

**NEW INITIATIVES IN ADMINISTRATIVE
AND FISCAL REFORMS OF CHINA**

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Executive Summary

1. New initiatives in administrative and fiscal reforms of local governments called “Province Manages County (*sheng guan xian*)” reforms have been a hot issue in the People’s Republic of China recently. There are three major aspects in this reform: administrative, fiscal and personnel management.
2. Under the existing governmental system, the prefecture level (city) government oversees the county level government. With the new reforms, a provincial government will directly manage county level governments the way it would manage prefecture governments.
3. The objectives of the new initiatives are to enhance the efficiency and effectiveness of local governance, and to boost the rural economy.
4. The implementation of the “Province Manages County” reform can be grouped under three phases. In Phase I, some “pioneer” provincial governments rather than the central government will take the initiative to implement the reform.
5. In Phase II, the central government gives the approvals before the “bandwagoners” provinces jump in. Finally, in Phase III, the central government starts to promote the reforms as a national policy, and the “laggards” provinces follow suit.
6. Although the “Province Manages County” reforms did boost county level economy, problems have already been reported. For example, prefecture level governments are unwilling to transfer their power and are trying to defend their interests. County level governments have also begun to take the same stance, thus intensifying problems of “Duplicated Construction”.

7. The prospect of the “Province Manages County” reforms can be drawn from the experience of the “Centrally Planned Cities” in the 1980s as these two reforms share common objectives and structures.
8. The “Centrally Planned Cities” reform was to grant social and economic powers equal to those of the provincial government and let the designated city lead the surrounding rural economy. Fourteen cities were designated between 1983 and 1989, but due to the troubles between the provincial government and its capital cities, the status of 8 capital cities was withdrawn in 1993.
9. The lesson of the Centrally Planned Cities reform is two-fold. First, it is difficult to expect the upper-tiered government to cooperate unless it has incentives to do so. Second, the empowered lower-tiered government tends to act like the upper-tiered government, thus resulting in an enlarged reproduction of the problem.
10. The “Province Manages County” reforms thus have to take the interest of prefecture level government into consideration. Flattening the pyramid of local officialdom is a highly difficult task and the Party’s quest for better local governance is unlikely to be achieved in the short term.