious local corruption. Guangzhou and Shenzhen have encountered significant difficulties in enforcing its redevelopment program because various stakeholders could not reach a consensus (Lai, Wang, & Lok, 2017). It seems that only a few cities, such as Hangzhou, have experienced a relatively successful urban village redevelopment program.

How can we explain the disparities in urban renewal outcomes among different municipalities? A growing body of literature seeks to explain the causal factors influencing cities' capacity to attain their urban renewal goals and expected results. Various institutional, financial, organizational, and managerial challenges have

been extensively examined (Atkinson, Tallon, & Williams, 2019). Simultaneously, there is a burgeoning scholarly interest in examining the nexus between urban renewal effectiveness and governance arrangements (Rhodes & Murray, 2007; Xie, Liu, & Zhuang, 2021). Scholars highlight the pivotal role of governance arrangements in stakeholder relationship balance, power dynamics, and conflict resolution for achieving urban renewal objectives (Tasan-Kok, Van den Hurk, Özogul, & Bittencourt, 2019). These studies have enhanced our understanding of the intricate connection between various influencing factors and urban renewal outcomes from different perspectives. However, the significance of policy capacity has received limited attention. Consequently, the foundational elements of capabilities and resources, crucial for successful policy implementation and the attainment of policy objectives, have largely remained unexplored.

To address the research gap, this study employs the policy capacity framework (X. Wu, Ramesh, & Howlett, 2015; Howlett & Ramesh, 2016) to analyze the causal mechanisms underlying policy outcomes in urban renewal. Policy capacity pertains to the ability to mobilize the required resources to make informed collective decisions and to execute the preferred courses of action (Denis, Usher, S., & Préval, 2022). The framework highlights the significance of skill-sets and resources that agencies possess to perform the policy action throughout the entire policy process. In this research, we empirically explore the manifestations of policy capacity that ultimately influence the outcomes of the UVR policy in two Chinese cities: Hangzhou and Guangzhou. Through the case study, we investigate the challenges associated with maintaining an effective and sustainable reservoir of policy capacities over time to support policy development and enforcement under varying governance modes.

The contribution of this study is twofold. On a theoretical level, it provides novel insights into the analysis of policy outcomes in the urban renewal sector by introducing the concept of policy capacity. Additionally, it enriches existing research by affirming and complementing theories and empirical findings regarding policy capacity, drawing from China's experience as an authoritarian regime. From an empirical perspective, the findings of this study offer a broad reference and a guideline for decision-makers to craft tailored solutions that address specific capacity deficiencies, thus enhancing the effectiveness of urban renewal policies in diverse circumstances.

2 Literature review

There is a growing body of literature investigating the causal mechanisms accounting for urban renewal outcomes and consequences. Related studies fall into three main categories. Influenced by neo-Marxist theory, such as the space production theory, scholars of the first category focus on the questions of how urban space is reconstructed and reproduced under the redevelopment policy.

Through the concept of rent gap (Slate, 2017; Smith, 1996), related studies have examined the causal mechanisms driving urban gentrification (Lai, Wang, & Lok, 2017; Butler, 1997) and the spatial exclusion of disadvantaged populations from inner cities after the urban village redevelopment (G. Liu, Chen, & Gu, 2019; Foldvary, 2008).

The second category draws insight from the neoliberal urbanism perspective. Researchers have investigated the entrepreneurial behaviors of urban governments during the urban renewal process. The land financialization is the most frequent conceptual framework used by these scholars, and they have explained how cities take advantage of the urban renewal policy to use land as a financial asset to generate capital to fund urban development (F. Wu, Pan, & Chen, 2022; Kaika & Ruggiero, 2016). They have pointed out that the seeking of financial gain from intensifying land use has become the driving force of urban renewal projects for city governments (Li, 2023; Tong, Chu, Han, & Liu, 2022; Sharma, 2021). Thus, the main effect of enforcement of urban renewal policy has shifted policy priorities towards developmental rather than redistributive goals (F. Wu et al., 2022; Logan, Whaley, & Crowder, 1997; Moloch, 1976).

The third category is more interested in the relation between governance modes and urban renewal outcomes. Scholars have investigated the implications of different interactive modes between stakeholders for policy outcomes. The extant literature describes three approaches to urban renewal, according to whether projects' decision-making process and funding are led by private developers, local governments, or by residents (Lin et al., 2015). Among these approaches, both government-led and developer-led strategies have faced widespread criticism over the past decades (Boisseuil, 2019; Hendriks, 2014). In liberal settings, government-led urban renewal projects are often characterized as elitist visions of city development, prone to issues such as bureaucratic inefficiencies, and financial burdens (Amore, Hall, & Jenkins, 2017; Bottero., Mondini, & Datola, 2017). Conversely, private developer-led governance was introduced as a response to the shortcomings of Fordist urban renewal projects, aiming to address public fiscal crises, enhance efficiency, and share financial risks (Xie et al., 2021). However, scholars have noted that developer-led governance tends to prioritize economic outcomes and benefits within the housing market at the expense of social equity and inclusivity.

In the Chinese context, the developer-led approach was initially promoted during the early phases of urban renewal projects especially in UVR. However, this governance mode gave rise to significant social conflicts due to forced demolitions and project suspensions resulting from developers' financial chain ruptures or their involvement in illicit activities such as corruption or embezzlement (L. Liu & Xu, 2018). Since 2008, the state strengthened its role during the redevelopment process and taken the leading role in most projects,

which means that local governments dominate the policy formulation, enforcement, and monitoring processes and are also the main funding sponsors. In contrast to the perception of performance in liberal countries, the government-led governance mode in China has often been deemed more efficient than developer-led governance (Xu & Lin, 2019). However, according to some scholars, under the government-led approach, public participation is elitist. Academics, urban planners, and local cadres are actively involved in the redevelopment process (Liao, Zhang, & Feng, 2019), while other stakeholders, such as homeowners, tenants, and neighborhood businesses, are marginalized (Guo, Xiao, & Yuan, 2017). This results in an uneven distribution of the benefits generated from redevelopment projects.

Collaborative governance has gained prominence on a global scale as a response to addressing governance challenges in the urban renewal process (Z. Zhang, Pan, & Qian, 2023). This governance model seeks to unite all stakeholders and foster a collective decision-making process that prioritizes consensus and deliberation (Nasution, Rahmat, Handoko, Rahmanto, & Mayarni, 2023), with the goal of achieving a balance among various interests and objectives. Nevertheless, a substantial body of literature highlights the existence of a consensus dilemma and the associated high transaction costs when urban renewal projects opt for a community-led and collaborative approach (Jiang et al., 2020; Xie et al., 2021).

To date, a continuous and open debate persists concerning the most appropriate and effective governance mode for urban renewal (Bottero et al., 2017). The governance arrangements approach, as a policy analysis framework, does possess certain limitations. It places significant emphasis on the structural and institutional aspects of governance, often prioritizing the influence of stakeholders' power dynamics and interactions (Gjaltema, Biesbroek, & Termeer, 2020; Xie et al., 2021). Consequently, it tends to overlook issues related to policy content and the underlying capacity and resource availability, which are essential factors for effective policy implementation and the attainment of policy objectives.

Compared with the governance arrangements approach, the policy capacity theory underscores the importance of the competencies and resources that government agencies possess for effectively carrying out policy actions (X. Wu et al., 2015). By moving beyond an overly rationalistic approach to stakeholders' power structure arrangement, the framework renders policy analysis more realistic. However, it is important to note that policy capacity theory does not examine policy effectiveness in isolation from governance arrangements. Instead, it seeks to establish connections between policy capacity and various governance modes. As Howlett and Ramesh (2016) point out, policy capacity is shaped by specific contextual constraints and is influenced by the governance modes, its components vary depending on the specific governance modes in play. In the forthcoming analytical framework section, we will account for their interrelationship.

3 Analytical framework: policy capacity and modes of governance

The concept of policy capacity is used to identify the causes of policy success or failure in specific sectors and jurisdictions. It has been one of the central research themes in policy studies in recent years (Bali & Ramesh, 2018; Howlett & Ramesh, 2016; Mukherjee, Coban, & Bali, 2021; Peters, 2015; X. Wu et al., 2015). In a notable contribution, X. Wu et al. (2015) proposed a holistic and integrated framework to conceptualize policy capacity as "a set of skills and resources—or competences and capabilities—necessary to perform policy function," clustered around analytical, operational, and political dimensions at the individual, organizational, and systemic levels. At each level, analytical capacity helps to ensure policy actions contribute to goal attainment. Specifically, it relates to skills in policy analysis and evaluation, managerial expertise, and political judgment. It concerns the cognitive dimension where policy agents collect data and evidence through information sharing and exchange, develop and mobilize both internal and external knowledge and expertise, and adjust policy beliefs and tools (Denis et al., 2022; X. Wu et al., 2015). Operational capacity allows the alignment of material and human resources to implement policy. It relates to skills in dealing with resource mobilization and management, actor coordination, and the capability to translate policy intentions into specific and appropriate organizational arrangements and practices in order to accomplish policy goals (Howlett & Ramesh, 2016; X. Wu et al., 2015). Political capacity aims to mobilize related stakeholders to support policy actions. It involves political acumen in building accountability, legitimacy, and public trust to increase the acceptability and feasibility of policy (Denis et al., 2022; X. Wu et al., 2015).

Howlett and Ramesh extended Wu and his colleagues' work suggesting that the type of policy capacity is strongly influenced by institutional factors, specifically the mode of governance. There is an Achilles' heel effect of policy capacity in specific mode of governance (Howlett & Ramesh, 2016). That is, certain types of the capacities can become critical to sustaining policy actions and outcomes in specific types of governance, while any weaknesses in these "critical" capacities can potentially undermine effective policy actions. For example, Howlett and Ramesh argue that the key policy capacity for legal governance is operational capacity at the systemic level and the key policy for network governance capacity is operational capacity at the organizational level (Howlett & Ramesh, 2016). Nevertheless, many other researchers consider the different dimensions of policy capacity to be nested and independent, in a complex interplay, and hold that capacities at any one level can increase or reduce capacities at the other two levels (Chenboonthai & Watanabe, 2018; Denis et al., 2022; X. Wu et al., 2015). Hence, in an empirical study about the policy capacity for health reform conducted in New Zealand, Tenbensel, and Silwal (2022) discussed the question of "how to create 'virtuous circles' of policy capacity." In their view, under hierarchical

governance, analytical capacity (based on evidence) underpins political capacity (characterized by authoritative policy commitments), which then impacts operational capacity (implementation of authoritative decisions), while under collaborative/network governance, operational capacity (network management) creates political capacity (stakeholders commitment), which then empowers analytical capacity (pooling of information and analytical expertise), which then increases operational capacity.

Concerning UVR policy in China, as the government-led and village-led approaches constitute the two main modes of institutional arrangement, the key question here is whether the relationship between government agencies and other stakeholders is hierarchical or collaborative. Hierarchical and collaborative modes of governance differ regarding the content of policy capacity (Table 1). Sufficient information, expertise, and policy problematization capacity underpin analytical capacity both in hierarchical and collaborative governance. Policy problematization concerns how policymakers analyze and define situations that are considered problematic and how policies to cope with problematic social situations will be decided (Bacchi, 2015; Bacchi, 2016). Operational capacity under hierarchical governance involves capability in terms of the command-and-control mode of policy enforcement, while it involves network management skills in collaborative governance. Political capacity under hierarchical governance involves competency in carrying out transparent and impartial decision-making and implementation to avoid policy opposition, while it is more about skills in consensus-building under collaborative governance (Tenbenschel & Silwal, 2022).

Table 1: Policy capacity under different modes of governance

Governance mode	Analytical	Operational	Political
Hierarchical	Information, expertise, and policy problematization capability	Command-and-control capabilities	Competency in carrying out transparent and impartial decision-making and implementation
Collaborative	Information, expertise, and policy problematization capability	Network management skills	Skills in consensus-building

Based on the policy capacity framework, this paper empirically explores how UVR policy in China has been carried out in Hangzhou and Guangzhou. We analyze how government agencies address different levels of policy capacity under different modes of governance—hierarchical for Hangzhou, and collaborative for Guangzhou. By contrasting policy outcomes of UVR in the two cities, we verify theories and findings proposed by previous studies.

Given that the assessment of policy outcomes (success or failure) is a complex and challenging subject to reach consensus, the policy outcome involved in this study refers solely to whether the city government has achieved its policy goals.

4 Methodology

4.1 Research method

This study uses two case studies to illustrate the contrasting policy capacity of local governments for UVR in China. A case study is a descriptive and exploratory analytical approach to explore a specific phenomenon through multi-channel data sources. The main purpose of a case study is to answer the questions "why" and "how," which is suitable for understanding new theories or complex phenomena such as urban village redevelopment. Specifically, by offering contrasting situations, the two-case study is not only helpful to examine the differences between each case, but also to enrich understanding of the diversity of a specific phenomenon, strengthening the external validity of findings compared to those from a single case alone (Yin, 2014).

4.2 Case selection

We opt for the purpose sampling method to select cases. As a non-probability sampling method, this technique is often used in qualitative case studies (Saunders, Lewis, & Thornhill, 2012) due to its cost-effective and time-effective strength when there are only a limited number of primary data sources (Black, 2010). Two cities, Hangzhou and Guangzhou, have been chosen as studied cases. They share some similarities: they are both provincial capitals with huge permanent populations that surpass 10 million; they are among the most economically developed coastal cities in China; they have recruited among the most well-educated civil servants in China thanks to the substantial benefits they provide for their public employees. These similarities make the two cities comparable.

Meanwhile, Hangzhou and Guangzhou present important differences in economic structure, urban planning strategy, and in the relationship between state and society. Hangzhou is historically a commercial city, while Guangzhou is an important industrial city. Regarding urban planning strategy, Hangzhou has opted for an "inner city first then developing suburban land" strategy since the 1990s, while Guangzhou has opted for a "suburbs first then developing inner city land" strategy. Compared with many other Chinese cities, including Hangzhou, Guangzhou society in general is less compliant and more independent due to the fact that the city has always been far from the political center and has been largely influenced by neighboring Hong Kong since the reform and opening-up period. This special type of state-society relationship may affect the degree of villagers' compliance with government policy. These different contextual elements may

influence and shape the development and deployment of the policy capacity of the two cities in the UVR process.

4.3 Data collection and processing

A sequenced approach was used to develop longitudinal case studies in each city to identify resources and skills deployed by city governments to implement the UVR policy before and after the announcement of the central policy in 2008. The database of this study comes from three sources: peer review literature (including papers and dissertations), grey literature (policy texts, government annual reports, press articles), and interviews. Thirty-six semi-structured interviews were conducted with different stakeholders in each city to validate and add depth to case narratives. The research project involved three substantial periods in the field (2015–2016, 2020, and 2022 in Hangzhou; 2019, 2021, and 2022 in Guangzhou). Interview participants with policy experience in each city were selected among actors in executive positions in government, para-governmental agencies, urban planners, villagers, tenants, small business owners, and scholars who could provide a particular perspective on the policy.

The case narratives in this study consist of a detailed description of UVR policy development and enforcement, focusing on key actors, skills and resources mobilized, perceived challenges and influencing factors, and policy outcomes. We use these narratives to identify manifestations of policy capacity at analytical, operational, and political levels (Table 2).

Table 2: Manifestation of the policy capacity of each city

Policy capacity component	Contents	Manifestations	
		Hangzhou	Guangzhou
Analytical	Resources: information, expertise/knowledge Skills: information analysis, problem definition	Information system: leading group for UVR, UVR offices, joint meetings, special meetings, report meetings, leadership inspection, coordination group for UVR Leadership knowledge/expertise: well-educated officials with a university degree at least, native leaders familiar with local conditions; rural farmland expropriation experiences Policy problematization: strong willingness for UVR, command-and-control mode to assume policy efficacy, property definition, and compensation methods to resolve latent conflicts	Information system: leading group, UVR offices, joint meetings, report meetings, leadership inspection, information-exchange disjuncture between villages and governments Leadership knowledge/expertise: well-educated officials with a university degree at least Policy problematization: ambivalent attitudes about UVR, collaborative approach to alleviate social and political risks and financial burdens
Operational	Resources: financial, human, and organizational capital, leadership/facilitation Skills: resources mobilization and management, actor coordination	Resources mobilized: regulations, expertise, multiple financing channels; administrative procedures simplification; political authority, personal resources Command-and-control capability: using state mobilization to persuade recalcitrant villagers to comply with government policy; civil servants' and village elites' compliance	Facilitative measures: regulations, expertise from urban planning institutes, villagers' participation; private developers' fundings Network supervision: insufficient leadership facilitation for stakeholder deliberation and collaboration, lack of effective supervision mechanisms and accountability system to control villager elites' and private developers' behaviors Conflict resolution: lack of habile and flexible work methods to resolve disputes over property definition and redevelopment plan
Political	Resources: policy legitimacy and public support and trust Skills: communication and persuasion, transparent and impartial decision-making and policy implementation, accountability building	Policy fairness: put into place effective measures to protect and satisfy villagers' demands and needs Policy transparency: a totally transparent procedure for housing compensation and resettlement Policy propaganda: reshaping the public image of peasants, discrete campaign promoting the idea of "becoming rich with the demolition"	Consensus-building: consensus-building difficulties with the redevelopment scheme and the compensation standards; academics' and social organizations' opposition, divided opinion among government leaders Policy consistency: vacillation of government willingness on UVR, inconsistency of redevelopment policies

5 Policy capacity for UVR in Hangzhou and Guangzhou

5.1 The case of Hangzhou

Hangzhou has 246 urban villages in its main urban area. The city launched its redevelopment policy in 1998. Before the announcement of the central government policy in 2008, this reform had focused on the institutional transformation of the villages (L. Wang, 2010). Essentially, it involved transforming the village communities into urban communities in terms of administrative arrangement and converting the nature of the land ownership from collective to state. The redevelopment steps were tentative and relatively small, there was no large-scale demolition or resettlement in this period. The central government's program endowed the city with policy legitimacy and the opportunity to redevelop its urban villages. In 2008, the municipal government began to launch ambitious redevelopment projects, planning to transform 54 villages by 2011. The policy implementation encountered serious difficulties due to the ownership definition problem. Thus, over the next five years, the city slowed the pace of its redevelopment and focused its policy on illegal building rectification, and only 68 urban villages had been renovated by the end of 2015. However, the city demolished many illegal constructions, which removed many of the obstacles for the subsequent urban village redevelopment. In 2016, Hangzhou relaunched a new round of large-scale redevelopment, planning to redevelop the remaining 178 villages in the next five years. At the end of 2019, the municipal government announced that the city had accomplished its policy goals. Compared to many other Chinese cities, the urban village redevelopment process in Hangzhou has been smoother, and serious social contestations have been rare. The urban environment has been improved and gentrified, dilapidated rental housing has been replaced by high-tech companies, modern business centers, and e-commerce studios. Local governments have obtained large amounts of land transfer fees during the urban village transformation, these funds in turn are used to improve the city's infrastructure and public services. The UVR has generated a new rich class in Hangzhou, former native peasants who now own several houses worth tens of millions in the housing market. At the same time, many migrant workers who used to live and work in the urban villages have been forced to move to more remote suburbs due to gentrification.

5.1.1 Analytical capacity

Any successful policy implementation draws on strategic foresight and intelligent policy design, all of which involve extensive collection and processing of information and data.

5.1.1.1 Information system

Like all other municipal cities, the hierarchical structure of Hangzhou's government is composed of three levels: municipal, district, and sub-district. At each level the government organizes regular joint meetings with lower-level government to communicate policy decisions, consult opinions, and collect information from the latter. Besides the joint meetings, the governments have other information-exchange mechanisms such as special meetings, report meetings, leadership inspections, etc. For urban village redevelopment, the city set up a coordination group with the general deputy secretary of the municipal government as the coordinator. This group is in charge of the coordination and solving problems and difficulties encountered during the policy implementation process and keeps the municipal government informed. The group also coordinates weekly meetings. These internal information-exchange mechanisms contribute to keeping policy decision-makers informed of the situation in the field so they can make appropriate decisions and adjust problematic policies in good time.

At the core of the decisional body for urban village redevelopment is an organization named the Leading group, which is constituted by government leaders from the municipal and district levels covering the main sectors such as urban planning, urban reform and development, finance, and land resource management. The Leading group represents the main policymakers tasked with building capabilities, mindsets, expertise, and tools for undertaking strategic policy actions. The district and sub-district governments also set up their own leading groups with similar responsibilities in their jurisdictions. This organization has established a delegated office in each redeveloped village in order to guarantee information transmission between the targeted village and governments.

5.1.1.2 Policy problematization

Due to the city's serious land shortage for urbanization, the municipal government's willingness to redevelop urban villages was strong. The city adopted an essentially hierarchical approach to implement UVR projects. Under the hierarchical approach, related projects are mainly operated and financed by the government. This redevelopment approach is assumed efficient, sustainable and contributes to reducing project duration and thus redevelopment costs.

In the Hangzhou case, the municipal government plans, coordinates, supervises, and assesses the UVR of the whole city, examines and approves each redevelopment plan, checks and accepts each redevelopment program's achievements; the district government is responsible for the finances and the formulation of the redevelopment plans within its jurisdiction; the sub-district governments are responsible for redevelopment plans' implementation. A supporting participatory policy is put into place to facilitate the participation of

various stakeholders such as the affected villagers, environmental protection organizations, and other interested citizens.

Most of the leaders in Hangzhou are natives whose political careers are long-established rooted in Zhejiang province. They have acquired rich experience from their past work on rural farmland expropriation, and are thus able to undertake adequate ex-ante evaluations of eventual contentions and barriers in the policy enforcement phase and prepare for conflict resolution in advance.

These leaders thus show a strong capacity for policy learning. One of the most important challenges for UVR policy implementation involves the definition of villagers' legal property rights. In fact, as most peasants have not registered their self-built housing with the local government, the definition of property rights regarding self-built housing has become an intractable issue during the expropriation and compensation process. Drawing lessons from the past, since 2016 Hangzhou policymakers created a relocation and compensation method based on family size, according to which compensation is based on the number of family members relocated. The resettlement space is fixed at 40 m² on average per person, regardless of the size of the family's house. Many households who have chosen the material compensation (rather than monetary compensation) could thus obtain multiple apartments worth millions or tens of millions of yuan. This method seems simple but has unified the compensation criteria, avoided serious disputes in property definition and compensation, and has reduced the transaction costs of persuasion and repeated negotiation. In addition, in order to expedite the expropriation and relocation process with minimal social disputes, a series of incentive measures have been put into place to encourage villagers to sign the removal agreement. For instance, during the urban village redevelopment between 2016 and 2020, those who had signed the agreement and moved within three months of the expropriation notice could receive 60,000 yuan plus at least an additional 15 m²; for those who choose monetary compensation, approximately 22 per cent of the total monetary compensation is provided as an incentive.

5.1.2 Operational capacities

The operational capacities concern government's ability to mobilize sufficient resources in personnel, materials, and finance to enforce policy efficacy. The government of Hangzhou has manifested important command-and-control capability at individual, organizational, and system levels to support operational capacity.

5.1.2.1 Broaden financing channels

Besides the definition of property, another significant challenge for UVR is the funding dilemma. It usually requires billions of yuan to completely renovate a

single urban village. That is one of the reasons why some local governments such as Guangzhou leave village committees to redevelop their village by themselves, and to find funding by themselves as well. As the city's motivation to achieve a "city without slums" is strong, and the municipal government wanted to accomplish its redevelopment goals as quickly as possible, the city deployed strong measures to guarantee the financial support for UVR. Firstly, Hangzhou chose the government-led funding approach to finance the redevelopment project. The government-led funding approach helps to avoid the fund rupture risk, which can lead to the interruption of renovation projects; it also guarantees a smooth expropriation and relocation process by quickly delivering the promised compensation to villagers. The municipal government set up a state-owned investment company responsible for financing issues. Secondly, as the district governments with responsibility for funding cannot borrow money from the National Development Bank (a national bank supposed to finance shantytown redevelopment), in 2014 Hangzhou set up a municipal-level unified loan platform to solve the district governments' loan dilemma and help them collect sufficient funds to finance the redevelopment projects. In addition, to widen the finance channels, the city encouraged the participation of private companies and established mixed public-private funds to finance the projects. Finally, the government purchase of services is also an important approach for Hangzhou to alleviate the government financing burden, by delegating parts of redevelopment projects (such as the construction of rental apartments for migrant and commercial central in redevelopment plots) and community services (such as sanitary, cultural, and sport services) to private enterprises or social organizations.

5.1.2.2 Simplify administrative procedures

The UVR usually involves redundant approval procedures and the approval period is very long. In order to improve policy efficiency, the municipal government delegated to district governments all the project examination and approval responsibilities except for that concerning land use approval. All approval procedures established deadlines of one to five working days. The government also scrapped some intermediary procedures, for example reducing the number of administrative approval sectors and cutting down items for examination and approval. In addition, the municipal government put into place a "special procedures for special projects" mechanism, meaning that any redevelopment project can be added to the government's agenda at any time, which has accelerated the redevelopment approval process:

The government of Hangzhou is very efficient, and the administrative approval process is simple and fast. The redevelopment policy of our community was conceived in 2018, the renovation project was totally accomplished in 2019 and new residents started to move in. It would be unthinkable in other provinces, the approval procedures alone would take two or three years

elsewhere. (L, Cadre of the community H, CH20220810)

5.1.2.3 Use of state mobilization

Once a village is approved for reconstruction by the municipal government, the government of Hangzhou has impressive capabilities to persuade the villagers to sign the relocation agreement quickly. The task of persuasion has been divided and assigned to specific sub-district officials. Relying on political authority and compliant civil servants, these officials have a series of strategies to accomplish their mission. They first gather the village leaders who enjoy authority among villagers to learn about the specific situation of each household, and classify the villagers according to their likelihood of signing the agreement. They then convince those villagers who are most likely to sign the document, such as those with sons to be married. Meanwhile, village leaders and families with Communist Party members express publicly their willingness to sign the agreement, so as to serve as demonstrative examples to other villagers. When village households have children who are civil servants or work in public institutions, the government puts pressure on them through their work units and asks them to go to their parents' homes and persuade their parents to sign the relocation agreement. After this extensive mobilization work, most households agree to sign the document, leaving only a few villagers who refuse to relocate for complex reasons. Sub-district officials and village leaders send eloquent and popular villagers, usually women, to go to these villagers' homes to convince them to agree to the relocation. They also apply psychological pressure by spreading condemnation among villagers to persuade those who continue to resist:

Others have already agreed to relocate, only you don't agree, you have delayed the policy enforcement process, damaged collective interests. This is very selfish. (S, villager, VH20160321)

5.1.3 Political capacities

Political capacity concerns the government's ability to promote and legitimize policies in a controversial landscape (Denis et al., 2022; Woo, 2020). There were two forms of political capacity: the first involves political trust and legitimacy, while the second refers to political communication. The two types of political capacity are interrelated: the public's support of the government's policy is dependent on political trust and effective political communication, which in turn builds trust and contributes to the government's policy legitimacy. Both trust and communication are crucial elements for ensuring public compliance with government policies and regulations. The local governments of Hangzhou possess various forms of political and managerial know-how to build policy legitimacy and thus gain the public's support and compliance with UVR policy.

5.1.3.1 Policy fairness

A fair policy capable of balancing various stakeholders' interests is crucial for policy support and legitimacy. Early UVR projects provoked important social protests because related policies failed to ensure peasants' interests. Since the central government strengthened the punishment for illegal demolitions and unfair compensation, local governments have improved policy quality and put into place effective measures to protect and satisfy peasants' demands and needs, such as increasing compensation and improving resettlement housing quality and neighborhood conditions.

In the case of Hangzhou's urban village redevelopment, the reconstruction projects have mostly adopted the in-situ approach, which means that peasants lost their old homes but were compensated with at least one apartment located in the same neighborhood. The land value and the housing prices of a redevelopment plot usually increase significantly after renovation, which in turn raises the value of the peasants' new properties. The fact that peasants in Hangzhou have not been relocated to faraway suburbs as has happened to shantytown homeowners in Beijing and Shanghai, and that they have seen their property value markedly increase, has largely contributed to the social acceptance of UVR projects.

5.1.3.2 Policy transparency

Besides fairness, policy trust is also built up through policy transparency. Lessons were drawn from past experience, where negotiation had proceeded individually by household and led to non-uniform compensation criteria whereby recalcitrant villagers got more, generating a sentiment of unfairness among relocated villagers: inciting others to demand more compensation by threatening to refuse to sign the agreement. During the redevelopment between 2016 and 2020, the policymakers of Hangzhou set up a totally transparent compensation procedure. Villagers can not only consult the compensation criteria and calculation methods for every situation, but they can also find out the compensation given to each household in their village. The faster they sign the relocation agreement, the more benefits they get; the nail houses not only get no extra compensation, they also see their house being demolished by force. Local officials call this policy "measure with the same ruler until the end" (Yiba chizi Liangdaodi). The uniform compensation standards and the transparent procedure have guaranteed policy credibility and consistency, which reduce the transaction costs of policy implementation.

5.1.3.3 Policy propaganda

Chinese governments have always attributed great importance to policy propaganda, and showed strength and skill in political communication. Local governments in Hangzhou are outstanding examples. Regarding UVR policy, the

local governments launched a discrete campaign about "becoming rich with the demolition" to incite peasants to accept and support the demolition and resettlement policy. Official newspapers and online platforms continually report villagers' "happy life" post-relocation. In these stories, relocated households are compensated with several apartments worth tens of millions, which bring in hundreds of thousands of yuan in rent every year; relocated elderly people live in new and modern communities with convenient infrastructure and public services such as community hospitals and canteens. Children of relocated peasants are named "the second generation of removers" (Chaierdai) in public opinion, new young rich in other words, who are considered distinguished social elites comparable to well-educated young people with prestigious jobs. As these stories are partly true regarding the compensation, and even the conditions of resettlement neighborhoods, the propaganda has gained wide credibility among the public. Thus, through reshaping the public image of the peasants from uncultured laggards to new riches, relocated peasant households become the envy of wider society, and the UVR policy has gained social support and legitimacy.

5.2 The case of Guangzhou

In 2009, Guangzhou had 139 urban villages according to the official statistics, but during the urbanization process, the total number continually increased, reaching 323 at the end of 2019. Like Hangzhou, Guangzhou launched the UVR in the 1990s. In that period the policy focused on the renovation of dilapidated housing and administrative reform by transforming village communities into urban communities. The redevelopment opted for the private developers-led approach. Due to the lack of effective government supervision, this approach led not only to serious destruction of historical heritage in old urban areas, but also violent social conflicts and unfinished buildings. In 1997, the Guangzhou municipal government issued a ban on private developers' participation in UVR programs. The city then tried to renovate villages under a government-led approach, however, as the redevelopment funding was huge and especially as the city's development strategy was outward expansion, not a single village had been completely renovated by 2007, though the municipal government had set itself the goal to renovate seven villages between 2002 and 2006. After the announcement of the central government policy on shantytown renovation, the city launched an ambitious reform that aimed to redevelop the 138 villages (Liede village had been successfully transformed within two years, between 2007 and 2009, under the stimulus of the Asian games) in the next ten years (2009–2018). However, few villages were redeveloped in the following years. As it is difficult to solve the fund's dilemma, in 2015, the city readjusted its policy, advocating "micro-scope reconstruction" by emphasizing villages' partial physical renovation. At the end of 2018, the city had totally renovated ten urban villagers, a far cry from the 138 targets set ten years previously. In 2019, the city launched a new three-year action plan aimed to redevelop 272 urban villages. Nevertheless, in 2021, the central

government issued a document that prohibited large-scale urban demolition and reconstruction in order to calm the housing market, which had experienced extreme development as a result of the shantytown renovation policy. In these circumstances, the Guangzhou municipal government had to order a slowdown of UVR, and saw its policy goals remain unachieved once again.

5.2.1 Analytical capacities

For all types of governance, pooling of information, knowledge, and expertise is important to sustain analytical capacity. The city's ambivalence towards UVR negatively impacts the organizational- and individual-level resources mobilized by the municipal government to support analytical capacities.

5.2.1.1 Information system

Similar to Hangzhou, Guangzhou set up a Leading group composed of the main leaders of the municipal and district government and equipped with the UVR office as its permanent home. The district government was asked to set up a redevelopment office under the direction of the municipal office. The municipal redevelopment office established a regular joint meeting system, responsible for the guidance, coordination, and supervision of the redevelopment projects in the city, and responsible also for regularly reporting and assessing the renovation of urban villages in various districts. The district government is not only responsible for village redevelopment in its jurisdiction, but also for establishing the database and a dynamic monitoring system for UVR.

However, official documents do not clarify the responsibility for sub-districts. Consequently, numerous individuals at this level of authority lack comprehension of their job responsibilities, as well as a lack of understanding regarding the relevant policies and rules. This leaves them unable to effectively address inquiries from villagers concerning redevelopment projects, and they also fail to contribute to the dissemination of decision-making information. In addition, in contrast with the role of village leaders in Hangzhou, village leaders in Guangzhou usually identify themselves as villagers rather than as government-delegated agents who are supposed to represent the government's will. In this context, the aforementioned institutional arrangement led to the rupture of information communication channels at the grassroots level. Not only do villagers lack access to specific policy interpretation channels, but the municipal and district governments lack access to villagers' opinions.

Analytical imperfection at the organizational level not only leads to information exchange deficiency but also network management and actor coordination dilemmas at the operational level.

5.2.1.2 Policy problematization

The urban villages of Guangzhou are mostly situated in the inner city, and the expropriation prices can be huge due to the rising land value in these areas. In addition, the building scale and populations in many villages are relatively large compared to those in other Chinese cities. All these factors lead to the unusually high cost of the UVR projects in Guangzhou. Given these exceptional redevelopment costs, the city's government chose to prioritize easier and less costly projects such as abandoned factories and suburban rural areas to satisfy the land demands. Even though the municipal government announced its UVR policy in 2002, and the related aims became more and more ambitious in the official discourse over the years, it has never been a real policy priority of the city, since the government could find less costly requisitioned land in other places. In the ambitious redevelopment policy of 2009, the UVR was thus just one of its policies aiming to redevelop old towns (shantytowns), old factories (abandoned industrial factories), and old villages (urban villages), namely the "three old redevelopments" (San Jiu Gaizao). The renovation of old factories was the priority for the city in subsequent years because it cost less. As time went on, and the city's land prices and housing prices rose constantly, UVR projects became more and more costly and the government was unwilling to fund redevelopment. Remembering the violent social confrontations experienced in the early years during urban villages' demolition, the city delegated responsibility for UVR to the villagers and tried to mobilize social capital to carry out the redevelopment:

Now the higher-level governments require full consideration of the villagers' acceptance of village redevelopment. The previous "nail house" problem taught us a profound lesson, so the redevelopment process must not be put forward with force. The government of Guangzhou will try every means and use legal tools and participative mechanisms to avoid demolition contestations. (W, staff of municipal commission of housing and construction, CG20210701)

Since 2009, the UVR projects in Guangzhou have principally opted for a collaborative approach. The district government formulates its redevelopment plan, which must then be deliberated and voted on by the villagers. Only if more than 80% of the villagers vote yes can the redevelopment project be submitted for approval from the municipal government. The latter is thus a regulator and supervisor that enacts regulations and approval of redevelopment projects and oversees projects' implementation. The private developer provides the funds and is responsible for the operation of projects.

5.2.2 Operational capacities

Network management is crucial at the operational level for policy capacity under collaborative governance. Sufficient facilitative measures for stakeholders'

negotiation and cooperation, effective accountability mechanisms to oversee and control the collaborative process, and appropriate conflict-resolution skills all support successful policy implementation.

5.2.2.1 Facilitative measures

Under the collaborative redevelopment approach, the government of Guangzhou does not finance redevelopment projects: the necessary funds are either gathered by the villagers themselves, or come from the land transfer fees. The government provides expertise to the villagers concerning land arrangement and redevelopment. In fact, as villagers usually lack sufficient expertise to draw up renovation plans themselves, the responsibility falls on the district government. The latter often entrusts urban planning institutes to draw up the renovation plans that are presented to the villagers for a vote. As there is a lack of sufficient and effective participation from villagers in the planning formulation stage, in practice, the government and the planning academy usually tend to design planning schemes based on the economic outcomes for the whole city, ignoring the specific interests and needs of villagers, and it is thus difficult to reach a consensus on redevelopment plans between the government and villagers.

5.2.2.2 Network supervision

The government of Guangzhou delegated redevelopment decisions to villagers and their village committees, but does not undertake serious supervision of the redevelopment process, or provide any facilitative and monitoring assistance for negotiation between villagers and developers. The absence of such assistance leads to important conflicts and corruption, especially in the property definition process.

In the early phase, the Guangzhou municipal government delegated the responsibility for property definition to private developers and village committees. The compensation method of Guangzhou city is "removing one square meter, compensating one square meter" (Chai Yi Bu Yi) based on the household's legal ground area, and the parts beyond the legal ground area built before 2007 are compensated by money. However, like all other cities, the definition of peasant property rights is a very thorny problem in Guangzhou because most farmers do not declare their ownership of housing, which makes it difficult to determine the "legal ground area" of their property and has generated serious social conflicts. Furthermore, the government conferred legality to the illegal housing built before 2007. The rule that housing built after 2007 was not eligible for compensation caused important discontent among villagers. In order to conduct the redevelopment projects as quickly as possible, private developers tended to give in to villagers' demands and recognize property areas that were illegal according to the government regulation. This mechanism led to unfair results due to a lack of

uniform and transparent compensation criteria. The more recalcitrant villagers who declared a larger area obtained more compensation, while other villagers felt that they were treated unfairly and refused to vote for redevelopment plans. Because there was a lack of effective supervision mechanisms from both upper government and at the societal level, there was serious corruption among urban village leaders in this phase, and villagers complained that leaders and their relatives had received more compensation than they were due.

5.2.2.3 Conflict resolution

To prevent illegal behaviors and transactions between village elites and private developers, and to guarantee compensation equality, since 2016 the district government has been responsible for the measurement and determination of villagers' legal property rights. The land and housing data are entrusted to third-party professional institutions for comprehensive verification. The government later makes the results available in the public space and on government websites for 15 days. This arrangement has partly reduced the corruption and information asymmetry problems during the property definition phase, but cannot effectively resolve property disputes:

The difficulty lies in the fact that many illegal properties had been also caused by inappropriate government behaviors in the past. The government nowadays would not take the historical responsibilities and resolutely enforce the policy according to the regulation of the day. On the villagers' side, they believe that the historical problems were caused by previous governments and the villagers should not be left to suffer the consequences, so they don't accept the government's decisions. (Z, village committee president, VG20190719)

The lack of dispute-resolution skills on the local government's part also contributes to the consensus-building dilemma of UVR. Worse, when a developer who has invested a certain amount of funds for a redevelopment project sees that a lack of consensus on villagers' compensation and relocation makes the demolition and reconstruction impossible, he usually chooses to withdraw his funds from the project because of the huge economic losses that would be incurred during delays caused by unresolved property and compensation disputes. Once the developer withdraws his funds, the redevelopment project has failed.

5.2.3 Political capacities

For collaborative governance, stakeholders' consensus on policy decisions is essential for policy success. As the stakeholders for UVR in Guangzhou face important difficulties in obtaining consensus, the redevelopment policy has a serious trust problem from the very start of its development, which in turn

influences the municipal government's policy orientation and the city's redevelopment strategies.

5.2.3.1 Consensus-building

In practice, because UVR can effectively improve villagers' living conditions, it generates considerable compensation and economic benefits, villagers generally manifest great acceptance of redevelopment:

The village is very dirty. No one cleans up the garbage, rats and cockroaches are everywhere. Everyone wants to move to a new house with a better environment. (X, villager, VG20210601)

The policy enforcement difficulty in the Guangzhou case is the consensus dilemma. Not only is it difficult to reach an agreement between the government and the villagers about redevelopment schemes and the compensation criteria, which makes policy enforcement extraordinarily difficult, other social actors question the significance and the inequitable social consequences of UVR. The urban villages in Guangzhou have been home to millions of migrant workers, and their redevelopment usually leads to gentrification and thus the exclusion of migrants from the inner city to the suburbs due to rent increases. In addition, urban villages have preserved many historical architectural features, monuments, and traditional culture, redevelopment could destroy these. Scholars and social organizations appeal to the city government to preserve the urban villages to make Guangzhou an inclusive city with historical memories.

Even inside the government, there are differing opinions on UVR policy. Unlike Hangzhou, historically a commercial city and today a digital hub where the industrial economy has never been very important, Guangzhou is an important industrial base and the industrial manufacturing center of South China. Guangzhou has 34 of China's 40 major industrial sectors and hosts many large-scale industries. This specific economic structure means that the economic development of Guangzhou needs a large number of industrial workers, who are usually migrants:

If the government cannot provide alternative affordable accommodation for these workers, the urban villages' demolition means that Guangzhou would lose these laborers (who live in these villages due to the cheap rents), this consequence is more than Guangzhou's industries could endure. In order to meet the migrant workers' accommodation needs, some government leaders hesitate to demolish the urban villages. (Y, professor, SG20220516)

5.2.3.2 Policy consistency

The above reason might also explain the ambivalent attitude of the city government concerning the UVR policy during the period 2009–2020. On the one hand, the city has less and less available land for development: land occupied by urban villages becomes a target of the government to support urbanization. On the other hand, the city must provide accommodation to the millions of migrants who constitute the main labor force of the city's industry, and the government also needs to take into account the protection of the historical heritage and traditional culture. Together with the huge costs of redevelopment and negotiation, these factors have led to the vacillation of the UVR policy of Guangzhou over time: sometimes the government shows itself to be very ambitious, as with the policy of 2009 and that of 2019; sometimes it appears quite reserved and timid, as with the policy of 2016.

Both the consensus dilemma and policy ambiguity compromise policy trust and support in the urban village redevelopment process. They also negatively impact the government's willingness to invest resources (institutional, organizational, and financial) in UVR at the operational level, thereby leading to policy failure.

6 Discussion

This study has investigated urban village redevelopment policy development and implementation in China from the perspective of institutional analysis by examining policy capacity, which is considered crucial for policy effectiveness. Three broad arguments can be drawn from our case analysis.

Firstly, if a hierarchical or collaborative governance mode is involved, the performance of any policy action is affected by the government's capacity as the central actor in policy development and implementation. This policy capacity is a key precondition for the efficient operation of any mode of governance (X. Wu et al., 2015). In the context of the constant pressures on governments at all levels to do more with less (Howlett, 2004), the collaborative governance approach is advocated as it is supposed to dismantle hierarchy, embracing diversity and inclusion. However, this study shows that efficient collaborative governance is not taken for granted. It needs to be "steered" or monitored towards positive and constructive coordination. The lack of capacity among key actors to deliver effective facilitative measures and accountability mechanisms can result in the failure of a seemingly promising collaborative initiative. In the case of Guangzhou, the collaborative approach is considered democratic and inclusive. However, the government does not provide efficient support at the level of either finances or network actor coordination in a context where most villages' collective efficiency is insufficient. The government has also manifested evident deficiencies in negotiation and dispute resolution capacity, leading to the consensus dilemma.

Furthermore, in a society where the capacity of social control over policy process is weak, the government of Guangzhou has neglected to put into place effective policy monitoring and feedback mechanisms to supervise stakeholders' behaviors, resulting in elite control of policy processes and serious social discontent.

In practical terms, even if collaborative governance is becoming more promising in the global context, it remains imperative to confront the challenges associated with policy capabilities and the necessary resources required to ensure the effective functioning of this governance model. This aligns with the observations made by Howlett and Ramesh (2016), who emphasized that ignoring capacity deficits can lead to short-term political gains for politicians who cater to present-day preferences but may result in repercussions later when the failures of governance and suboptimal institutional design become evident. In the context of China, civil society's collective efficiency is still insufficient to deal with tricky problems such as urban renewal projects due to the historical dominance of the "big government, small society" tradition. This deficiency in policy design, action coordination, supervision, and conflict resolution among social actors is notably evident in our case study of Guangzhou. Therefore, the intervention and support of state actors are crucial to compensate for the shortcomings of social actors, providing the necessary skills and resources for the successful execution of collaborative governance.

This raises the question of whether dichotomous thinking about the capacity and virtue of hierarchical and collaborative ways of developing and implementing policies should be reviewed (Capano & Lippi, 2017), by taking into consideration the important context-based nature of the operational mechanisms of different governance mode choices (Howlett, 2004). In this sense, the key challenge for researchers and practitioners might be to understand how to reconcile the tension between the two modes of governance and draw from the benefits of both through the lens of policy capacity.

Secondly, understanding the interactive dynamics between analytical, operational, and political capacities under different governance modes is the key to understanding the causal pathways of the policy outcomes in a specific sector. Shaped by local contexts and past experiences, local governments are predisposed to path dependence in developing and deploying policy capacity in UVR. The cases of Hangzhou and Guangzhou have validated the perspectives of Tenbensel and Silwal (2022), but the interaction logic of the three dimensions of policy capability under different governance modes is nuanced.

The path dependence of policy capacity could be explained in two steps. In the first place, contextual constraint, institutional habits, and historical relationships between stakeholders influence the policy design and strategies proposed to cope with policy problems. Thus, the government of Hangzhou chose the hierarchical

approach to promote and implement UVR policy, because not only the government show a strong willingness to redevelop the urban villages due to the city's serious land shortage for urbanization, but also the city has sufficient political and administrative resources to carry out a control-and-command approach for policy implementation. In the case of Guangzhou, the city's historical speculative habits regarding urban planning strategy (Z. Li, Xun, & Le, 2014), the uncooperative relationship between the state and the society, and the exceptional costs of redevelopment projects pushed the government to choose the collaborative approach because the city lacks the necessary prerequisites for imposing hierarchical governance, in contrast to Hangzhou.

In the second place, the three levels of policy capacity interact with one another, creating a dynamic pathway that becomes locked-in during their development and deployment processes. Specifically, under hierarchical governance, problem definition and analysis capacity, namely the analytical capacity, influence the choices of operational resources (individual and organizational) and mechanisms (systemic resources) put into place, which in turn underpin operational capacity and then policy effectiveness, which influences stakeholders' political support (political capacity). Under collaborative governance, efficient network management creates operational capacity, which boosts political capacity by empowering consensus-building, which then underpins analytical capacity by providing information symmetry between policymakers and other stakeholders, which then increases operational capacity by increasing collective expertise and participation. Once the capacity circle is formed, it reinforces and locks policy capacity into a specific pathway that is difficult to break from. The strength of the case of Hangzhou is that the city has managed to build up virtuous feedback loops around the three levels of policy capacity through shrewd policy problematization, efficient alignment of resources, and political support. The weaknesses of the case of Guangzhou are in great part due to institutional habits related to insufficiency in policy resource investment (including financial, systemic, and organizational) and a lack of skills in network management at the operational level, which led to the consensus dilemma and political distrust, then harmed the analytical capacity of the city's government concerning policy problematization, which in turn affects the government's willingness to invest in resources – perpetuating a vicious cycle of feedback that undermines the city's policy capacity. In the case of Guangzhou, changing the path of capacity dynamics will likely require much more than a specific policy initiative, rather a major restructuring of the governance arrangement that has the potential to overcome situational constraints and disrupt hardwired institutional practices.

Finally, policy capacity highlights the managerial and organizational ability to make policy decisions informed by sound expertise and analysis, and to facilitate policy enforcement with operational efficiency and political support. It brings to the forefront the importance of skills and resources shared throughout the whole

policy process (Capano & Lippi, 2017), and steers policy analysis toward rationalism and positivism (Brenton, Baekkeskov, & Hannah, 2023). However, by itself, policy capacity neglects the political aspect of policymaking that could dominate the process (Gen & Wright, 2015). As Bacchi (2016) has pointed out, policy content and outcomes are strongly influenced by the way policymakers problematize policy issues. This study shows that the policy problematization occurring in the ex-ante of the policy process has already set the approach for policy design and strategies to cope with issues, which underpins representations of capabilities and competencies mobilized by government agencies to support the UVR policies. In addition, the policy process also encompasses matters related to social justice and equality. Even though the government of Hangzhou has attained its policy goals, we can see the social and spatial exclusion of the migrant workers and small business owners from the inner city due to the gentrification of redeveloped areas (Wong & Liu, 2017). As Gen and Wright (2015) remind us, technique-based capabilities are certainly necessary to guarantee the effectiveness of policy development and implementation, but they are not sufficient. Instead, they must be complemented with political considerations to maintain a high degree of policy openness, political imagination, and critical thinking. In essence, policy capacity theory should strengthen its connection with political considerations by giving greater attention to aspects related to policy framing and ethical dimensions.

7 Conclusion

Drawing from the policy capacity framework and an examination of two empirical cases involving the implementation of UVR policies in China, this study seeks to investigate the causal mechanisms that drive divergent urban renewal outcomes. The research offers a fresh perspective that goes beyond the conventional emphasis on governance arrangements as the primary explanatory factor. Through a detailed analysis and comparison of the distinct manifestations of policy capacity in two municipalities that have adopted different governance modes for UVR, we conclude that there is no universally ideal governance mode that can seamlessly address all circumstances. To gauge the appropriateness of a particular governance arrangement for policy implementation, it should consider the capabilities and resources available to key actors to perform the policy action, as well as the dynamics and feedback loops among analytical, operational, and political capacities in the policy process. The central challenge for policy success lies in cultivating policy capacity that aligns with a specific governance mode.

However, it's important to recognize that an excessive focus on the technical facets of the policy capacity approach when assessing policy effectiveness should be tempered. Such a perspective may unintentionally sideline the importance of policy content and issues of social justice. A comprehensive analysis of policy

outcomes necessitates an integrated approach that combines policy capacity with a consideration of policy framing and ethical issues.

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