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**THE INTERGOVERNMENTAL RELATIONSHIP OF THE NEW
ADMINISTRATIVE REFORM SYSTEM IN CHINA: A CASE
STUDY OF PROVINCE DIRECTLY MANAGES COUNTIES
(PDMC)**



**DOCTOR OF PHILOSOPHY
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2025**

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ADMINISTRATIVE REFORM SYSTEM IN CHINA: A CASE
STUDY OF PROVINCE DIRECTLY MANAGES COUNTIES
(PDMC)**



UUM
SU TONG (904182)
Universiti Utara Malaysia

**A thesis submitted to the Ghazalie Shafie Graduate School of Government in
fulfilment of the requirement for the Doctor of Philosophy
Universiti Utara Malaysia**



Kolej Undang-Undang, Kerajaan dan Pengajian Antarabangsa
(College of Law, Government and International Studies)
UNIVERSITI UTARA MALAYSIA

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Pengerusi Viva : **ASSOC. PROF. DR. ROZITA ARSHAD**

Tandatangan
(Signature)

Pemeriksa Luar : **ASSOC. PROF. DR. ZAHERAWATI ZAKARIA (UITM)**

Tandatangan
(Signature)

Pemeriksa Dalam : **DR. SHARIFUZH OSMAN**

Tandatangan
(Signature)

Tarikh : **4 FEBRUARI 2025**
Date

Nama Pelajar
(Name of Student) : SU TONG (904182)

Tajuk Tesis
(Title of the Thesis) : THE INTERGOVERNMENTAL RELATIONSHIP OF THE NEW
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Program Pengajian
(Programme of Study) : DOCTOR OF PHILOSOPHY (PUBLIC ADMINISTRATION)

Penyelia Pertama
(First Supervisor) : ASSOC. PROF. ROZITA ABDUL MUTALIB

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ABSTRACT

China has a long history of reforming the system of provinces and its intergovernmental relations, but this has not achieved comprehensive success. Currently, most provinces in China have only implemented the reform of 'Province Directly Manages Counties' (PDMC) in the fiscal sector. However, they are confronted with several challenges that impede the reform process. Hence, this qualitative study aimed to examine the relationship between counties and their higher governmental level and explore the PDMC reform, challenges and possible solutions in the subsequent implementation approaches. Data were collected through semi-structured interviews with 24 informants, selected via snowball sampling. The data were analyzed using thematic analysis and revealed several significant themes such as 'provincial government pressure', 'asymmetry power' and 'adjustments in governance levels'. The findings therefore revealed that many of the problems currently exist in provincial reform showed certain connections with the failure to implement the reform of PDMC in the administrative system. Theoretically, this study contributed to the use of fiscal decentralization theory, management hierarchy theory and government function allocation theory in the context of PDMC reform process and implementation in China. Practically, the study found that the promotion of the relationship between province and its lower government level and PDMC can be reasonably promoted from the administrative aspect. Subsequently, this study can help the PDMC follow-up on progress, rather than only dealing with superficial problems. Therefore, it is suggested that future research could involve relatively special provinces such as the Tibet Autonomous Region of China and other areas where ethnic minorities gather. The existence of different customs and traditions in these regions may result in the implementation of distinct reform strategies and the emergence of unique challenges.

Keywords: Province Directly Manages Counties (PDMC), China Province System Reform, Administrative System, Intergovernmental Relations, Fiscal Sector.

ABSTRAK

Negara China mempunyai sejarah panjang dalam memperbaharui sistem wilayah dan hubungan antara kerajaan tetapi ini tidak mencapai kejayaan yang menyeluruh. Kini, kebanyakan wilayah di China hanya melaksanakan pembaharuan '*Province Directly Manages Counties*' (PDMC) dalam sektor fiskal. Walau bagaimanapun, mereka berhadapan dengan beberapa cabaran yang menghalang proses pembaharuan. Oleh itu, kajian kualitatif ini bertujuan untuk mengkaji hubungan antara daerah dan peringkat kerajaan yang lebih tinggi dan meneroka pembaharuan PDMC, cabaran dan cara penyelesaian yang sesuai dalam pendekatan pelaksanaan seterusnya. Data dikumpul melalui temu bual separa berstruktur dengan 24 orang informan yang dipilih melalui pensampelan bola salji. Data dianalisis menggunakan analisis tematik dan mendedahkan beberapa tema penting seperti 'tekanan kerajaan wilayah', 'kuasa asimetri' dan 'pelarasan dalam tahap tadbir urus'. Penemuan dalam kajian ini mendedahkan bahawa kebanyakan masalah yang wujud dalam reformasi wilayah menunjukkan perkaitan tertentu dengan kegagalan melaksanakan reformasi PDMC dalam sistem pentadbiran. Secara teorinya, kajian ini menyumbang kepada penggunaan teori desentralisasi fiskal, teori hierarki pengurusan dan teori peruntukan fungsi kerajaan dalam konteks proses dan pelaksanaan reformasi PDMC di negara China. Secara praktikalnya, kajian mendapati bahawa hubungan antara wilayah dan peringkat kerajaan bawahannya perlu diperkukuhkan dan PDMC boleh digalakkan secara munasabah dari aspek pentadbiran. Seterusnya, kajian ini dapat membantu PDMC dari segi kemajuan susulan dan bukannya hanya menangani masalah dangkal. Oleh itu, kajian masa depan dicadangkan untuk melibatkan wilayah yang agak istimewa seperti Wilayah Autonomi Tibet China dan kawasan lain di mana etnik minoriti berkumpul. Kewujudan adat dan tradisi yang berbeza di wilayah ini mungkin mengakibatkan pelaksanaan strategi pembaharuan yang berbeza dan kemunculan cabaran yang unik.

Kata kunci: *Province Directly Manages Counties* (PDMC), Pembaharuan Sistem Wilayah China, Sistem Pentadbiran, Hubungan Antara Kerajaan, Sektor Fiskal.

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TABLE OF CONTENTS

PERMISSION TO USE	i
ABSTRACT	ii
ABSTRAK.....	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES	x
LIST OF FIGURES	xi
LIST OF APPENDICES	xiii
LIST OF ABBREVIATIONS	xiv
CHAPTER ONE INTRODUCTION.....	1
1.0 Introduction	1
1.1 Background.....	2
1.2 Problem Statement.....	13
1.3 Research Question.....	23
1.4 Research objective.....	23
1.5 Scope of Study.....	24
1.6 Significance of Study	25
1.7 Operational Definition of Terms	29
1.8 Summary of this Chapter	35
CHAPTER TWO LITERATURE REVIEW	37
2.0 Introduction	37
2.1 Discrimination and Analysis of the Relationship of Policies	37
2.2 China's Administrative Hierarchy and Implications.....	43
2.3 Basic Conditions of the reform system of PDMC	46
2.4 Main Viewpoints of The Research PDMC	47
2.4.1 Main Point of Identity	48
2.4.2 Questioning Factions	50
2.4.2.1 PDMC System Needs Further Demonstrated.....	51
2.4.2.2 Negative Effects in the Reform System	52

2.4.2.3 PDMC Faces Many Challenges	53
2.4.2.4 PDMC Reform System and Solving	54
2.4.3 Main Point of Beyond Factions	55
2.5 PDMC Achievements	56
2.5.1 Enhance Budget Performance Management	57
2.5.2 Promote Balanced Development of Education and Public Services	58
2.5.3 Enhance Financial Capacity and Agricultural Production	60
2.5.4 Promote Fiscal Decentralization and Balance Economic Development	61
2.6 The Limitations of the PDMC in fiscal sector	62
2.6.1 Lack of laws and regulations	63
2.6.2 Supporting policies are lagging behind	63
2.6.3 Insufficient Institutional Innovation	65
2.6.4 City-County Relations and Departmental Coordination	66
2.7 Intergovernmental Relations	69
2.7.1 Intergovernmental Relations under city governing county	70
2.7.2 Intergovernmental Relations under the PDMC in Fiscal Sector	72
2.7.3 Intergovernmental Relations under the PDMC in Administrative System	76
2.8 Goal of Reform of the PDMC System	78
2.9 Path Selection for PDMC Reform System	80
2.10 Research Gaps	84
2.11 Summary of Chapter	86
CHAPTER THREE THEORY	88
3.0 Introduction	88
3.1 Theoretical Framework	88
3.2 Theory of Fiscal Decentralization	92
3.2.1 Relevance Between Theory of Fiscal Decentralization and PDMC	102
3.3 Theory of Management Hierarchy	104
3.3.1 Relevance Between Theory of Management Hierarchy and PDMC	110
3.4 Theory of Government Function Allocation	113
3.4.1 Relevance Between Theory of Government Function Allocation and PDMC	117
3.5 Summary of Chapter	119

CHAPTER FOUR METHODOLOGY	122
4.0 Introduction	122
4.1 Research Method	122
4.1.1 Research Paradigm	123
4.2 Research Design	127
4.3 Techniques of Data Collection	128
4.3.1 Research informant	130
4.3.2 Interviews	135
4.3.3 Chronology of Data Collection	139
4.3.4 Ethical Consideration	141
4.4 Methods of Data Analysis	142
4.5 Summary of Chapter	147
CHAPTER FIVE DATA ANALYSIS AND RESULTS	148
5.0 Introduction	148
5.1 Basic Situation of Shandong Province	148
5.2 The Reform Situation of PDMC in Shandong Province	149
5.3 Reform Difficulties	153
5.3.1 Increased Pressure on Provincial Management	154
5.3.2 Increase Contradiction between City and County Governments	155
5.3.3 The Supply of Regional Public Goods	157
5.3.4 County-level Operating Costs Increased	157
5.4 PDMC Goals in Shandong Province	158
5.4.1 Rationally Promote PDMC in Administrative System	159
5.4.2 Stabilize the Financial Resources	160
5.4.3 Improve Transfer Payment System for the fiscal sector	161
5.4.4 Improve The Capacity of Provincial Financial Regulation	162
5.5 Policy Comparison of PDMC	163
5.6 FOCUS IN-DEPTH INTERVIEW	169
5.7 Themes	169
5.8 Respondents' Background	171
5.9 The Reason for Implementation of PDMC reform system	171
5.9.1 Reduce Management Levels and Improve Efficiency	172

5.9.2 Streamline Institutional Personnel and Reduce Administrative Costs	175
5.9.3 Decentralize Power to County and Develop County Economies	177
5.9.4 City Governments Lack Support of the Constitution	180
5.10 Challenges and Problems in Implementation of PDMC	182
5.10.1 Mismatch between Financial Power and Routine Power	183
5.10.2 Excessive Management Scope of Provincial Governments	186
5.10.3 Unclear Intergovernmental Responsibilities	189
5.10.4 Power Allocation and Reform Support	192
5.11 The Necessity of Implementing PDMC in Administrative System	195
5.11.1 The Asymmetry between Financial and Routine Power	196
5.11.2 Excessive Scope of Provincial Government Management	199
5.11.3 Unclear Inter-governmental Relations	201
5.11.4 Unfair Distribution of Power and Authority	203
5.12 Possible Challenges of PDMC in Administrative System	206
5.12.1 Unclear Intergovernmental Responsibilities and Change in Intergovernmental Relations	206
5.12.2 County Cadre Promotion Pathways Affected	209
5.12.3 Cadres' Ability and Talent	211
5.12.4 Loss of Control	213
CHAPTER SIX DISCUSSION AND CONCLUSIONS	216
6.0 Introduction	216
6.1 The Necessity of Implementing PDMC in Administrative System	217
6.1.1 Asymmetry between Financial and Routine Power	217
6.1.2 Excessive Scope of Provincial Government Management	219
6.1.3 Unclear Inter-governmental Relations	222
6.1.4 Unfair Distribution of Real Power and Authority in Counties	225
6.2 Challenges of PDMC in Administrative System	226
6.2.1 Unclear Intergovernmental Responsibilities	227
6.2.2 County Cadre Promotion Pathways Affected	230
6.2.3 Cadres' Ability and Talent	231
6.2.4 County Government Power and Control	232
6.3 Recommendation to Possible Challenges of PDMC in Administrative System	234

6.3.1 Strengthen Top-level Design and Planning	234
6.3.2 Improve Legal System	238
6.3.3 Reconstructed Intergovernmental relationship	243
6.3.3.1 The Functions of the Government	245
6.3.3.2 Institutions Adjustment	247
6.3.3.3 Structural Adjustment	250
6.3.4 Improving the Abilities of Cadres and Attract Talents	252
6.3.5 Improve the Power Restraint Mechanism	256
6.3.5.1 Vertical supervision from superiors	258
6.3.5.2 Internal supervision at the county level	259
6.3.5.3 Supervision of the external environment	261
6.4 Conclusion	263
6.4.1 Theoretical Contributions	263
6.4.2 Practical Contributions	269
6.5 Limitation	271
6.6 Recommendations for Future Research	273
6.7 Chapter Summary	274
REFERENCES	277
APPENDICES	297

LIST OF TABLES

Table 2.1	Overview of China's Administrative Divisions.....	44
Table 2.2	City, County Relations and Classification Reform Paths.....	81
Table 2.3	The Reform Paths of PDMC.....	81
Table 2.4	Reform Models and Involved Provinces.....	82
Table 4.1	Informants Interviewed.....	136
Table 4.2	Informants' Background Information.....	138
Table 5.1	Specific Reform Aspects and Adjustments in ShanDong.....	151
Table 5.2	PDMC in fiscal sector in Guizhou.....	163
Table 5.3	PDMC in fiscal sector in Jiangsu.....	167



LIST OF FIGURES

Figure 2.1	PDMC Diagram of the Reform Degree	41
Figure 2.2	The Evolution of the Reform Path of the PDMC System	43
Figure 2.3	Hierarchy of the Chinese Administrative System	45
Figure 3.1	Theoretical Framework	92
Figure 5.1	Distribution of counties directly under the jurisdiction of Shandong Province	151
Figure 5.2	Relationships in the Reform of PDMC in China	170
Figure 5.3	Reasons for the Reform of PDMC in China	172
Figure 5.4	Opinions on Helps Reduce Management Levels and Improve Administrative Efficiency	175
Figure 5.5	Opinions on Streamlining Institutional Personnel and Reducing Administrative Costs	177
Figure 5.6	Opinion of Fully Decentralizing Power to Counties and Developing County Economies	180
Figure 5.7	Opinion of city Governments Lack the Support of the Constitution and Laws	182
Figure 5.8	Problems for the reform of PDMC in China	183
Figure 5.9	Opinions on Mismatch between Financial Power and Routine Power	185
Figure 5.10	Opinions on Excessive Management Scope of Provincial Governments	188
Figure 5.11	Opinions on Unclear intergovernmental responsibilities and intergovernmental relations	192
Figure 5.12	Opinions on The lack of real power and supporting reforms	195
Figure 5.13	Opinions on The Necessity of PDMC in Administrative System	196
Figure 5.14	Opinions on The Asymmetry between Financial and Routine Power is Related to the Lack of Reform in Administrative System	199
Figure 5.15	Opinions on The Excessive Scope of Provincial Government Management is Related to the Lack of Reform in Administrative System	201
Figure 5.16	Opinions on Unclear Inter-governmental Relations is Related to the Lack of Reform in Administrative System	203

Figure 5.17 Opinions on The Unfair Distribution of Real Power and Authority in Counties is Related to the Lack of Reform in Administrative System	205
Figure 5.18 Opinions on Possible Challenges Faced by the Implementation of PDMC in Administrative System	206
Figure 5.19 Opinions on Unclear Intergovernmental Responsibilities and Changes in Intergovernmental Relations	209
Figure 5.20 Opinions on County Cadre Promotion Pathways Affected	211
Figure 5.21 Opinions on Cadres' Ability to Perform and Lack of Talent in the County	213
Figure 5.22 Opinions on County Governments Easily Lose Control with Much Power	215
Figure 6.1 Opinions on Solutions to Possible Challenges in the Implementation of the PDMC in Administrative System	234
Figure 6.2 Opinions on Strengthen the Top-level Design and Planning	236
Figure 6.3 Opinions on Improve the Legal System and Provide Legal Basis for Reform	240
Figure 6.4 Opinions on Reconstructed Intergovernmental Functions, Structures, and Institutions	244
Figure 6.5 Opinions on The Functions of the Government	246
Figure 6.6 Opinions on Institutions Adjustment	248
Figure 6.7 Opinions on Structural Adjustment	251
Figure 6.8 Opinions on Training Cadres and Attract Talents	255
Figure 6.9 Opinions on Restraint Mechanism	257
Figure 6.10 Opinions on Vertical Supervision from Superiors	258
Figure 6.11 Opinions on Internal Supervision at the County Level	260
Figure 6.12 Opinions on Supervision of the external environment	262

LIST OF APPENDICES

Appendix A Informed Consent for Participation	297
Appendix B INTERVIW PROTOCOL QUESTIONS	298



LIST OF ABBREVIATIONS

PDMC	Province Directly Manages Counties
GDP	Gross Domestic Product
CPC	Chinese Communist Party
TSS	Tax Sharing System



CHAPTER ONE

INTRODUCTION

1.0 Introduction

China's administrative divisions follow a four-tier system, consisting of the province, city, county, and township levels. The provincial level includes provinces, autonomous regions, municipalities directly under the central government, and special administrative regions, forming the highest level of governance. The city level consists mainly of prefecture-level cities and autonomous prefectures, responsible for regional administration. The county level includes counties, county-level cities, autonomous counties, and urban districts, serving as the foundation of local governance. The township level is the lowest administrative tier, comprising towns, townships, subdistricts, and ethnic townships, which directly handle community and rural affairs. This hierarchical system ensures effective governance while accommodating regional diversity and ethnic autonomy (Guo, 2022).

County-level administrative units have long served as the foundational pillar of local governance in China, playing a crucial role in both regional administration and economic management. As economic and political conditions have evolved, China's county governance system has undergone continuous adjustments. The introduction of the city governing counties system aimed to strengthen regional coordination and urban development. However, this system also resulted in several drawbacks, including excessive administrative hierarchy, county-level fiscal dependence on prefecture-level cities, and constraints on county-level economic autonomy (Zhao & Wang, 2022).

In order to optimize governance structures and enhance the administrative and fiscal autonomy of county governments, the Provincial Directly Managed County (PDMC) reform emerged as a necessary policy adjustment. By eliminating the direct control of county governments by prefecture-level cities, the reform seeks to reduce administrative layers, improve governance efficiency, and promote greater county-level economic independence. However, ensuring the effective implementation of PDMC remains a challenge.

This chapter outlines the background of PDMC reform, identifies existing issues, and highlights research gaps. It establishes key research questions and objectives while defining the scope and significance of the study. Additionally, this chapter examines the historical development of counties in China, illustrating their longstanding importance in the national governance framework. By tracing the continuous efforts to reform counties since the founding of the People's Republic of China, this chapter provides insights into the rationale behind ongoing county-level governance reforms, reinforcing the necessity and relevance of PDMC in China's administrative modernization.

1.1 Background

Since the Qin and Han dynasties, the county has been the most important and basic administrative unit in China. The development of counties in China has gone through a long period of 2,500 years of changes (Sun, 2024). In the period of feudal society, the county was used by the feudal dynasty as the basic ruling unit connecting the people and the court, dispatching the court to appoint officials to exercise imperial power, collect taxes, and domesticate the people. County governance is not only the embodiment of imperial power, but also an important source of imperial grain and

national tax for the imperial court. Although the county has undergone several changes of dynasties, the changes in the county are relatively stable. The fundamental reason is that, in addition to the fact that the administrative units at the county level are more reasonable in the feudal state governance structure, it is closely related to the social stability brought about by the autonomy of county governance. At that time, the county area was mainly a small-scale peasant economy under the feudal landlord system. The county area economy was mainly self-sufficient and not strongly dependent on the outside world. The county area mainly depended on China's unique feudal social autonomy system, especially the clan system. The entire county can develop and circulate independently, and the cost of national administrative governance is very low. Therefore, counties have been relatively stable in China's administrative system for more than 2,000 years (Sun, 2024). After the founding of New China, China continued to use the county-level administrative unit, and the county became the most important and well-functioning first-level administrative unit in China. The development of the county has roughly gone through three stages.

The first stage: the urban-rural dual-track development stage. From the early days of liberation to 1978, urban-rural division management was implemented in the county at this stage—rural and urban, industrial and agricultural divisions (Chen, 2024). The county-level economic development takes public ownership as the main body, obeys the state planning and management, and obeys the state's policy of giving priority to urbanization and industrialization. County politics takes political mobilization as a means to obey the will of the central government. During this period, the autonomy of county development was seriously insufficient, and the industrial system and distribution system that separated urban and rural areas and the system of unequal

citizenship between urban and rural areas were formed in the county. This institutional system of urban-rural duality has been affecting it to this day (Chen, 2024).

The second stage: the development stage with economy as the center. From the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China in 1978 to the Third Plenary Session of the Sixteenth Central Committee of the Communist Party of China in 2003, the county development in this stage changed from a planned economy to a market economy, and transformed into a county development model with 'economic construction as the center' (Song, 2021). Everything is for solving the problem of food and clothing, everything is for economic development, and everything else exists for the center of county economy. Although the county economy has achieved rapid development, the problem of food and clothing has been fundamentally solved, and the pace of building a well-off society has been accelerated, but in practice it is simplified as GDP growth. A county development evaluation index system centered on GDP growth was formed, ignoring other aspects of the county's development, resulting in a serious imbalance in the county's political, economic, social, cultural, and environmental development.

The third stage: the comprehensive development stage. This stage began after the Scientific Outlook on Development was put forward at the Third Plenary Session of the 16th Central Committee of the Communist Party of China in 2003 (Song, 2021). The Third Plenary Session of the 16th Central Committee of the Communist Party of China put forward 'adhering to people-oriented, establishing a comprehensive, coordinated and sustainable development concept, and promoting the overall development of the economy, society and people', and established the guiding

position of the scientific development concept (Jian, 2021). The development concept of worshipping GDP has been denied, and the county development has entered a new stage of comprehensive development of politics, economy, culture, society, and ecological environment, and integrated development of urban and rural areas. The guiding ideology of county development has undergone fundamental changes. Fundamentally, the fundamental task of county development has gradually shifted from economic growth to economic development. Additionally, the evaluation standard of county development has gradually changed from the quantitative evaluation of GDP to the coordinated and comprehensive development evaluation of politics, economy, culture, society and ecological environment (Wang, 2023). Consequently, the state of social development has gradually changed from the dual division of urban and rural areas to the integration of urban and rural development, and county development has entered a new period.

At this stage, a new round of global economic and industrial restructuring is accelerating. Countries are improving their own competitive advantages in technological innovation, industrial structure adjustment and optimized development, and the development trend of pursuing ecological environmental protection and low-carbon development is constantly intensifying competition (Song, 2021). With vast regional space and ecological advantages, counties in China are not only the largest potential market for expanding domestic demand, but also the most dynamic strategic development space. Therefore, the county area is a new growth pole for China's comprehensive national strength in the new era, and it has great strategic significance for China's future development.

The county is the foundation of the country, and the ancient Chinese motto is 'if the county is properly governed, the country is safe'. The county, which has lasted for more than 2,500 years since the Qin Dynasty, is the basic unit of state governance in all dynasties of China (Sun, 2024). It is the link between the previous and the next, connecting the city and the countryside, the junction of the macro-economy and the micro-economy, and the connection point of today's industrialization, urbanization, informatization and agricultural modernization (Wei & Li, 2024). County development is a specific form of regional development, which is a systematic development in terms of politics, economy, society, population, resources, and environment, with county-level administrative regions as the main body, county towns as the center, townships as the link, and rural areas as the basic. County development is based on county economic development, but it is different from pure county economic development. County development covers the progress and changes of economy, politics, culture, society and environment. The development of counties is comprehensively reflected in the trends of economic structure and growth, public service quality, residents' living standards, population and resource sustainability, social development, and cultural advancement. A county is not only an important entity formed by the state, but also the main body of development and the basic unit of state governance (Wei & Li, 2024). At this stage, the development of counties in China has the following characteristics:

Primarily, the county area includes all the objects and contents of national governance. China's county towns have comprehensive management power and functions over the country's politics, economy, culture, society, and ecological environment, and are basically an almighty government. County towns are the epitome of Chinese cities, an important part of China's urban system, and an

important main body of China's urban development (Wei & Li, 2024). Therefore, county areas are the primary platform for comprehensive national governance.

Subsequently, counties are the focus of China's urban-rural dual system. In the county, the dual governance system is deeply rooted, and the difference between the urban and rural dual system is particularly obvious. Between counties and big cities, the county represents the countryside; between the county seat and the countryside within the county, the county seat represents the city; the county and the big city also have the distinction between urban and rural areas (Chen & Li, 2024). Therefore, to promote the integration of urban and rural areas to resolve the dual development system of urban and rural areas, the focus and biggest difficulty lies in the county area.

Ultimately, the county is the main battlefield of China's modernization. As we all know, China is a big agricultural country. Most of the land is in the county area, and the vast majority of the population is in the county area. The county area is the core of promoting China's modernization. Primarily, the focus of China's new industrialization lies in the counties. County industrialization is a direct driving force for agricultural modernization, and a reliable support for China to further improve its industrialization level after entering the middle stage of industrialization. Subsequently, the focus of urbanization is in the county area. County urbanization is the link to promote the economic and social integration of urban and rural areas, and the main support for undertaking the radiation and driving of large cities, absorbing rural labor force, and promoting rural modernization (Wang, 2020). Moreover, the carrier of agricultural modernization in the county. Agricultural modernization itself is the modernization of county agriculture. Critically, the key and difficult points of

informatization are all in the county area. County informatization is not only an important part of new rural construction, but also an important entry point for improving the level of informatization. Furthermore, the foundation of marketization lies in the county area. Without the marketization of the county economy, China's marketization is just empty talk. The establishment of a new system and new mechanism for the development of the county economy that meets the requirements of the socialist market economy is the urgent need for China's current reform and development. Finally, the key to sustainable development lies in the county. The county is the storage place of China's resources and ecological environment, and it is an important force to maintain the ecological balance. The sustainable development of China's economy cannot be separated from the support of the county.

After the founding of New China, 'Constitution of the People's Republic of China' stipulates that China's administrative regions are mainly divided into three levels: province, county, and township (Liu, 2011). However, since the early 1980s, the 'regional' level government, which was originally an agency sent by the provincial government, has tended to become substantive. Through the reform of cities and the merger of prefectures and cities, the system of 'city governing counties' has spread rapidly throughout the country. In this process, different levels of city organization systems such as county-level cities, prefecture-level cities, sub-provincial cities, and municipality have also been formed, resulting in an administrative phenomenon that is rare in this world of 'city governing a city' (Wang, 2013).

Since the reform and opening up, 'city governing counties' system has been implemented as an important task of China's political and economic reform system. The ultimate goal is to completely replace the regional administrative management

system and form a dominant local administrative management system among provinces and counties (Sun & Tang, 2015). With the deepening and development of China's economic and social modernization, urbanization, and marketization, 'city governing counties' system between provinces and counties once gave full play to its institutional advantages, accelerating the scale expansion of central cities and the process of economic modernization. However, in the modernization process of building a well-off society in an all-round way, with the advancement of the reform of the service-oriented government management system with 'public administration, procedural administration and responsible administration' as the main body, the system of city leaders, counties and cities has increasingly exposed its institutional defects and problems (Li & Chen, 2012; & Kuang & Yu, 2020).

One is the flaw in the legal basis of the prefecture-level city-leading county (city) system. In particular, there is no legal basis for prefecture-level cities to lead county-level cities. Although the form of 'escrow' is adopted to avoid legal contradictions, because the subordination is still the actual 'direct management', which produces the unique 'phenomenon under the jurisdiction of the city', which brings the common name contradiction and hierarchy confusion of urban administration (Zhao & Wang, 2022). The second is the defect in the organizational form of the county (city) system of city leaders. Under the institutional background of administrative decentralization and insufficient transformation of government functions, the 'city governing counties' system is essentially a regional institutional expansion of urbanization (Zhao & Xi, 2022). This leads to the polarization of jurisdictional rights and interests, and inevitably produces problems and contradictions in many aspects such as urban and rural management, fiscal taxation, social employment, social security, public services, 'three rural' issues, land transactions, and environmental protection. The third is to

increase administrative management costs, reduce administrative management efficiency, and objectively form new rent-seeking opportunities (Guo, 2022).

The 'city governing counties' system adds an additional layer of administrative management between provinces and counties. This leads to slow communication, information blockage, high rate of information distortion and loss, central and provincial government orders cannot be implemented in a timely manner, and various policies and laws are difficult to effectively spread to the grassroots (Li & Wu, 2014). However, it is difficult to quickly and effectively respond to the opinions and suggestions raised by the grassroots to the superiors, which directly leads to inefficient management and breeds corruption. Fourth, the scope of jurisdiction of the 'city governing counties' system is too wide. Due to differences in politics, history, culture, geography, economy, etc., the jurisdiction range of the city-led county system differs by hundreds of times from the largest to the smallest. This has resulted in an extremely unbalanced political district management pattern of 'An undersized horse pulling an oversized load' (Zhao & Wang, 2022).

As an alternative to the 'city governing counties' system, PDMC was established since 1990s. Scholars have made different explanations about the background and fundamental reasons for the reform of the PDMC system. Zhang Zhanbin (2011), a scholar who has done more research on the reform of PDMC, from the perspective of administrative science, believes that the current situation and challenges of the county's economic backwardness. He believes that the new requirements for the transformation of the country's economic and social development mode and the gradual increase of negative factors in the evolution of the 'city-controlled county' system are the main background and motivation for the implementation of the

'provincially-controlled county' reform system. From a political perspective, Pan Xiaojuan (2013) believes that 'economic factors, political factors and social development, and even leaders' preferences, policy agendas, and public opinion influence may all constitute one of the motivations for reform'. Wang Xueli (2011) attributed the background and motivation of the reform to subjective and objective factors. The subjective factors are the internal requirements of the transformation of the economic system, the acceleration of urbanization, and the modernization and democratic governance of the government. The objective factors are the result of different interest choices of governments at all levels, such as seeking development at the county level, 'removing the burden' at the city level, seeking innovation at the provincial level, and dividends from the central government.

The reform system of PDMC is a readjustment of the relationship between cities and counties, and its original intention is to solve the various drawbacks under the 'co-government of cities and counties' and promote the development of county economy (Liu, Jin & Zhao, 2023). It should be said that, judging from China's reform practice, this reform system does have a certain effect in promoting county economic growth.

The Province Directly Manages Counties (PDMC) reform aimed to restructure intergovernmental relations through direct fiscal management, administrative empowerment, and hierarchical flattening. Empirical evidence suggests that PDMC in fiscal sector pilots have enhanced county-level fiscal self-sufficiency, with some directly governed counties achieving leading per capita income levels nationwide (Zhang, 2019).

However, the reform has also exposed deep-seated structural contradictions. Vertically, the significant expansion of provincial administrative oversight has led to regulatory overload, while counties, constrained by limited technical capacity, struggle to effectively exercise their newly acquired powers in land planning and environmental assessment, resulting in governance inefficiencies (Liu, 2018). Horizontally, as city-county relations transitioned from a subordinate to a parallel governance model, tax revenue competition has eroded public service expenditures, while cross-regional ecological governance has stalled due to unclear jurisdictional responsibilities. More critically, the reform has been primarily driven by policy directives rather than legal frameworks, leading to ambiguities in judicial authority and statutory legitimacy, exemplifying the classic dilemma of "practice preceding institutionalization" (Xu, 2017).

At its core, the PDMC reform represents a paradigm shift in China's central-local power configuration within a unitary state (Wei, 2006). While the reform has demonstrated the efficiency gains of hierarchical flattening, the disjointed nature of fiscal and administrative decentralization underscores the complexities of institutional coordination. This process is not merely about county-level economic revitalization but also about balancing administrative centralization with local autonomy, a key objective in China's modernization of governance. This study takes PDMC as an analytical lens to assess the existing fiscal challenges and forecast the implications of PDMC in administrative system reform, offering both theoretical insights and empirical support for further policy advancements.

1.2 Problem Statement

Many scholars believe that the PDMC system is a strategic move in China's administrative reform system. For example, Li Zhaoyou and Chen Liang (2012) believe that the 'city governing county' system will gradually lose its significance with the establishment of the market economy system. Only by fully establishing a system of PDMC can we fundamentally eliminate the problems of bloated institutions and excessive administrative levels in China. Yuan Sen (2017) also proposed that the provincial government should directly manage cities and counties, reduce the jurisdiction of the city government and lower its administrative level, and reform the fiscal system to hand over the county fiscal system to the provincial fiscal management, which would help solve some problems caused by the city-county reform. Xiao Lina (2016) believes that the implementation of the "province directly managing counties" system reform is a historical choice to overcome the difficulties of the previous "city managing counties" system and is in line with the actual requirements of political, economic and social development. Sun Renji (2018) and Tang Yi believe that despite the many problems mentioned above, the reform of PDMC may become a broader or even national development policy in general (Sun, 2018).

However, many scholars believe that the reform of PDMC still has its drawbacks in theory. At present, the negative effects of the reform system of PDMC are beginning to appear in some pilot areas, and some scholars have begun to reflect on whether this system will bring new problems while offsetting the disadvantages of the 'city governing counties' system. For example, Meng Yanchun (2014) have pointed out that the system of PDMC may face many difficulties such as excessive management. In the current theoretical community, some scholars believe that whether PDMC or

'city manages counties' is ultimately a superficial problem. It is necessary to dig deeper into the real reasons behind the malpractices of the 'city governs county' system. As Liu Bing (2021) pointed out, 'The replacement of the 'city manages counties' system with the PDMC system is just a change of administrative subordination, and it will also produce the funnel effect of finance, power and efficiency between the two levels of government.' However, these issues are all based on the current implementation of PDMC in fiscal sector. There remains a lack of comprehensive foresight regarding the potential challenges and systemic implications that may arise if PDMC in administrative system is pursued in the future.

In the current reform practice, the system of PDMC was proposed as a substitute for the system of 'city governing counties'. Therefore, a considerable number of people advocated the complete abandonment of the system of 'city governing counties'. However, it is the same as 'the negative problem caused by the 'city governing counties' system is fundamentally a structural problem of the relationship between the government and the market' (Wang, 2011). China's administrative divisions in the past dynasties have always been divided and coordinated, but they are all based on the gains and losses of the previous system evolution. We cannot propose system replacement because of a certain aspect of the existing system, but should be understood from a more comprehensive perspective (Wu, 2018). In fact, any reform results must be tested in practice within a relatively large time span. The 'city governing counties' system initiated in the 1980s has hastily 'reduced' from the goal of reform to the target of today's reform, and the profound lessons are worth summarizing carefully. However, in the stage of exploration of PDMC, the theoretical community still have ambiguous situations about the goals and specific

ways of the reform of PDMC, so the promotion of the reform system of the PDMC is relatively difficult.

At present, the overall promotion path of the reform of PDMC generally recognized by all walks of life is to gradually shift from the financial system to the PDMC in administrative system. The implementation of PDMC in the fiscal sector is considered a prerequisite for its application in the administrative system.

The original reform intention of PDMC is to liberate the county economy by reducing administrative levels, and fully mobilize the enthusiasm and initiative of county-level development. On the surface, it seems that the problem of 'cities scraping counties' under the system of 'city governing counties' which means that that the city oppresses the county, using its own administrative power to make the county take on many matters can be solved to a large extent (Huang, 2022). However, since China's current regional economy is still a kind of 'administrative region economy', the primary function of local governments is to develop the economy, and indicators occupy an extremely important weight in the local government assessment system (Wang, 2016).

In this context, even with the implementation of the system of 'PDMC in Fiscal Sector', it still cannot change the profit-seeking tendency of higher-level governments to occupy and encroach on lower-level government resources (Tang, 2021). Taking county development as an example, if the economic development capacity of the county is not enough to drive the development of the town, the situation of 'small horses and large carts' still exists objectively (Wang, 2021). The situation of 'small horses and large carts' means that the county is not capable enough

to fully promote the development of the townships. This is because the county itself is under the PDMC in fiscal sector, which has limited economic development and insufficient capacity. If only the Ministry of Finance directly manages the counties and ignores the decentralization of administrative power, the provincial government also has the possibility and feasibility of 'scraping counties' and 'repressing counties' (Liu, 2018). For example, although the PDMC reform is intended to alleviate financial difficulties at the county level, it may also marginalize some counties and weaken the service orientation of prefecture-level cities to these counties. Or some prefecture-level cities may use their own administrative powers, such as the power of approval or the power to appoint and dismiss personnel, to pressure counties to take over more economic affairs.

As a county directly under the jurisdiction of Shandong Province, Qingyun County has received certain fiscal policy support after the implementation of the PDMC reform in fiscal sector, and can decide on its own how to use part of the fiscal revenue to promote the development of the local economy and infrastructure construction (Qilu News, 2019). For example, some local tax revenues include taxes collected independently by Qingyun County, such as business tax, corporate income tax, personal income tax, property tax, etc. collected by the local tax bureau. These taxes can be used to support local business development, improve infrastructure or enhance public services. Some administrative and institutional fees can also be used to support local projects and improve services. For example, Qingyun County can set and adjust its own fee standards in some specific areas, such as construction, transportation, and environmental protection. In terms of transfer payments, although they are generally allocated by higher-level governments, within a certain framework, Qingyun County can flexibly use this part of the funds for the development of

education, health, and social security according to local actual needs. Regarding the use of special funds, the provincial government allocates special funds to Qingyun County for certain key areas such as industrial development, scientific and technological innovation, and agricultural support. Qingyun County can independently decide how to allocate and use part of the special funds allocated by higher-level departments, such as for specific projects.

However, although Qingyun County has gained a certain degree of autonomy in fiscal policy, many projects still require approval from higher authorities in the use of these funds. The relevant supporting powers involved in this process are not available in the PDMC in fiscal sector. For example, large-scale infrastructure construction projects such as roads, bridges, and new urban area development usually need to be approved by city departments, which prolongs the construction cycle and fails to more efficiently exercise the economic management rights they possess.

For land development projects, especially those involving land acquisition, development and use, higher-level administrative approval processes are usually required (Shandong Provincial People's Government General Office, 2024). Although Qingyun County can formulate local economic development plans to attract investment, the approval power for land use is still mainly in the hands of higher-level governments (Qingyun County Natural Resources Bureau, 2024). For example, Qingyun County developed a piece of land for industry, but the approval process for land use change and development and construction must go through the provincial land and resources department. However, at the current stage of reform, the county needs to report step by step, that is, Qingyun County needs to submit the corresponding approval materials to the city government, and then the city

government reports to the provincial department. As a result, the land approval process is cumbersome, resulting in slow implementation of projects, affecting the development and investment decisions of local enterprises. Regarding personnel appointments and other aspects, although Qingyun County is a county directly under the provincial government, most of the recommendations and promotions of county cadres are controlled by the city government. Therefore, although the province directly manages finances, the county government still needs to cooperate with some affairs of the city government. Overall, as a city-level government, it still plays an important role in current local governance and has important jurisdiction over counties (Bi, 2023).

It is this part of power that has played the greatest role in promoting economic development. However, these administrative powers have not been allocated to the counties directly under the provincial government, which is also because PDMC in administrative system has not been implemented.

In light of the aforementioned issues, it can be surmised that the present PDMC is encountering difficulties in its implementation phase. The case of Qingyun County illustrates that the implementation of PDMC in fiscal sector has, to some extent, facilitated economic development. However, this has also resulted in the emergence of challenges and pressures. To illustrate, the city government is reluctant to extend further support for its development. As Qingyun County is unable to utilise the funds transferred by the provincial government for administrative purposes, the city government has even required Qingyun County to assume responsibility for a greater number of social affairs, thereby placing additional pressure on Qingyun County. Furthermore, despite the provision of financial assistance from the provincial

government, the approval process for the utilisation of funds remains unchanged, thus failing to enhance administrative efficiency. These issues cannot be resolved at the current stage of fiscal reform. Therefore, there is a need to promote PDMC in administrative system.

It is true that the reform of PDMC was first initiated in the field of finance, but the cognition that 'the finance of PDMC is a prerequisite for promoting PDMC' is inappropriate. Liu Zhihong and Wang Yiming (2018) used the panel data of 1292 counties across the country to study and concluded that the reform of the financial system of PDMC has intensified the competition for funds and resources between city and county governments. This situation not only failed to improve the financial situation of the county government, but worsened to a certain extent (Liu & Wang, 2018). Therefore, if we only focus on 'PDMC in Fiscal Sector', the local government only divides financial powers, but does not divide administrative powers accordingly. As a result, there is a serious mismatch between financial powers and administrative powers among vertical governments at all levels. A typical saying is, 'financial power flows upward, and administrative power flows downward' (Wang & Liu, 2022). That is to say, the financial power is mainly enjoyed by the central government or the upper-level government, while the lower-level government has to bear a lot of power and responsibility when the financial resources are seriously insufficient (Jiao & Xu, 2020). This situation and characteristics are rare in other countries and regions. On the one hand, there is no division of power among the vertical governments; On the other hand, the higher-level government enjoys administrative jurisdiction over the lower-level government.

As the reform progresses, numerous scholars have emphasized that PDMC in fiscal sector alone are insufficient to meet the current reform demands, and that China should rationally advance PDMC in administrative system. Although PDMC in fiscal sector only alleviates the fiscal pressure of counties and townships by delegating economic powers, it does not change the administrative affiliation between cities and counties, resulting in many problems that cannot be completely solved. Liu Shangxi (2014) pointed out that if fiscal decentralization lacks the support of administrative decentralization, it will aggravate the "power vacuum". For example, a directly managed county in Hubei Province has continued to widen the gap in social security expenditure due to the city-level interception of provincial special funds. Zhu Peiyuan and Meng Bai (2021) further found that many pilot counties encountered soft suppression at the city level, such as intercepting non-tax revenue and restricting the promotion of cadres, which made the marginal benefits of fiscal decentralization continue to decrease. Zhang Zhanbin (2014) emphasized that only by cutting off the affiliation between cities and counties through administrative decentralization can the 'siphon effect' of prefecture-level cities on county resources be eliminated.

Xiao Lihui (2016) pointed out that if the PDMC in fiscal sector is promoted in a single line for a long time, it will be difficult to reconcile the conflict between fiscal management power and administrative management power. Fiscal decentralization is only a breakthrough, and it is necessary to achieve institutional docking through the design of a "flat" administrative system. That is, the reasonable promotion of PDMC in administrative system is to match the current fiscal reform.

Zang Leizhen and Xu Rong (2023) pointed out in constructing a middle-level theoretical framework of "county as a unit" that the PDMC in fiscal sector gives

county-level governments greater economic management authority, but the existing administrative affiliation leads to policy implementation performance and power and responsibility mismatch. They emphasized that administrative decentralization needs to be linked to the legitimacy of county governance, and the dominant position of county-level governments in urbanization planning and public service supply should be clarified through legislation, and a province-county direct responsibility chain should be established. Only by promoting PDMC in administrative system can the power and responsibility between provinces, cities and counties be clearly planned.

Liu Binghui and Xiong Wansheng (2021) pointed out in analyzing the dilemma of county reform that simple fiscal decentralization can no longer meet the multi-dimensional needs of new urbanization. Shen Xuefeng and Wang Zixuan (2018) pointed out in their analysis of the PDMC in fiscal sector that the lack of administrative support for fiscal decentralization is the main reason for the diminishing marginal benefits of the reform. However, although they believe that PDMC in administrative system should be promoted reasonably, there is currently a lack of predictions and research in the Chinese theoretical community on the challenges that will be faced after the promotion of administrative province directly administering counties.

These scholars acknowledged the necessity of implementing PDMC in administrative system and explicitly regarded it as a means to address existing problems in the fiscal sector. However, they neither foresaw nor conducted in-depth research on the potential challenges that might emerge following the implementation of PDMC in administrative system framework, nor did they establish a clear link between the problems of PDMC in fiscal sector and the absence of PDMC in

administrative system. Consequently, there is a significant gap in research concerning both the anticipated outcomes and the practical challenges of implementing PDMC in administrative system. This oversight may ultimately lead to a recurrence of reform-related problems after PDMC in administrative system is put into practice.

Based on this, the author believes that in the current reform practice, the exploration of local governments has involved the core area, that is, rational decentralization, which requires to rational implement PDMC in administrative system. The reform of the system of PDMC has also reached the stage where it is necessary to make a fuss from multiple levels of finance and administration. Therefore, more research should be conducted on the challenges arising from the subsequent promotion of PDMC in administrative system.

There is no clear answer or explanation to the question of whether this reform can avoid falling into the cycle of previous reforms and other issues in the future. The current theoretical community largely considers PDMC in the fiscal sector as the initial phase of the overall PDMC reform system. Theoretical community mostly ignore the level of PDMC in Administrative System, lack of research on PDMC in Administrative System, and only believe that the reform of the system of PDMC should start with finance. There is not a particularly clear target positioning for the reform system of PDMC. Even though the Chinese theoretical community has generally begun to agree with the rationality of promoting PDMC in Administrative System as the reform progresses, there is a lack of research on the challenges and suggestions that will be faced after promoting PDMC in Administrative System, which can easily lead to the reform falling into a difficult situation again in the

subsequent promotion of PDMC in Administrative System. Based on this, the author will predict and analyze the situation after the promotion of PDMC in Administrative System.

1.3 Research Question

1. Why is it necessary to implement 'PDMC in Administrative System' in the new administrative reform system?
2. What are the challenges of the 'PDMC in Administrative System' reform in the new administrative reform system?
3. How to improve of the 'PDMC in Administrative System' in the new administrative reform system?

1.4 Research objective

The following content constitutes the goal of this research: -

The basic goal of this research is to analyze the financial and administrative reforms of the counties directly under the provincial administration. PDMC through the analysis of some provinces that have taken counties directly under the provincial administration as a case. Specifically, the research seeks to address the following Objectives:

1. To identify the reasons for the reform of the 'PDMC in Administrative System' by reviewing the historical effects of China's PDMC reform implementation.

2.To investigate the challenges of 'PDMC in Administrative System' in the new administrative reform system in China.

3.To proffer solutions to improve the 'PDMC in Administrative System' in the new administrative reform system.

1.5 Scope of Study

This research reviews the history of China's 'provincial county direct management' reform, sorts out the historical evolution of the 'province, city, and county' management system, and analyzes the objective and subjective factors that affect the start of the 'provincial direct management of counties' reform system. On this basis, it clarifies the short-term and ultimate goals of the current PDMC reform system. This study reviews the history of China's PDMC reform, taking the reform of PDMC in ShanDong as an example to analyze the current problems and solutions in the PDMC reform process, through the theoretical research of PDMC to analyze the next theoretical policy of the new reform system in China.

This study focuses on the PDMC reform in Shandong Province as the core case, primarily utilizing in-depth interviews to examine the strengths and limitations of PDMC in the fiscal sector. The research seeks to identify key challenges encountered in the deepening of the reform by gathering firsthand data from provincial, municipal, and county-level government officials, thereby offering a comprehensive understanding of the reform's implementation and effectiveness.

The study covers the period since the implementation of PDMC in the fiscal sector, analyzing its impact on county-level fiscal autonomy, governance capacity, and

provincial-municipal-county relations. Additionally, it incorporates an examination of reform documents from Guizhou and Jiangsu, highlighting how PDMC in fiscal sector has reached a "ceiling effect" in several provinces—where the potential for further fiscal management optimization is limited, and the lag in administrative power adjustments has become a major constraint on county-level governance improvement.

Theoretically, this study is grounded in government function allocation theory, fiscal decentralization theory, and management hierarchy theory to explore the misalignment between fiscal and administrative powers in PDMC. It further analyzes the necessity of advancing administrative PDMC and the challenges that may arise in its implementation. While Shandong serves as the primary case, its reform experience is broadly representative of PDMC in fiscal sector trends across China, providing valuable insights into the national reform trajectory.

1.6 Significance of Study

The reform of the PDMC system is a breakthrough and a difficult issue to promote the reform administratively. The reform of the administrative system is a systematic project involving many factors. In previous reforms, people generally paid attention to horizontal reforms. It focuses on balancing and straightening out the relationship between the government and the market, the state and society and other external forces, as well as the integration and coordination of the relationship between various functional departments within the same level of government. However, in terms of adjusting the relationship between different levels of government in the vertical direction, the lack of top-level design shows that there is not enough planning and few theoretical results.

As an important part of China's local administrative reform system, the reform of PDMC is a key link and important content in the local administrative reform system. This reform involves complex issues such as the transformation of government functions, the reform of government institutions and the placement of personnel, the reconstruction of intergovernmental relations, and the adjustment of administrative divisions.

This study focuses on integrating three theoretical frameworks to analyze how the PDMC reform influences the optimization of the government governance system. The theory of fiscal decentralization emphasizes that properly devolving fiscal power can enhance local governments' capacity for resource allocation and public service provision. Based on China's national conditions, this study provides a new perspective on the application of fiscal decentralization theory in China. The study argues that fiscal decentralization in China should not be merely about transferring financial authority; rather, it should be complemented by a well-balanced allocation of administrative and fiscal powers to ensure county governments' fiscal autonomy. This perspective expands the applicability of fiscal decentralization theory in the context of China's local governance reform, serving as a theoretical supplement.

The theory of management hierarchy suggests that optimizing government levels can reduce administrative costs and improve governance efficiency. This study, grounded in the realities of China's PDMC in fiscal sector, provides practical insights into the application of management hierarchy theory in China. If fiscal reform is advanced without corresponding administrative reforms, the management burden on provincial governments will increase significantly. Therefore, the reasonable devolution of administrative authority is a necessary response to this theory.

The theory of government function allocation highlights that the proper delineation of government functions requires a coordinated balance between administrative and fiscal powers to ensure accountability and efficiency. If PDMC in administrative system is implemented, it will further respond to this theory by refining intergovernmental relationships and clarifying functional responsibilities. Government function allocation theory provides a rational pathway for defining government roles under PDMC in fiscal sector.

By integrating these three theories, this study further clarifies that government functions must be scientifically and rationally divided based on the coordination of administrative and fiscal powers. This coordination is essential for improving administrative efficiency and enhancing the provision of public services.

From the perspective of management practice, this study provides important insights into optimizing the local government governance system. The core issue of fiscal decentralization lies in how to reasonably allocate fiscal revenue and expenditure responsibilities among different levels of government to ensure the effective provision of public services. Under the traditional city-governing-county system, county governments' fiscal resources are constrained by prefecture-level cities, leading to unequal fiscal distribution, limited fiscal autonomy, and difficulties in meeting local governance demands effectively.

The PDMC reform aims to reduce administrative layers and allow county governments to receive direct fiscal support from provincial governments, thereby enhancing their fiscal autonomy. However, this study finds that fiscal decentralization is not merely a matter of transferring financial authority.

Establishing an effective system of fiscal transfers, tax incentives, and performance evaluation mechanisms requires a well-coordinated allocation of administrative power to complement the fiscal autonomy granted to county governments. This ensures the rational allocation of fiscal resources.

Therefore, the management significance of this study lies in its exploration of the necessity of administrative power within the current PDMC in fiscal sector system, ultimately confirming the importance of implementing PDMC in administrative system to support fiscal reforms.

The practical significance of this study lies in providing policy recommendations for the deepening of PDMC reform, ensuring the synchronized advancement of fiscal, administrative, and government function reforms. Currently, China's local governments still face the issue of "responsibility isomorphism", where grassroots governments undertake excessive responsibilities despite limited fiscal resources, negatively impacting governance performance.

The practical significance of this study lies in providing policy recommendations for the deepening of PDMC reform, ensuring the synchronized advancement of fiscal, administrative, and government function reforms. Currently, China's local governments still face the issue of "responsibility isomorphism", where grassroots governments undertake excessive responsibilities despite limited fiscal resources, negatively impacting governance performance. PDMC reform must not only adjust administrative hierarchies but also scientifically define the functions of different levels of government, ensuring a proper alignment between authority and responsibility to enhance overall governance capacity. This study helps identify

potential governance challenges that may arise during the reform process and proposes corresponding policy recommendations to ensure the sustainability and effectiveness of the reform.

Therefore, PDMC reform must not only adjust administrative hierarchies but also scientifically define the functions of different levels of government, ensuring a proper alignment between authority and responsibility to enhance overall governance capacity. This study helps identify potential governance challenges that may arise during the reform process and proposes corresponding policy recommendations to ensure the sustainability and effectiveness of the reform.

1.7 Operational Definition of Terms

The keywords are as follows;

PDMC: The Province Directly manages Counties (PDMC) system is a key reform in China's local administrative structure, aimed at simplifying government layers by allowing provincial governments to directly manage county-level units, bypassing the intermediary prefecture-level. The primary objective is to improve county-level governance efficiency and strengthen their fiscal and administrative autonomy, thus driving local economic development. As Dongming Wei (2023) notes, the core of this reform lies in streamlining administrative structures and enhancing county governments' effectiveness and economic autonomy. For this study, the operational definition follows this framework.

PDMC in Fiscal Sector: A financial management system where provincial governments directly oversee county finances, eliminating fiscal subordination to

prefecture-level cities. Under this system, counties manage budgeting, revenue allocation, and fund management independently, while administrative, personnel, and approval powers remain under prefecture-level jurisdiction unless explicitly transferred. The main objective is to improve fiscal efficiency and support county-level economic growth.

PDMC in Administrative System: A governance system where provincial governments directly manage county-level administration, personnel, and economic affairs, removing counties from city-level jurisdiction. This reform restructures local government from a four-tier system (“province-city-county-township”) to a three-tier system (“province-county-township”). Cities focus on urban management, while counties handle rural administration and development. The aim is to enhance governance efficiency and optimize resource allocation at the county level.

Expanding the Strong County’s Power: This reform model grants economically strong counties a portion of the administrative and economic management rights originally held by prefecture-level cities. Without altering the existing government hierarchy or administrative system, these counties gain greater autonomy in areas such as direct financial settlements, independent project approvals, land use decisions, and partial tax authority. This reform primarily aims to enhance the competitive capacity of strong counties and reduce city-level restrictions on county development.

Strengthening Counties by Expanding Powers: This reform extends power delegation to all counties, rather than only to economically strong ones. Provincial governments proactively transfer economic, social, and administrative decision-

making powers to the county level to stimulate county-level economic growth. Counties are granted greater control over financial management, business approvals, infrastructure projects, and local policy implementation.

Intergovernmental Relations: In this study, intergovernmental relations refer to the coordination, cooperation, and power allocation between different levels of government under PDMC reform, particularly in the context of decentralization (Anderson, 1960; Dahl, 2005). This includes both vertical relations between central and local governments and horizontal collaboration at the same level (Xie, 2000; Yan & Yue, 2012). In China, intergovernmental relations reflect a balance between centralization and decentralization (Zheng & Wu, 1994) and involve a gradual transfer of responsibilities to lower levels (Jiang, 2023). Through PDMC reform, the Chinese government aims to streamline these relations, enhance governance efficiency, and promote regional coordination.

Reform: It refers to the adjustment and transformation of existing systems to optimize structures, enhance governance capacity, or address problems within specific political, economic, social, or cultural contexts. Hirschman (1970) described reform as a gradual and self-correcting process. Fukuyama (2014) emphasized that reform strengthens governance by balancing political systems, the rule of law, and democratic accountability, aiming to improve government efficiency and prevent political decay. Reform can be structural or incremental, often achieving governance optimization through decentralization, process simplification, and resource reallocation. In China, reform has been a core strategy for advancing national governance modernization, particularly through innovations in local administration, fiscal decentralization, and economic management (Jiang, 2023). In this study,

reform specifically refers to improving administrative efficiency by streamlining procedures, delegating authority, enhancing local government autonomy, and restructuring intergovernmental functions within the process of direct provincial administration of counties.

Fiscal Decentralization: It refers to the transfer of financial power from higher-level governments to lower-level governments. Tiebout (1956) considered it a mechanism for local governments to attract residents by offering different public service and tax combinations. Zhang Weiying (2009) viewed it as an institutional innovation requiring fiscal system reform to enhance local governance. Li Yongyou (2021) highlighted its role in stimulating local economies, though its impact varies by region and strategy. In China's PDMC reform, fiscal decentralization grants county governments more control over budgets, taxation, and spending. In this study, fiscal decentralization is defined as the transfer of economic management authority from higher-level to county governments under PDMC, allowing them greater financial flexibility to address local development needs.

Administrative Power: Anam (2023) defines administrative power as the local government's autonomy in providing public services. He argues that it involves not only clarifying responsibilities but also ensuring that local governments have the capacity to execute them. Sun Kai and Shen Anyuan (2022) note that administrative power should be distributed according to the benefit scope of public goods and that aligning it with fiscal power is crucial for effective governance. In the PDMC system, decentralization allows counties to respond more quickly to local needs and implement development strategies without city-level approval. In this study,

administrative power refers to the authority that corresponds with devolved fiscal powers.

Fiscal Power: It refers to the government's control over fiscal resources, including the power to levy taxes, manage budgets, and allocate funds. Musgrave (1959) proposed the framework of modern public finance theory and defined fiscal power as the autonomy of governments at all levels in fiscal policy, taxation, and expenditure. He divided fiscal power into three main functions: resource allocation, income redistribution, and economic stability. Li Sen (2024) in his study defined fiscal power as the power of local governments in the management of fiscal resources and expenditure decisions. For the purpose of this study, these terms are considered to be the same.

Administrative Decentralization: It refers to the decentralization of administrative and decision-making powers from higher-level governments to lower-level governments. Boko (2002) mentioned that administrative decentralization is the decentralization of the functions, responsibilities and decision-making powers of the central government to local governments, giving local governments greater management power, aiming to improve the efficiency of public service provision and local autonomy. He Ying and Li Siran (2022) mentioned that administrative decentralization is the government's decentralization of some functions to local governments through streamlining administration and delegating power, reducing direct intervention in the market and society, and enhancing local autonomy and improving the efficiency of public service provision. In the PDMC system, the decentralized administrative power gives county-level governments more economic management rights and supporting administrative powers as well as autonomy in

public services, avoiding intermediate intervention by prefecture-level cities. In this study, administrative decentralization is an expectation for the reform of the PDMC system, delegating more administrative power to support the county government's fiscal power and ensure the promotion path of county government cadres.

Responsibility-authority Equivalence: It ensures that each level of government has sufficient power to fulfill its duties. Fu Yihua (2018) stated that governance power must align with corresponding responsibilities, with power and responsibility being interdependent. Marmor (2011) argued that the legitimacy of power relies on the fulfillment of responsibility, and those wielding power must not only have decision-making authority but also bear the consequences of their decisions, particularly in public administration. In this study, responsibility-authority equivalence refers to the alignment of power and responsibility in the provincial governance reforms.

Span of Control: According to Jacobsen, Hansen, and Pedersen (2023), they define span of control as the number of subordinates or units that a manager can effectively and directly supervise. The size of span of control directly affects the efficiency of management and the hierarchical structure of the organization. The larger the span of control, the more people or units a manager directly manages, and the flatter the management structure; on the contrary, the smaller the span of control, the more levels there are, and the organizational structure tends to be vertical (Bohte & Meier, 2001). In this study, for the purpose of this study, the operational definition of span of control is the number of subordinates managed by the upper level of government.

1.8 Summary of this Chapter

The PDMC reform represents a significant transformation in China's administrative system, aiming to optimize county-level governance by eliminating the direct control of county governments by prefecture-level cities. The core objectives of this reform are to enhance the fiscal and administrative autonomy of county governments, improve governance efficiency, and promote balanced regional development. By placing counties directly under provincial administration, the reform reduces intermediary management layers, thereby increasing the directness and effectiveness of policy implementation.

However, this reform also presents a series of challenges, including the increased administrative burden on provincial governments and the need for county governments to strengthen their governance capacity. With the removal of prefecture-level cities' supervisory functions, county governments must independently assume greater responsibilities, necessitating institutional adjustments and capacity building. Additionally, the fiscal sustainability of county governments remains a crucial issue, as greater fiscal autonomy is key to the long-term success of the PDMC reform.

Overall, the PDMC reform has contributed to the flattening of governance structures and improved the flexibility of county-level administration. However, its successful implementation depends on policy coordination, fiscal system reform, and the enhancement of county governments' administrative capacity. Effectively addressing these challenges is essential for ensuring the sustainable progress of governance improvements under the PDMC reform.

In light of these considerations, this study examines the achievements and challenges of PDMC in fiscal sector to explore the necessity of advancing PDMC in administrative system. Since the fiscal and administrative dimensions of PDMC together constitute the reform as a whole, they are interdependent and cannot be pursued in isolation for an extended period. Despite PDMC in fiscal sector being implemented in many provinces, PDMC in administrative system has not been effectively advanced in most regions, possibly due to the absence of a clear reform timeline from the central government. However, it is unreasonable to separate PDMC in fiscal sector from PDMC in administrative system in research, as both aspects are inherently linked.

This study seeks to identify the necessity of advancing PDMC in administrative system based on the shortcomings observed in past implementations of PDMC in fiscal sector. Furthermore, it predicts the challenges and issues that may arise following the implementation of PDMC in administrative system, thereby maintaining the coherence of the overall reform process. Ensuring the continuity of reform is crucial to preventing future stagnation or pitfalls in the governance restructuring process after the implementation of PDMC in administrative system.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

In China's latest round of administrative and fiscal reforms, the adjustment of PDMC system has emerged as a critical initiative to optimize intergovernmental relations and enhance local governance capacity. As the country advances governance modernization, PDMC reform has expanded beyond fiscal decentralization, reflecting ongoing efforts by the central and local governments to refine resource allocation, devolve authority, and improve administrative efficiency. While PDMC in fiscal sector have increased county-level financial autonomy and strengthened local budget management, their limitations have become increasingly evident. Issues such as weakened city-county coordination mechanisms, imbalanced power structures, and inadequate oversight frameworks highlight the constraints of a purely fiscal approach. Consequently, scholars and policymakers increasingly recognize that fiscal decentralization alone is insufficient to address governance challenges. Instead, the reform must extend into the administrative system to establish a more effective intergovernmental coordination framework. This chapter examines the diverse perspectives on PDMC reform, evaluates its achievements in the fiscal sector, analyzes its challenges, and identifies gaps in current research. By doing so, it aims to provide theoretical and practical insights for future policy optimization.

2.1 Discrimination and Analysis of the Relationship of Policies

There are certain differences between 'Expanding the Strong County 's Power', 'Strengthening Counties by Expanding Powers', 'PDMC in Fiscal Sector' and 'PDMC in Administrative System'. 'Expanding the Strong County's Power' and

'Strengthening Counties by Expanding Powers' is to decentralize the powers owned by the prefecture-level cities without changing the existing administrative system. Such as part or all of economic and social management rights, as well as administrative approval, fiscal taxation, etc. This is an expedient administrative decentralization act. Strictly speaking, the reform of power expansion does not belong to the scope of the reform of the system of PDMC, but it is aimed at the reform of the PDMC system. Therefore, it can be said that 'Expanding the Strong County's Power' and 'Strengthening Counties by Expanding Powers' are the preparatory stage for the reform of PDMC system.

The relationship among the four concepts—'Expanding the Strong County's Power,' 'Strengthening Counties by Expanding Powers,' 'PDMC in Fiscal Sector,' and 'PDMC in Administrative System'—demonstrates an evolutionary trajectory of intergovernmental reforms in China, aimed at reshaping the governance structure of county-level administration. These reforms have developed progressively, beginning with localized power expansions before transitioning toward broader fiscal and administrative restructuring under the Provincial Directly Managed County (PDMC) system.

The reforms of 'Expanding the Strong County's Power' and 'Strengthening Counties by Expanding Powers' both operate under the premise that the existing administrative system remains unchanged, with economic and social management rights decentralized from prefecture-level cities to county governments. However, their scope and driving forces differ. 'Expanding the Strong County's Power' targets economically strong counties, empowering them to compete with prefecture-level cities by granting greater autonomy in financial management, land use, and project

approvals (Huang, Xu & Zhu, 2017). In contrast, 'Strengthening Counties by Expanding Powers' is a broader reform, applied to all counties within a province, initiated by provincial governments as a top-down approach to stimulate county economies (He, 2009). Zhejiang Province pioneered these reforms by first implementing 'Expanding the Strong County's Power' between 1992 and 2006, followed by 'Strengthening Counties by Expanding Powers' in 2008, setting a precedent for other provinces such as Guangdong, Hubei, and Sichuan (Cai, 2015). Some provinces, including Gansu and Ningxia, reversed this sequence by prioritizing power expansion for weaker counties before extending it to stronger ones.

While these power expansion reforms facilitated county-level economic development, they did not fundamentally alter the hierarchical administrative structure, leading to the emergence of PDMC reforms. The transition from power expansion to PDMC was marked by two interrelated yet distinct pathways: the fiscal reform under 'PDMC in Fiscal Sector' and the administrative reform under 'PDMC in Administrative System.' 'PDMC in Fiscal Sector' centers on financial autonomy, removing the fiscal dependency of counties on prefecture-level cities by establishing direct fiscal relations between counties and provinces. This model has been widely adopted, with Zhejiang and Ningxia among the earliest implementers. The reform enhanced county-level economic vitality by eliminating intermediary financial control, yet it left administrative and personnel management authority largely under prefecture-level cities, leading to governance inconsistencies (Wen & Lee, 2020).

Conversely, 'PDMC in Administrative System' represents a comprehensive transformation in which provincial governments assume direct authority over county-level administration, personnel, and policy implementation. This restructuring alters

the hierarchical structure from 'province-city-county-township' to 'province-county-township,' redefining intergovernmental relations (Li, Liu & Zheng, 2016). Unlike fiscal reform, which is largely technical and managerial, administrative reform faces substantial resistance due to the redistribution of political and bureaucratic power (Zhong & Cao, 2011; Jing & Fan, 2023). The complexity of these negotiations makes administrative reforms more challenging compared to fiscal reforms (Maes & Van Hootehem, 2022).

The two PDMC reforms—fiscal and administrative—are closely interwoven. The fiscal reform serves as an initial step toward administrative reform, as financial autonomy alone does not resolve governance fragmentation between counties and prefecture-level cities (Zhu & Meng, 2021). Fiscal power is foundational to intergovernmental relations, and its reform can facilitate administrative restructuring by providing counties with independent financial resources (Chen, 2004). However, the persistence of prefecture-level authority over administrative and personnel matters under 'PDMC in Fiscal Sector' has led to governance inefficiencies, necessitating deeper administrative reform (Guo, 2022). Ultimately, a complete transition to 'PDMC in Administrative System' is required to ensure a fully integrated and efficient governance structure, shifting from partial financial autonomy to a comprehensive provincial-led administrative framework (Lin, 1998; Yang & Yang, 2021).

In summary, 'Expanding the Strong County's Power' and 'Strengthening Counties by Expanding Powers' laid the groundwork for the broader PDMC reforms, which have evolved into fiscal and administrative restructuring. While fiscal reforms are more technical and relatively easier to implement, administrative reforms involve deeper

political and structural transformations. The interplay between these four elements highlights the progressive nature of China's intergovernmental reforms, with financial decentralization serving as a stepping stone toward comprehensive administrative restructuring.

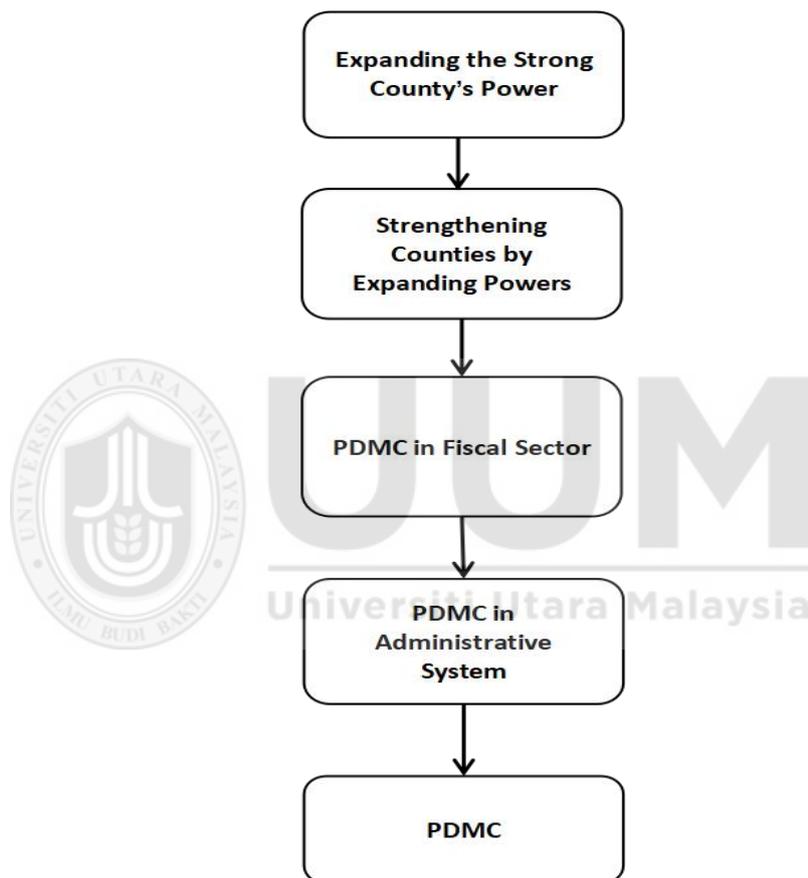
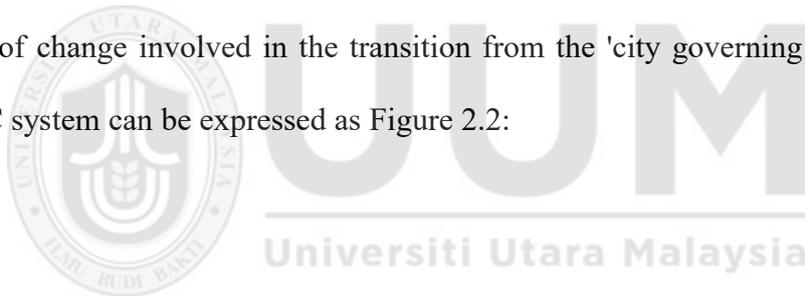


Figure 2.1 PDMC Diagram of the Reform Degree

From a practical point of view, the reform of PDMC in many provinces has been carried out gradually in the order of 'Expanding the Strong County's Power - Strengthening Counties by Expanding Powers - PDMC in Fiscal Sector -PDMC in Administrative System'. However, not all provinces' reforms of 'power expansion' are necessarily lower than the reforms of 'PDMC in Fiscal Sector'. Provinces such as

Zhejiang Province, Hubei Province, and Guangxi Zhuang Autonomous Region have carried out the reforms of 'Expanding the Strong County's Power' and 'Strengthening Counties by Expanding Powers' and delegating power to the county-level government. These two-step reforms in these provinces have even surpassed the limitations of the reform of the system of 'PDMC in Fiscal Sector'. To a certain extent, this means that the reform of PDMC does not necessarily have to be advanced in the order shown in Figure 2.1. The reforms of 'Expanding the Strong County's Power', 'Strengthening Counties by Expanding Powers' and 'PDMC in Fiscal Sector' can be carried out side by side. The reform of 'power expansion' can also directly transition to the system of 'PDMC in Administrative System' without going through the link of 'PDMC in Fiscal Sector'. Therefore, the relationship between the four forms of change involved in the transition from the 'city governing counties' to the PDMC system can be expressed as Figure 2.2:



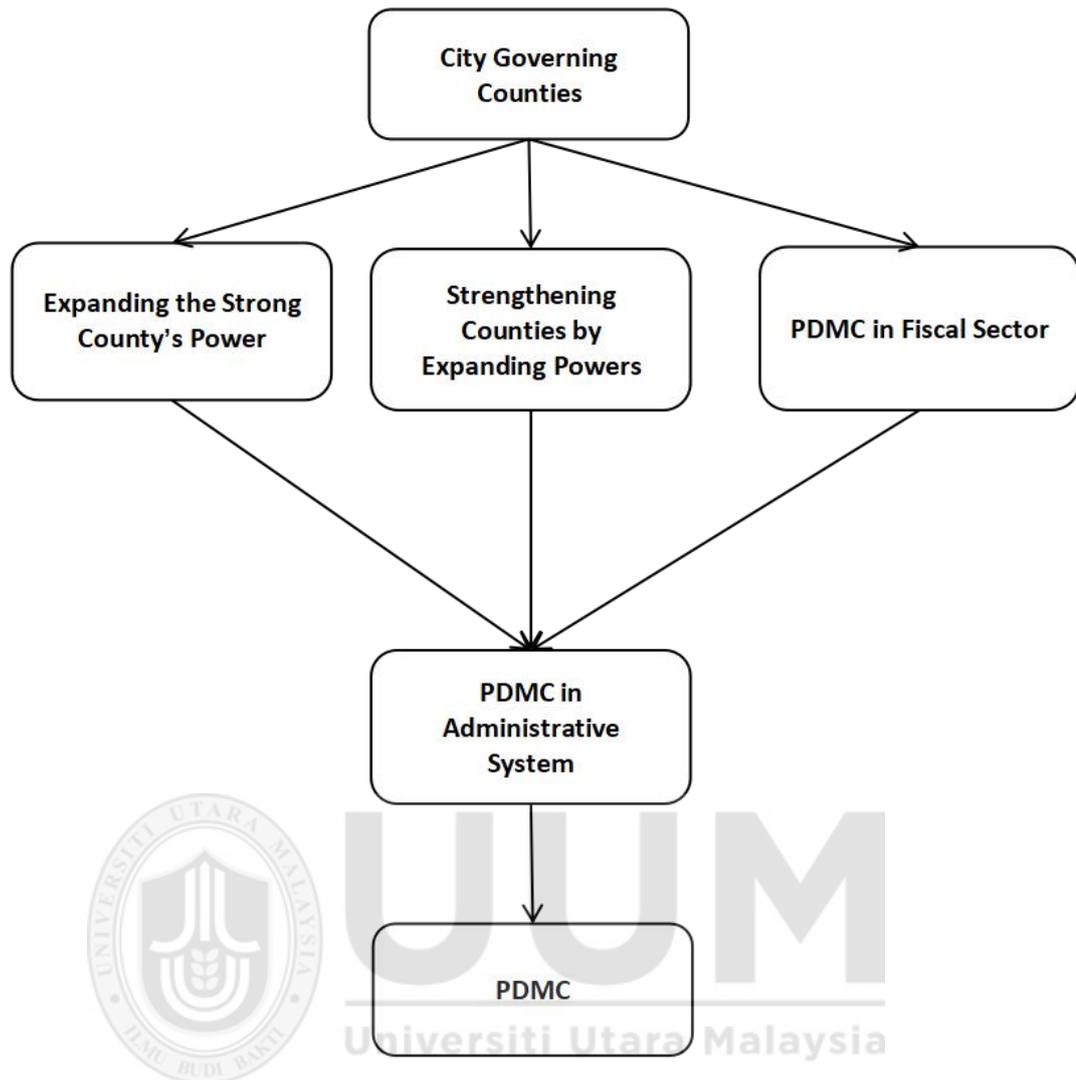


Figure 2.2 The Evolution of the Reform Path of the PDMC System

Source: Created by the author based on information from Li, Jia & Wang, (2016).

2.2 China's Administrative Hierarchy and Implications.

At present, the local government level in my country mainly implements a four-level system of provinces, autonomous regions, municipality directly under the central government, autonomous prefectures, leagues, cities, prefecture-level cities, counties, banners, cities and county-level cities, city districts, townships, ethnic townships, and towns (State Council of China, 2009). There are 34 provincial-level administrative regions 23 provinces, 5 autonomous regions, 4 municipality, and 2 special

administrative regions. There are 333 prefecture-level administrative regions: 293 prefecture-level cities, 7 regions, 30 autonomous prefectures, and 3 leagues. 2,847 county-level administrative districts: 977 city districts, 1,303 counties, 393 county-level cities, 120 autonomous counties, 49 banners, 3 autonomous banners, 1 special zone, and 1 forest area. Table 2.1 shows the breakdown of China's administrative divisions, categorized into three levels: provincial-level, prefecture-level, and county-level. The table also details the specific categories and their respective numbers under each level.

Table 2.1
Overview of China's Administrative Divisions

Administrative Level	Number	Categories
Provincial-level	34	23 provinces, 5 autonomous regions, 4 municipality directly under the central government, 2 special administrative regions
Prefecture-level	333	293 prefecture-level cities, 7 regions, 30 autonomous prefectures, 3 leagues
County-level	2,847	977 city districts, 1,303 counties, 393 county-level cities, 120 autonomous counties, 49 banners, 3 autonomous banners, 1 special zone, 1 forest area

Such excessive local administrative levels often have some negative effects. Too many local administrative levels usually hinder the correct handling of the relationship between central and local administration, and local and local administrative relations, which usually restricts the exertion of central and local administrative effectiveness. To a certain extent, it encourages the concept of strict administrative 'levels', and there is an unhealthy trend of blindly pursuing the promotion of administrative levels.

China's local government consists of four levels, and it always faces the problem of low administrative efficiency in the process of implementing management (State Council of China, 2007). Figure 2.3 shows the hierarchy of the Chinese administrative system at the provincial, city and county levels in China.

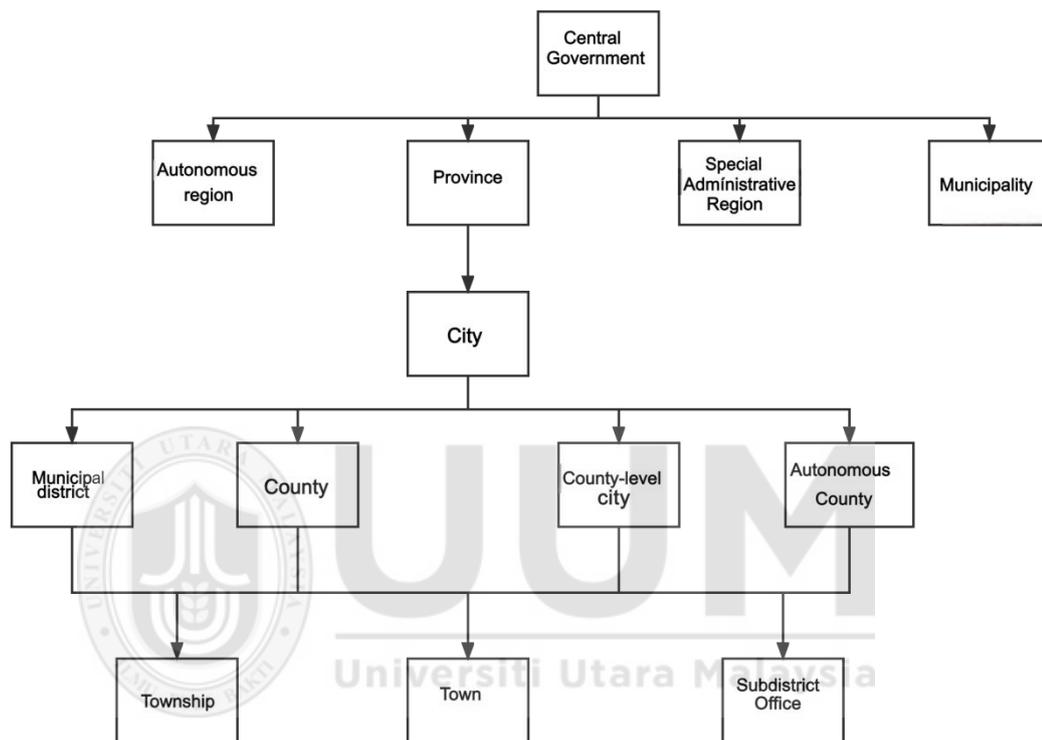


Figure 2.3 Hierarchy of the Chinese Administrative System

Too many local administrative levels often lead to bloated administrative agencies, too many administrative personnel, complex administrative relations, unclear division of administrative responsibilities between administrative levels, increased administrative management costs, and decreased administrative management efficiency (Shen, 2020). Too many local administrative levels often hinder the broad masses of the people from participating in political life and restrict the broad masses of the people from effectively exercising their political rights. The relationship

between the local administrative levels in China country's four-level system has not been completely straightened out. In particular, the relationship between prefecture-level cities and counties is not smooth. The conflicts between prefecture-level cities and counties in terms of economic interests, administrative authority, and urban-rural relations have become increasingly prominent, which has become one of the main obstacles to the rapid development of county-level economic society. Delegating the economic and social management authority originally exercised by prefecture-level cities to meet the needs of county economic and social development to counties will help promote the healthy development of county economic and social development. The county economy is a regional economy with the county as the center, the township as the link, and the countryside as the hinterland (Shang, 2024). It is an important foundation for country's economic development and social stability, and is a comprehensive and regional basic economic unit in my country's national economy. The county government occupies a very important position in the history of our country's political system. Reforming the administrative system of 'city governing counties' and establishing a PDMC administrative system that meets the needs of county economic and social development has become an urgent requirement for promoting county economic and social development and deepening the reform of the local administrative system.

2.3 Basic Conditions of the reform system of PDMC

The reform of PDMC system is not only an important reform of the administrative system, but also an important reform of the political system, and it must be carried out cautiously with the pilot program first. The academic community generally believes that the reform of the system of PDMC is not an institutional arrangement

applicable to all counties. Its implementation not only needs to be supported by sufficient theoretical foundations, but also needs to meet a series of objective foundations and conditions. Only when the reforms are implemented where conditions are available, can good results be guaranteed. Wang Xueli (2013) summed up the necessary foundations of the PDMC system as the necessary economic foundation, limited government responsibility and effective management range. It is specifically decomposed into city-county correlation, prefecture-level city economic strength, county economic development degree, provincial government's overall planning and coordination ability, geographical space conditions, population size and population distribution density, transportation and information technology conditions, managers' abilities, degree of social autonomy, reform consensus and policy support. Lu Xiaorui (2013) summed up the conditions for ensuring the good results of the PDMC system as follows, “The geographical area and the number of counties are moderate, the provincial finance has a strong control ability, the county economy has a strong self-development ability, the economic correlation and dependence between the city and the county are not strong, and there are supporting administrative division adjustments” (Lu, 2013). Contrary to the views of many people, Feng Qiaobin believes that poor counties most need financial transfers to provide basic social and public services. Therefore, the reform of PDMC is most suitable for poor counties with backward county economies, while economically developed counties can be directly established as cities (Feng, 2016).

2.4 Main Viewpoints of The Research PDMC

There are many discussions on the issue of PDMC in theoretical community, and the understanding and evaluation of this reform is also controversial. Generally speaking,

scholars like Wang Liyue (2011) and Jiao Hongchang (2007) studied the issue of PDMC in the early stage generally hold a positive attitude towards this reform and have great expectations for the reform effect. With the gradual expansion of the experimental scope of the PDMC reform system, some new situations and new problems have emerged in various places in the process of reform. In a nutshell, from the perspectives of different understandings and evaluations of the reform system of PDMC, the theoretical research on this issue can be divided into three categories. The three categories are Identity faction, Questioning factions and Beyond factions (Liu, 2017).

2.4.1 Main Point of Identity

The reform of the PDMC system was originally proposed as an alternative strategy to the 'city governs the county' system since the 1980s. It can be said that the system of 'city governing counties' was at the beginning of its implementation, especially in areas with strong economic strength in prefecture-level cities and underdeveloped county economies. To a certain extent, this system has promoted the rapid development of urban and rural economy and the improvement of urbanization and industrialization. However, under the conditions of market economy, with the gradual enhancement of county economic vitality, the problem of city government squeezing county government began to appear in some places, especially in the economically developed counties, this situation is more prominent (Liu & Alm, 2016). In addition, a considerable number of scholars in the theoretical field attribute the success of Zhejiang's county economy to the system of 'county directly managed by the province of finance'. In this context, the reform system of PDMC came into being.

On the one hand, the practical domain strongly praise the 'Zhejiang experience'. Under the strong demonstration effect of Zhejiang Province, various localities have successively launched a series of pilot projects for PDMC. “Since the 1990s, 24 provinces in China have successively carried out fiscal reforms of the 818 counties (cities) under the jurisdiction of the PDMC reform system. In addition, 8 provinces in China have selected 219 counties (cities) to carry out reform pilots with the main contents of 'strengthening counties to expand power' and 'expanding power to strengthen counties' ”(Zhang , 2009).

On the other hand, the theoretical community also actively cooperates with the reform practice of the practical circle. Many scholars believe that the PDMC system is a strategic move in China's administrative reform system. For example, Wang Tinghuai believes that, “The city governing county system will gradually lose its significance with the establishment of the market economy system. Only by fully establishing a system of PDMC can we fundamentally eliminate the problems of bloated institutions and excessive administrative levels in China” (Wang & Bian, 1995). Jiao Hongchang further pointed out that the transition from the PDMC in the fiscal system to the PDMC in administrative system is not only a direction of administrative reform system, but also a return to the constitution (Jiao, 2007). Wang Liyue believes that, “ the reform of the PDMC system is of great strategic significance to the modernization and democratization of my country's political system” (Wang, 2011). Wang Yuming (2004) believes that 'the implementation of the PDMC system will help reduce the government's administrative hierarchy and the government's management range, and build a government system that is simplified, reasonable in scale, and vigorous.'

2.4.2 Questioning Factions

As the reform system of PDMC continues to evolve, it is becoming increasingly evident that new challenges are emerging in the implementation of reform pilots across various regions. An increasing number of scholars are adopting a more rational approach to reform. Zhou Xiangzhi believes that, “From a general rule, the county economy must always move forward. The development of the pilot counties cannot be attributed entirely to the implementation of the PDMC system. The achievements of the reform pilot should be evaluated objectively” (Zhou, 2009). Pang Mingli also emphasized the need to rationally reflect on the reform system of PDMC. “The reform must return to rationality. Only by truly jumping out of the provincial-administered county system can the negative impact of the city-administered county system be avoided. Only in this way can we effectively ensure the positive, stable and orderly advancement of this reform” (Pang, 2009). Wang Shijun (2008) believes that PDMC may merely represent a shift in administrative subordination. If not subjected to more comprehensive and systematic research, it risks falling into the same cycle of reform challenges as the city-governing-county system. Since the reform of the tax-sharing system, the idea of 'Reform is to Decentralize Power' has been deeply ingrained in the minds of many local officials. Affected by this understanding, as a readjustment of vertical inter-governmental relations, the reform of PDMC will inevitably be given more 'Decentralization' color (Liu, Gong & Song, 2022). Some scholars also believe that the idea of 'Reform is Decentralization' is indeed necessary in reforms in some areas, but the consequences of excessive, inappropriate and blind decentralization will be very serious. There are certain legal risks and management risks in excessive, inappropriate and blind decentralization (Zhang & Tong, 2022). Moreover, blindly decentralizing power may

be meaningless and waste administrative resources (Wang & Wang, 2020). Therefore, simple 'Decentralization' cannot solve all economic development problems of county-level administrative units (Tang, 2021). Therefore, how to decentralize power in PDMC should also be discussed. In summary, the skepticism's views mainly focus on the following aspects:

2.4.2.1 PDMC System Needs Further Demonstrated.

With the deepening of reforms, some new situations and new problems have gradually emerged. Scholars then began to reflect on whether the 'Zhejiang Province's direct county experience' is reproducible and extendable throughout the country. Some scholars further pointed out that the PDMC system is not the fundamental reason for the development of the county economy in Zhejiang Province. The private economic development model of Zhejiang Province is the essence of Zhejiang's experience (Kou & Wang, 2010). The above point of view can be said to be a powerful counterattack against the previous theoretical community's vigorous admiration of Zhejiang's experience. As a result, a considerable number of scholars have also initiated demonstrations and discussions on the feasibility of the PDMC reform system. Xiong Wenchang (2008) pointed out that, "if ignoring the actual situation of local development and the various difficulties that may be faced in the reform process and blindly copy the reform experience of the provinces, it will certainly pay unnecessary reform costs". Pang Mingli believes that "the reform of the PDMC system will not only be driven by incentives, but also subject to objective constraints" (Pang, 2009).

2.4.2.2 Negative Effects in the Reform System

At present, the negative effects of the PDMC reform system began to appear in some pilot areas, and some scholars began to reflect on this system. While this system offsets the shortcomings of the 'city governing counties' system, will it bring new problems? For example, Zhou Renbiao (2011) and Chen Beibei (2021) pointed out that “the system of PDMC may face many difficulties such as excessive management, which may eliminate the expected effects of this system”. At present, the analysis of the negative impact of the PDMC reform system in the theoretical community focuses on the following aspects:

From the perspective of urban development, the reform system of PDMC should be consistent with the current background and trend of urbanization. However, due to the lack of a supporting benefit compensation mechanism, prefecture-level cities, as the net loss of benefits from reform, will be severely affected and impacted in the future development. In this regard, Peng Zhenhuai believes that “in the reform, some provinces have included all major industrial and agricultural counties in the scope of direct provincial management, which invisibly emptied prefecture-level cities, which could easily lead to the 'Matthew effect' of urban development” (Peng, 2009).

From the perspective of regional economic development, the reform system of PDMC may bring new problems to regional economic development. To some extent, the reform system of PDMC is a readjustment of the relationship between cities and counties. Thereby releasing the vitality of county economic development and promoting regional economic growth. Judging from the general situation of the existing reform experiments, this reform system does have a certain effect in promoting regional economic growth in the short term. However, the system of

PDMC objectively also has some problems from a long-term development perspective. For example, Chen Fan believes that “the system of PDMC will not only weaken the leading role of central urban areas, but will also increase the burden on provincial governments to allocate public products and public services” (Chen, 2009).

From the perspective of reform effects, the reform system of PDMC may deviate from the original design goal, or even deviate. For example, Jia Junxue, Guo Qingwang, and Ning Ning (2011) found out after analyzing the county-level panel data of 30 provinces and 1938 counties (including county-level cities) from 2000 to 2005. “The reform of the PDMC system has not achieved obvious results in improving county-level fiscal conditions and strengthening county-level fiscal self-sufficiency. To a certain extent, it has aggravated the financial difficulties of county-level governments” (Jia, Guo & Ning, 2011).

2.4.2.3 PDMC Faces Many Challenges.

First of all, after the implementation of PDMC, prefecture-level cities will face more intense external competition. After the 'province directly manages the counties', not only the original prefecture-level cities within the province will continue to compete for various development resources (Jiang & Dai, 2010).

It will increase the sharing of resources between many county-level governments and prefecture-level cities. This expanded the scope of competitors for prefecture-level cities, and the intensity of competition among local governments was quite different from before the reform. This will seriously affect the development and growth of central cities (Lu & Tsai, 2019).

Secondly, the complex 'block relations' will affect the effect of the reform system of PDMC. After PDMC, the departments of county-level governments that are perpendicular to the city cannot completely get rid of their dependence on city departments. It will bring a lot of uncertainty to the reform system of PDMC (Guo, 2022).

2.4.2.4 PDMC Reform System and Solving

A Single PDMC Reform System and Solving Cannot Fundamentally Solve Various Problems Under the 'City Governing Counties' System. In the current theoretical community, some scholars believe that the current reforms are in the final analysis to solve superficial problems. The government should dig deeper into the real reasons behind the malpractices of the 'city governing counties' system. As Wang Shijun and Feng Chun (2008) pointed out, “the replacement of the 'city governing counties' system with the PDMC system is just a change of administrative subordination, and it will also produce the funnel effect of finance, power and efficiency between the two levels of government”. Specifically, the current theoretical community mainly analyze the causes of the malpractices of the 'city governing counties' system from the following two aspects:

From the perspective of 'intergovernmental relations'. At present, some scholars in theoretical community believe that the unsmooth relations between horizontal governments and the unreasonable allocation of responsibilities between vertical governments are the root causes of the malpractices of the 'city governing counties' system. The fundamental way to solve the shortcomings of the 'city governing counties' system is to straighten out horizontal intergovernmental relations and rationally allocate vertical intergovernmental duties and powers. Fang Yaming (2010)

believes that “if the centralization model of vertical intergovernmental relations is not changed, neither the 'province governs the county' nor the city governs the county can fundamentally solve the problem”.

From the perspective of the transformation of government functions, the PDMC reform system cannot completely solve the problem of the relationship between the government and the market in the context of the market reform entering the critical stage (Wang, 2012). The PDMC are just power distribution reforms carried out within the government system. It is of little significance to fundamentally solve the macroeconomic and political issues related to the relationship between the government and the market, such as the boundaries of government regulation under the market economy system. Therefore, if the reform system of the PDMC cannot be promoted from the perspective of the relationship between the government and the market, the various drawbacks under the traditional system cannot be eradicated (Wang, 2012).

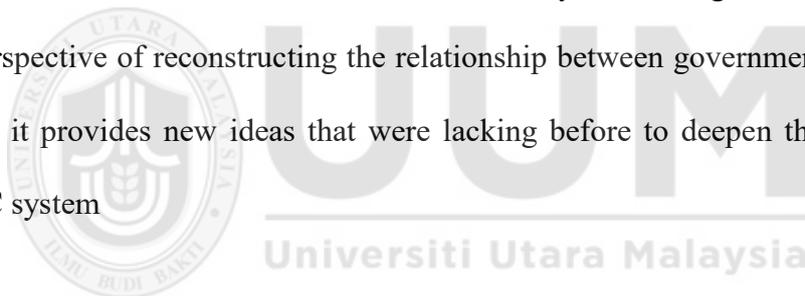
2.4.3 Main Point of Beyond Factions

Some scholars in theoretical community believe that, compared to Western countries, China can often adjust administrative divisions and change vertical hierarchical affiliation to ease the contradiction between the economic foundation and the superstructure. “Nevertheless, it has never been able to establish a good regional governance model” (Zhang & Fulong, 2006). Most of the research on regional governance structure by foreign scholars tends to build cooperative partnerships among local governments. They believe that Pareto optimal governance performance can be achieved through cross-domain governance. Among them, representative scholars include Laurie Reynolds, Blazer, Herbert, etc (Reynolds, 2007). The

representative viewpoints of the Chinese academic circles on the innovative regional governance structure are: Wang Jian (2004) proposed,

“only by relying on democratic consultations between different levels of government and different administrative regions, while considering the introduction of some non-governmental organizations to participate, on this basis, building a multi-center cooperative governance mechanism can effectively promote regional economic integration”.

The proposal of this concept goes beyond the previous reform ideas of solving the shortcomings of the 'city governing counties' system by adjusting the hierarchical structure and administrative divisions. This theory is thinking about problems from the perspective of reconstructing the relationship between governments. To a certain extent, it provides new ideas that were lacking before to deepen the reform of the PDMC system



2.5 PDMC Achievements

In recent years, the reform of the PDMC has played a crucial role in China's local fiscal system reform. A substantial body of literature indicates that PDMC reform offers significant advantages in optimizing administrative hierarchies, enhancing fiscal management efficiency, and promoting socioeconomic development at the county level. The following sections provide a detailed analysis of these advantages from multiple perspectives, including budget performance management, education and public services, as well as agriculture and economic growth.

2.5.1 Enhance Budget Performance Management

PDMC in fiscal sector helps strengthen county government performance budget management. Ma Caichen and Ma Liuding (2025) argue that grassroots budget performance management, as a critical component of the modern budgeting system, is essential for ensuring the efficient utilization of fiscal resources and mitigating fiscal imbalances at the local level. The PDMC reform simplifies fiscal management by reducing administrative layers, allowing provincial governments to directly oversee county-level finances. This streamlined structure enhances transparency and efficiency in budget formulation and execution. Specifically, compared to the city governing county model, the PDMC demonstrates superior performance in budget preparation and expenditure allocation, thereby improving the overall efficiency of fiscal resource utilization (Ma & Ma, 2025). Moreover, the reform strengthens the disclosure and evaluation of budget performance information, institutionalizing public participation and oversight. This ensures that grassroots governments prioritize efficiency and equity in budget planning and implementation.

Furthermore, PDMC reform fosters innovation and refinement in budget performance management systems. Under the traditional city governing county model, county-level finances were subject to extensive interference from city governments, making it difficult to implement effective budget performance management. In contrast, the PDMC grants county governments greater fiscal autonomy, enabling them to design more scientifically sound and rational budget plans tailored to their specific conditions while implementing more stringent performance management measures. This institutional innovation not only enhances the scientific and standardized nature of budget management but also stimulates the

enthusiasm and creativity of county governments, ultimately contributing to the sustained and healthy development of county economies.

2.5.2 Promote Balanced Development of Education and Public Services

PDMC in fiscal sector helps promote balanced development of education and public services. Researched by Chen Jinhua, Wang Bingtao, and Wang Na (2024) indicates that the PDMC in fiscal sector, as a significant fiscal decentralization reform, has a notable positive effect on the development of basic education in counties. Specifically, after the reform, county-level fiscal expenditures have shown a significant expansion trend, improving school conditions by increasing the number of teachers and optimizing the allocation of educational resources, thereby enhancing the quality of basic education. Notably, heterogeneity analysis reveals that this policy has had a more significant impact in economically developed and densely populated regions in central and eastern China. This suggests that the PDMC in fiscal sector can promote balanced development of educational public services in a regionally adaptive manner, providing more support to disadvantaged counties within the area (Chen, Wang & Wang, 2024).

Zong Xiaohua and Ding Jianfu (2016) used provincial panel data from 1998 to 2009 to conduct an empirical analysis of the impact of the PDMC in fiscal sector on the fiscal expenditure gap for compulsory education between urban and rural areas. Their findings indicate that, on a national scale, the PDMC in fiscal sector, characterized by decentralization, significantly reduces disparities in fiscal expenditures for compulsory education between urban and rural areas.

Furthermore, the PDMC in fiscal sector has contributed to the balanced development of public services in counties (Xu & Wang, 2023). Under the traditional city governing county model, county governments often faced resource shortages and inefficiencies in providing public services due to the centralized control and allocation of resources by city governments. However, the PDMC reform has streamlined the allocation and management of resources directly by the provincial government, reducing the intermediate role of city governments. This allows county governments to access and utilize resources more efficiently, thereby improving the supply capacity and quality of public services. This reform not only enhances the living conditions of county residents but also promotes the continuous development of county economies and social stability. Zhang Yaru (2017) analyzed the impact of the PDMC in fiscal sector on the provision of basic public services, including education, healthcare, and infrastructure, in 57 counties in Fujian Province. The estimated results indicate that after the reform, the expenditure structure of county governments, which previously prioritized construction over public welfare, was optimized. The reform increased expenditures on public welfare services closely related to citizens' daily lives, improving the provision of essential public services.

Meanwhile, Miao Xiaolin, Zhang Jing, and Wang Kebin (2024) focused on the equity of public services in healthcare and basic education. They found that the PDMC in fiscal sector significantly reduced disparities in basic public service provision between cities and counties. By stimulating economic vitality in counties and enhancing county-level transfer payment capabilities, the reform has enabled underdeveloped regions, particularly mountainous counties, to receive more support in public service provision. Consequently, it has helped bridge the service gaps caused by geographical and economic differences. This finding provides strong

theoretical support for China to further refine and optimize the PDMC in fiscal sector in a regionally tailored manner (Miao, Zhang & Wang, 2024).

2.5.3 Enhance Financial Capacity and Agricultural Production

Yang Yiwu and Lin Wanlong (2024), through an empirical analysis based on a quasi-natural experiment, point out that the PDMC in fiscal sector significantly promotes grain production in counties. This is mainly due to the reform's enhancement of county governments' financial governance capabilities, enabling local governments to guide and support agricultural production more effectively. After the reform, by adjusting the structure of fiscal expenditures and increasing investments in agriculture such as agricultural mechanization and fertilizer usage, PDMC in fiscal sector has had a sustained positive effect on grain yield. Heterogeneity analysis further reveals that this effect is more pronounced in economically underdeveloped areas, financially weaker counties, and major grain-producing regions (Yang & Lin, 2024). This finding not only broadens the understanding of the effectiveness of the PDMC reform but also provides empirical evidence for safeguarding national food security and promoting agricultural modernization.

The PDMC in fiscal sector reform has enhanced the financial autonomy and capacity of county governments by reducing fiscal management hierarchies (Ru, 2017). Before the reform, county finances were often controlled and allocated by city governments, limiting the ability of county governments to support agricultural production and food security. However, after the reform, county governments have gained greater financial resources and autonomy to formulate and implement agricultural support policies. This has not only improved the efficiency and quality of

agricultural production but also promoted stable growth in grain production. County governments with an agricultural focus, once granted financial autonomy, tend to prioritize infrastructure-related public goods that drive agricultural development and the provision of public services (Dong, 2021).

Additionally, the PDMC in fiscal sector has optimized fiscal expenditure structures by increasing investments in agriculture. County governments, based on local agricultural development needs, have allocated more fiscal funds to agricultural mechanization, farmland irrigation construction, and subsidies for fertilizers and pesticides, effectively enhancing the modernization of agricultural production (Yang & Lin, 2024). These investments not only boost grain output but also improve the agricultural production environment, laying a solid foundation for sustainable agricultural development.

2.5.4 Promote Fiscal Decentralization and Balance Economic Development

From a broader perspective of the fiscal system, Zhang Ming'ang, Yin Junye, and Luo Yu (2024) employed a difference-in-differences model to empirically examine the impact of the PDMC in fiscal sector on fiscal decentralization within counties. Their study found that the reform has, to some extent, improved fiscal decentralization at the county level, influencing enterprise labor income share by adjusting tax administration and fiscal expenditure behavior. While the study also noted potential negative effects, such as intensified tax competition and increased tax avoidance among enterprises, it emphasized the positive aspects of the reform, including its role in encouraging local governments to focus more on optimizing fiscal expenditure structures and improving resource allocation efficiency. This, in turn, has helped reduce irrational resource distribution within fiscal hierarchies and

promoted more balanced economic development among counties (Zhang, Yin & Luo, 2024).

Zhang Lu (2019) highlighted that after the reform, counties in pilot areas experienced significant improvements in GDP and industrial structure, along with alleviated local government fiscal difficulties. Compared to non-reform counties in Hunan Province, pilot counties demonstrated more favorable trends in various development indicators.

Additionally, Zhou Gongman (2024) showed that both the pilot phase and full implementation of the PDMC in fiscal sector had a positive effect on achieving common prosperity. Specifically, as the reform deepened, county economies continued to grow, contributing to narrowing urban-rural income disparities and enhancing the equalization of public services. This shift has guided county economies toward a more balanced development trajectory. Furthermore, the study revealed regional differences in the reform's effects, characterized by a "weak becoming strong, strong becoming stronger" phenomenon, offering valuable insights for future policy formulation aimed at deepening the PDMC reform (Zhou, 2024).

2.6 The Limitations of the PDMC in fiscal sector

While the PDMC reform in the fiscal sector has achieved notable progress in enhancing county-level financial autonomy, several limitations have emerged, hindering its overall effectiveness. The absence of a comprehensive legal framework, lagging administrative reforms, and insufficient institutional innovation have led to governance inconsistencies and inefficiencies. Additionally, the reform has not adequately addressed the complexities of city-county relations and interdepartmental coordination, resulting in conflicts of interest and fragmented policy implementation.

These challenges highlight the need for a more integrated reform approach that balances fiscal decentralization with administrative restructuring to ensure sustainable and effective governance outcomes.

2.6.1 Lack of laws and regulations

Although the reform of PDMC has achieved phased results in fiscal decentralization, due to the lack of systematic legal norms, governments at all levels often rely on policy documents to guide their work in actual operations, lacking mandatory and unified legal guarantees (Zhu, 2017). In this case, different regions may have unclear rights and responsibilities due to different interpretations during the implementation process, thus affecting the consistency and sustainability of policies (Xu & Yang, 2017). For example, in budget performance management, performance evaluation standards and information disclosure mechanisms have not yet formed a unified national legal framework, making it difficult for different regions to conduct effective horizontal comparisons and mutual performance evaluations.

2.6.2 Supporting policies are lagging behind

At present, there is a phenomenon of lagging behind in the follow-up of administrative supporting reforms. Although governments at all levels have successively issued a series of policy documents, these documents often focus on reforms at the fiscal level, and lack clear provisions in terms of administrative agencies, cross-departmental coordination, and the division of powers and responsibilities of local governments (Zhang & Song, 2017). This has led to problems such as poor support between departments and regions and increased difficulty in implementation during the actual promotion process. For example, in the

implementation process, some regions lacked a cross-departmental coordination mechanism, resulting in information islands and waste of resources, which directly affected the effect of the reform (Liu, 2017).

Many scholars like Chai Baohong (2016) and Sun Hao (2017) pointed out that the reform of the fiscal sector and the reform of the administrative system should complement each other, but most of the current pilot projects focus on the adjustment of the fiscal mechanism, ignoring the synchronous transformation of administrative institutions and work processes. For a long time, the administrative inertia left by the city governing county system has caused county-level governments to have obvious deficiencies in streamlining administrative institutions, positioning functions, and departmental coordination (Liang, 2016). This situation not only weakens the efficiency of fiscal execution after decentralization, but also exacerbates the contradictions between provinces, cities, and counties in resource allocation and responsibility connection (Zhao, 2016). In addition, Lu Qian (2017) believes that at the legal and institutional level, the lack of administrative regulations and supervision mechanisms that match fiscal reforms has often led to problems such as poor policy connection and unclear accountability when governments at all levels exercise their new power. Multiple studies indicate that implementing the PDMC reform solely in the fiscal sector while neglecting the corresponding administrative system reform has emerged as a prominent issue in the reform process. Zhang Yaru and Song Shengying (2017), in their case analysis of Fujian Province, highlighted that due to the obstruction of the city governing county model and the expansion of administrative management scope, Fujian's PDMC reform has remained confined to the fiscal system. The absence of effective administrative reforms has led to low fiscal self-sufficiency at the county level, weak economic spillover effects from

prefecture-level cities, and suboptimal provision of basic public services in counties (Zhang & Song, 2017).

Similarly, Xu Jimin and Yang Jingyu (2017) found that the reform process primarily relied on policy documents for implementation, lacking legal regulations and effective complementary reform measures. This has resulted in a slow reform progression and difficulty in establishing sustained positive incentives (Xu & Yang, 2017). The inadequacy of supporting reforms has caused significant challenges in the practical implementation of the PDMC, leading to difficulties in achieving substantial breakthroughs.

2.6.3 Insufficient Institutional Innovation

The lack of institutional innovation is also a crucial factor hindering the effective implementation of the PDMC in fiscal sector. The inherent power distribution model and functional arrangements within the traditional administrative system are ill-suited to the requirements of the current PDMC reform. There is an urgent need to establish new cross-departmental and cross-hierarchical coordination mechanisms (Wei, 2017). This institutional lag not only poses significant implementation risks in the early stages of the reform but also constrains the sustainability and stability of policy outcomes (Chai Baohong, 2016).

Although some pilot counties have experienced growth in fiscal revenue after the reform, research by Li Xuefeng, Jia Jin, and Wang Hui (2016) indicates that, overall, the reform has had limited effects in alleviating fiscal difficulties at the county level and enhancing the provision of public services. The primary reason lies in the significant variations in local economic foundations, resource endowments, and

institutional coordination, making it difficult for the PDMC in fiscal sector alone to generate widespread positive effects in the short term.

Moreover, Yu Hanyao (2016) pointed out that due to regional discrepancies in the design of the fiscal reform, the measures have failed to fully consider local realities, leading to issues such as ‘decentralization without supporting mechanisms’ and ‘low efficiency in fund utilization.’ Given these challenges, it is evident that PDMC in fiscal sector is insufficient for ensuring the smooth advancement of reforms. Since most provinces have exhausted their capacity for innovation within the fiscal domain, future reforms should prioritize administrative advancements to establish a more rational and effective institutional framework.

2.6.4 City-County Relations and Departmental Coordination

PDMC is unable to optimize the relationship between the city and the county and the coordination and cooperation between departments. Liu Han (2017), based on pilot experiences in Shandong Province, pointed out that the distribution of fiscal revenue and expenditure responsibilities among the provincial, city, and county governments remains ambiguous. As a result, county-level governments are often constrained by higher-level governmental arrangements when allocating funds independently. Furthermore, Yu Hanyao (2016) elaborated on how the PDMC in fiscal sector has led to an imbalance in fiscal operations due to the decentralization of administrative responsibilities and the centralization of fiscal authority. Additionally, the study by Zhu Jinfang (2017) indicates that deficiencies in the transfer payment mechanism have created significant obstacles to fiscal autonomy and coordinated governance across different levels of government. This not only hampers the effective allocation

of fiscal resources but also limits the capacity of counties to improve public service provision.

Due to the insufficient follow-up of supporting administrative reforms, mechanisms for coordination and cooperation between different departments have yet to be established. Departments often operate independently when handling multi-level affairs involving the province, municipality, and counties, lacking an effective communication platform and coordination framework (Han & Chen, 2017). This lack of coordination exacerbates the waste of administrative resources and hinders the implementation of reform measures at the grassroots level.

For instance, in the provision of public goods and budget performance management, inadequate departmental coordination has resulted in delayed information sharing and inefficient resource allocation, ultimately compromising the overall effectiveness of the reform (Wang, 2016). Dong Yue (2016), through a historical institutionalist perspective, analyzed the evolution of relations among provincial, city, and county governments, arguing that current reforms necessitate the establishment of a more flexible and efficient cross-level coordination mechanism in the administrative system. However, existing research remains largely descriptive and lacks in-depth discussions on key issues such as the development of interregional and intergovernmental coordination mechanisms, digital governance, and performance evaluation and incentive systems for officials (Jiang, 2017). Similarly, the survey report by Liang Fenfen (2016) highlights that the absence of top-level design and institutional safeguards in administrative reforms has led to challenges such as information asymmetry and low implementation efficiency in PDMC practices, further hindering interdepartmental cooperation.

City-county relations require reasonable intergovernmental functions to remain optimized. The transformation of government functions and the social development model have put forward requirements for administrative reform. Government functions are the basis for the setting of government administrative levels, the establishment of agencies and departments, and the division of authority. The setting of government administrative levels is coupled with the main functions performed. Before the reform and opening up, the main function of the government was explicit political control. No matter whether the administrative level was increased or decreased, it was all to strengthen the centralized control of the central government over the local governments. In the era of planned economy after the reform and opening up, the functions of the government were economic-oriented (Shang, 2021). The main purpose of the government in implementing the 'city governing counties' system during this period was to 'bring the city to the countryside and develop the economy'. In the era of market economy, the government's functions of economic management and resource allocation have shrunk dramatically, and its main functions have been transformed into social management and public services (Zhu, 2013). The transformation of government functions reduces the specific affairs of government management, the scope of management can be increased, and the level of management can be reduced. However, the inter-governmental functions under the PDMC in fiscal sector cannot be clearly defined without administrative reform, which also indirectly reduces the management efficiency and the relationship between the city and the county.

There are also some contradictions between regions in the current state. The lack of supporting administrative reforms has also altered the original regional interest landscape, thereby triggering conflicts of interest between city and county

governments. Given the disparities in economic development levels and administrative capacities across different regions, some areas implementing the PDMC reform have witnessed phenomena such as city exploitation of county resources or city governments benefiting at the expense of counties (Han & Chen, 2017). Such occurrences not only disrupt fair market competition but also weaken the motivation for counties to pursue autonomous economic development (Zhao, 2016).

2.7 Intergovernmental Relations

Intergovernmental relations refer to the complex interactions, collaborations, and power dynamics between different levels of government within a political system. In China, IGR are primarily shaped by the hierarchical structure of governance, where the central, provincial, city, and county-level governments interact in policy implementation, fiscal management, and administrative coordination. The evolution of IGR has been significantly influenced by economic decentralization, administrative reforms, and political considerations, leading to both vertical and horizontal governance challenges.

Under China's traditional governance framework, the city governing county system has played a dominant role in structuring vertical IGR, with city governments exercising significant administrative and fiscal control over counties. However, the recent push for the PDMC reform aims to redefine these relationships by removing city-level interference and strengthening county-level autonomy. These changes have profound implications for governance efficiency, fiscal management, and regional economic development.

The following sections examine intergovernmental relations under different governance models, including the city governing county system and the PDMC reform, with a specific focus on fiscal decentralization and administrative restructuring. These analyses provide insights into the underlying tensions, institutional constraints, and potential pathways for improving intergovernmental coordination in China's evolving governance landscape.

2.7.1 Intergovernmental Relations under city governing county

The city governing county system has been a core institutional arrangement shaping the vertical intergovernmental relations in China since its full-scale implementation in the 1980s. Initially designed to leverage urban economic influence to drive rural development, the system has gradually evolved into a tool for administrative expansion (Zhang, 2019). This shift has transformed intergovernmental relations from 'urban-rural complementarity' to 'administrative control' (Zhang & Zhou, 2008), creating an asymmetric structure characterized by power centralization at the city level and decentralized responsibilities at the county level (Liu, 2025). Under the city governing counties system, cities take advantage of their political dominance and resource allocation rights over the counties under their jurisdiction, resulting in county towns not being treated fairly (Gao, Gu & He, 2022).

From a theoretical perspective, the city governing county system suffers from vertical governance failures, leading to policy implementation distortions and inefficient resource allocation. The Intergovernmental Failure Theory (Liu, 2025) suggests that information asymmetry and incentive misalignment between hierarchical levels encourage city governments to retain county-level resources while shifting public service responsibilities downward. For instance, city impose 'special

matching fund' requirements, obligating counties to finance 30%-50% of social welfare projects (Zhou, 2006), despite counties controlling only 30% of total fiscal revenues (Jia & Bai, 2002). This structural imbalance between financial authority and administrative responsibility has been a key driver of county-level debt risks.

In horizontal intergovernmental relations, competition between cities and counties has intensified, with city governments leveraging administrative authority to absorb high-value county industries. For example, 80% of large-scale industrial enterprises in counties under Zhuzhou, Hunan, were relocated to the city district (Zhang, 2019), leading to county-level industrial hollowing. Similarly, in Xingtai, Hebei, the city government's relocation of steel production to Lincheng County, without a proper ecological compensation mechanism, triggered an environmental governance crisis.

The fundamental contradiction of the city governing county system lies in a collective action dilemma embedded within the institutional framework. Under a rational bureaucratic structure, closed performance evaluation systems reinforce competition rather than cooperation between municipality and counties. city governments, motivated by GDP growth targets, tend to selectively implement provincial policies and even withhold county-level industrial subsidies (Zhou, 2014) (Chen, 2022). This 'funnel-shaped' power structure (Zhang, 2009) positions provincial governments as overarching coordinators, while city governments serve as the primary centers of authority, effectively relegating county governments to mere policy implementation units.

Further illustrating this dynamic, evolutionary mechanism studies (Dong, 2016) highlight that the city governing county system fosters a 'high dependency, low

equilibrium” relationship—counties are economically and administratively reliant on city decisions but lack institutionalized channels for interest articulation.

To overcome the structural constraints of the city governing county system, reforms must focus on restructuring the institutional framework for intergovernmental collaboration. Liu Liang (2025) suggests strengthening perceived cooperation benefits by introducing cross-regional ecological compensation funds and interjurisdictional tax revenue-sharing models. Zhang Xiang and Hong Yichen (2025) propose embedding deliberative consultation processes into top-down administrative hierarchies to function as pressure-relief valves, mitigating conflicts between city and county governments. By embedding collaborative mechanisms within the reform process, it is possible to alleviate power conflicts and governance inefficiencies, ensuring a more balanced and sustainable intergovernmental relationship (Yu, 2016).

2.7.2 Intergovernmental Relations under the PDMC in Fiscal Sector

The restructuring of intergovernmental relations under PDMC in fiscal sector has been a focal point in academic discussions. Ma Caichen and Ma Liuding (2025) noted that this system has significantly improved grassroots budget performance management. The simplification of fiscal management hierarchies and the enhancement of organizational efficiency have created opportunities for optimizing fund utilization. However, they also identified persistent issues, including deficiencies in the regulatory framework, a lack of horizontal comparability in performance information, and difficulties in applying evaluation results. These problems reflect the existing shortcomings in information transmission, supervisory management, and performance feedback between different levels of government (Ma Caichen & Ma Liuding, 2025).

The PDMC in fiscal sector has broken the traditional administrative subordination between city and county governments, yet the newly established division of powers and responsibilities remains unbalanced (Yang, 2018). city governments still retain intervention authority over certain county-level affairs, restricting county governments in public affairs management and resource allocation. The ambiguity in the distribution of responsibilities has directly triggered conflicts of interest and policy frictions between city and county, thereby affecting the provision of public services and local economic development (Zhao, 2016).

Empirical studies by Lv Kaibo and He Qiuxian (2016) indicate that PDMC in fiscal sector has significantly enhanced the degree of provincial fiscal revenue decentralization. However, its impact on expenditure decentralization remains weak. This asymmetric decentralization model exposes the limitations of the reform: while county governments have gained greater financial autonomy, their responsibilities for public service expenditures have not been correspondingly adjusted. This ongoing mismatch between financial resources and administrative responsibilities (Yang, 2009) has indirectly led to increased tensions in city-county relations due to the severance of fiscal linkages.

Yang Wenbin (2016) found that after the PDMC in fiscal sector in Hebei Province, city governments ceased providing matching funds to counties. Instead, they maintained their influence through non-fiscal means, such as land quota allocation and transportation project planning, thereby creating a new paradox of fiscal decentralization and administrative centralization (Liu, Wu & Wu, 2012).

Under the current PDMC in fiscal sector model, intergovernmental relations exhibit both "flattening" and "fragmentation" characteristics. In terms of financial allocation, provincial governments directly regulate county-level finances through transfer payments, while the role of city governments has been weakened to that of "coordinators" (Zhou, 2018). For instance, in Gansu Province, all fiscal settlements and debt repayment functions of 67 pilot counties are directly managed by the provincial government, with city retaining only statistical reporting responsibilities.

However, the lack of an effective intergovernmental governance mechanism remains a prominent issue. Han Yi and Chen Jing (2017) found that among the reform policies of 22 provinces, only a few mentioned multi-stakeholder collaboration, and the majority failed to integrate enterprises into the governance network. Additionally, inadequate coordination among governmental departments and the absence of supporting policy details have led to inefficiencies in policy implementation (Shen & Wang, 2018). This suggests that fiscal reform alone is insufficient to advance the overall reform agenda and optimize intergovernmental relations.

Furthermore, empirical research by Zhang Ming'ang, Yin Junye, and Luo Yu (2024) reveals that while PDMC in fiscal sector promotes fiscal decentralization, it also intensifies tax and expenditure competition, distorting local government behavior. Specifically, the reform has resulted in a decline in labor income shares among enterprises in some counties, indicating that while governments strive for resource integration and fiscal revenue expansion, they lack an effective mechanism for internal coordination and cross-level collaboration (Zhang et al., 2024). This distortion effect highlights the structural problems in intergovernmental relations

under the PDMC in fiscal sector, particularly in terms of power distribution, interest allocation, and performance oversight.

From a macro perspective, Zhu Peiyuan and Meng Bai (2021) pointed out that while the PDMC in fiscal sector has achieved certain successes in promoting county-level economic development and improving administrative efficiency, several operational challenges remain. These include inequitable power allocation, difficulties in authority transition, and continued intervention by province-administered municipality. Such issues not only hinder the transmission efficiency of fiscal policies but also exacerbate horizontal competition among governments, thereby creating obstacles to the intended goal of enhancing county-level autonomy (Zhu & Meng, 2021).Xue Liqiang and Yang Shuwen (2011) further emphasized that PDMC in fiscal sector alone is insufficient to address imbalances in intergovernmental relations, instead, it must be accompanied by PDMC in administrative system .

Moreover, from the perspective of historical institutionalism, Yang Faxiang and Wu Jiaji (2017) argued that the PDMC in fiscal sector is deeply constrained by traditional administrative hierarchies and power distribution patterns, leading to significant path dependence in authority transfer and resource allocation. This institutional inertia prevents a qualitative breakthrough in intergovernmental relations during the transition process. In other words, despite advances in fiscal decentralization, the preexisting interest structures and administrative inertia between city and county governments continue to hinder the optimization of intergovernmental coordination mechanisms (Yang & Wu, 2017).

In conclusion, while the current PDMC in fiscal sector has demonstrated certain positive effects on intergovernmental relations, the lack of corresponding administrative reforms has led to persistent structural contradictions, including weak regulatory oversight, asymmetric performance information, and an unbalanced distribution of intergovernmental responsibilities. These issues pose significant challenges to further streamlining intergovernmental relations. Ultimately, PDMC in fiscal sector model has yet to achieve the goal of harmonious city-county relations and coordinated governance.

2.7.3 Intergovernmental Relations under the PDMC in Administrative System

The PDMC in administrative system is regarded as the ultimate goal of reconstructing intergovernmental relations. Its core is to establish a two-level administrative system of "province-county" by abolishing the prefecture-level city level. Zhang Xiang and Hong Yichen (2025)'s "consensus mechanism" theory believes that such reforms need to break the reliance on organizational authority in policy implementation: provincial governments need to establish direct consultation channels with county governments, rather than relying on city-level "filtering". Dong Yue's (2016) evolutionary analysis further pointed out that PDMC in administrative system will promote the transformation of intergovernmental relations from 'control-oriented' to 'service-oriented', and county governments will become the core subject of regional governance.

Compared with the simple PDMC in fiscal sector, if the administrative level is also promoted simultaneously, it will help to straighten out the relationship between cities and counties and promote the inter-governmental relationship from competition to cooperation. Yang Yang (2018) research shows that as the relationship between city

and county gradually breaks the original city governing county model, the division of power and responsibility of governments at all levels will be clearer after PDMC in administrative system, and the inter-governmental cooperation mechanism will be further improved. This move will help reduce conflicts between city and county caused by the fuzzy boundaries of power, thereby creating a good institutional environment for local economic development (Yang , 2018). Zhao Yan (2016) pointed out that the PDMC in administrative system may intensify inter-county competition, but it can be transformed into a driving force for cooperation through institutional design. This will also help horizontal inter-governmental competition to shift from mutual game to collaborative symbiosis.

Furthermore, empirical research by Chen Jinhua, Wang Bingtao, and Wang Na (2024) demonstrates that PDMC in fiscal sector have significantly improved the conditions of basic education in county-level regions. Additionally, these reforms have facilitated the equalization of public services through mechanisms such as optimizing teacher resource allocation. The policy outcomes suggest that if administrative reforms are implemented in parallel, intergovernmental coordination will become more efficient, thereby enhancing the downward transfer of resources, the upward improvement of services, and the collaborative governance of public affairs. This, in turn, will better address the demand for grassroots public services (Chen et al., 2024).

Within the framework of PDMC in administrative system, Huang Chao (2017) examined the challenges faced by prefecture-level cities during the reform process. He argued that optimizing policy support and clearly delineating responsibilities would help balance the relationship between prefecture-level and county-level

governments. As administrative authority is rationally decentralized, longstanding issues such as city restricting or suppressing county development are expected to improve. Consequently, prefecture-level cities will transition into intermediary roles that facilitate regional coordination, further advancing cross-regional public service provision and resource integration (Huang, 2017).

Moreover, Xu Jimin and Yang Jingyu (2017) assessed the ongoing reform process and emphasized that the PDMC in administrative system should leverage legal mechanisms and institutional innovations to reconstruct intergovernmental cooperative governance structures. As legal and regulatory reforms deepen, intergovernmental communication, responsibility coordination, and mutual collaboration will be significantly strengthened, ultimately optimizing and upgrading intergovernmental relations (Xu & Yang, 2017).

Overall, advancing PDMC in administrative system at the administrative level would not only address regulatory and performance issues exposed during fiscal decentralization but also lead to fundamental improvements in intergovernmental relations. The transformation from competition to cooperation and from fragmentation to integration will provide a more robust institutional foundation for the high-quality development of county economies. Ultimately, this reform will contribute to achieving common prosperity and regional coordinated development (Zhou, 2024).

2.8 Goal of Reform of the PDMC System

In the early stage of the reform of the PDMC, scholars' definition of the goals of the reform of the PDMC was relatively microscopic and direct, generally from the

perspective of economy and finance. They believed that the purpose of the reform of the system of PDMC was to develop the county economy and solve the financial difficulties of the counties and townships. In November 2002, the concepts of 'county area' and 'county area economy' were written into the report of the 16th National Congress of the Communist Party of China for the first time, which indicated that 'county area economy' had become a new highlight of national economic construction and a new focus of economic reform system (Wang, 2024). One of the goals of the reform system of PDMC is to develop the county economy, and the development of the county economy has also become the economic premise of the reform.

With the continuous advancement of the reform system of PDMC and the development of society, the vision of reform goal positioning has become wider and wider, showing a stronger overall, long-term and strategic nature. The convening of the Third Plenary Session of the 18th Central Committee of the Communist Party of China marks that China has entered an important stage of comprehensively deepening reforms with the goal of modernizing the country's governance capacity and governance system. The goal of the reform system of PDMC has also been further sublimated, and the reform plan requires planning within the framework of the modernization of local governance. Ke Xuemin analyzed from the perspective of local governance and pointed out that the goal of the reform system of PDMC is to break the boundaries of administrative divisions and get rid of local protectionism. A policy coordination and communication and cooperation mechanism between local governments in different regions to promote the coordinated development of regional economy (Ke, 2014). Zhang Jingxiang draws on the experience of American metropolitan area governance, and points out that the reform of PDMC is not a

simple change from 'from one extreme to the other'. It is not a short-term responsive reform that only solves current problems, but a long-term regional and local effective governance system. Consistent with Zhang Jingxiang's point of view, Wang Xueli believes that the goal of the reform system of PDMC is not simply to change the administrative affiliation between provinces, cities and counties. It is a regional governance system that is independent and cooperative with each other by going beyond administrative divisions and building a new type of inter-government relationship between provinces, cities and counties of cooperative partnership (Wang, 2013).

A careful study of these goals will reveal that the above definitions of various 'goals' are based on generalizations made by researchers at different stages or from different perspectives. In fact, whether it is to solve the financial difficulties of counties and townships in the short term, or to promote the coordinated development of urban and rural areas by promoting county economic development in the medium term, or to form a modern local governance structure in the long term (Li, 2022). The reform of the system of PDMC is all along the line of promoting the development of the county, and the goals are progressive.

2.9 Path Selection for PDMC Reform System

The relationship between the PDMC system and the 'city governing counties' system is not an alternative to each other, but a mutual complement and improvement that can coexist and coexist. Based on the heterogeneity of basic economic and social conditions between provinces in China, and even within the same province. Liu Shangxi (2014) pointed out, “ The huge differences between localities have determined that in the process of promoting the reform of PDMC, all the same

institutional arrangements cannot be made in the name of so-called norms. Instead, under the framework of two-level governance, we should adapt measures to local conditions and give local governments more autonomy to choose” (Liu, 2014). Chen Guoquan (2012) and other scholars put forward a classification reform plan based on the comparison of strong and weak relationships between cities and counties within the province, as shown in Table 2.2 below:

Table 2.2
City, County Relations and Classification Reform Paths

City,County Relationship Type	Reform path selection
Types of strong cities and strong counties	City merged county or province directly managed county
Types of strong cities and weak counties	City governing counties, some or all province directly managed county
Types of weak cities and strong counties	Conversion of counties into administrative centers or provincial direct management
Types of weak cities and weak counties	Cities and counties are governed separately, and counties are directly managed by the province

Pan Xiaojuan, Lu Fang, etc. (2013) are based on the differences in the population, area, economic development, traffic conditions and other factors of each province (except for the four municipality directly under the Central Government and Hainan Province). The reform paths of PDMC are divided into five categories, as shown in Table 2.3:

Table 2.3
The Reform Paths of PDMC

Reform Path	Suitable Province
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Table 2.3 (continued)

Fully implement the 'administrative province direct management' system	Zhejiang
Driven by prefecture-level cities, the system of 'PDMC in Fiscal sector' will be steadily promoted, and the system of 'PDMC in Administrative system' will be promoted in a timely manner.	Guangdong, Shandong, Jiangsu
The focus of development is not the county economy, but the enlargement of the central city, the promotion of the 'PDMC in Fiscal sector' system, and the priority inclusion of large grain-producing counties	Henan, Sichuan, Hebei, Hunan, Hubei, Liaoning
Postponing the promotion of the PDMC system, maintaining the 'city governing counties' system, increasing the scale of general transfer payments, and standardizing fiscal transfer payment procedures	Anhui, Guangxi, Yunnan, Fujian, Heilongjiang, Shaanxi, Shanxi, Jiangxi, Jilin
The reform system of PDMC will not be implemented for the time being	Guizhou, Gansu, Inner Mongolia, Xinjiang, Qinghai, Ningxia, Tibet

Cao Liyuan (2019) classified the reform models of each province based on the reform situation of each province, as shown in Table 2.4. The table shows that most provinces have begun to decentralize more power, based on which most provinces have met the needs of promoting PDMC in administrative system within a reasonable range.

Table 2.4
Reform Models and Involved Provinces

Reform Model	Involved Provinces
Expanding the Strong County's Power + PDMC in Fiscal Sector	Jiangxi, Hebei, Gansu, Shaanxi, Shandong, Jiangsu, Shanxi, Heilongjiang
Strengthening Counties by Expanding Powers + PDMC in Fiscal Sector	Fujian, Guangxi, Guangdong
Expanding the Strong County's Power + Strengthening Counties by Expanding Powers + PDMC in Fiscal Sector	Henan, Hubei, Anhui, Hunan

Table 2.4(continued)

Expanding the Strong County's Power + Strengthening Counties by Expanding Powers + Quasi-PDMC in administrative system	Zhejiang
PDMC in Fiscal Sector + Strengthening Counties by Expanding Powers + Administrative Decentralization	Jilin
Expanding the Strong County's Power + Administrative Decentralization	Liaoning
Expanding the Strong County's Power	Sichuan, Yunnan
Strengthening Counties by Expanding Powers	Ningxia, Guizhou
PDMC in Fiscal Sector	Qinghai, Tibet
PDMC in administrative system + Strengthening Counties by Expanding Powers	Hainan, Chongqing
Special Governance Framework (Border Regions/municipality)	Xinjiang (Military-Land Integration), Inner Mongolia (Ecological Priority), Beijing, Shanghai, Tianjin

Whether it is the reform of power expansion in many provinces, or the Zhejiang model, which is gradually advancing from 'PDMC in Fiscal Sector' to 'PDMC in Administrative System'. Or the one-step Hainan model of 'PDMC in Administrative System' is the result of the choice based on its own provincial conditions. However, some scholars believe that, in the long run, promoting administrative reform with fiscal reform will not only fall into the predicament of system failure, but also cause many problems in the implementation of government functions (Kou, 2010). Wang Xueli (2020) even directly criticized the transition from 'PDMC in Fiscal Sector' to 'PDMC in Administrative System' as 'putting the cart before the horse'. The reform of the system of 'PDMC in Fiscal Sector' is only a part or the early stage of the reform of the PDMC. It only solves the technical problems of management and will not encounter too much resistance, but it cannot solve the fundamental problems of the

reform. The reform of the 'PDMC in Administrative System' is the major operation of re -assigning administrative power and social resources. It involves a wide range of interests and difficult reforms. Therefore, as Zhong Xiaomin (2011) described: “The practice of ‘PDMC in Fiscal Sector’ in various places will definitely go to the ‘PDMC in Administrative System’ , which is an inevitable choice of reform” (Zhong, 2011).

2.10 Research Gaps

Despite extensive empirical research on fiscal mechanisms and economic effects within the PDMC, there remains a significant gap in the theoretical construction and empirical analysis of the administrative system (Chen, 2017; Fan, 2016). One of the most pressing issues is how to achieve decentralization, administrative simplification, and efficiency enhancement within the existing administrative structure. However, most studies in this area rely on case-based analyses, lacking a generalizable theoretical framework. Furthermore, key aspects such as cross-regional collaborative governance, administrative oversight mechanisms, and cadre selection systems have yet to be fully developed into a comprehensive theoretical model (Wen, 2016; Dong, 2016).

While current research affirms the necessity of advancing PDMC in administrative system, there is a notable lack of studies addressing the potential challenges that may emerge after implementation. Without a preemptive assessment of these challenges, there is a high risk that administrative reforms may reproduce the same pitfalls encountered in PDMC in fiscal sector. This highlights the urgent need for research that identifies potential obstacles and develops effective solutions before moving

forward with PDMC in administrative system. Such research would ensure a smoother reform process and prevent governance failures.

The coordinated implementation of PDMC in both the fiscal sector and administrative system is a key strategy to address the limitations of single-sector fiscal decentralization reforms. Scholars widely emphasize the necessity of administrative reforms, arguing that fiscal decentralization alone cannot overcome structural barriers such as the retention of administrative authority by prefecture-level cities and the mismatch between fiscal authority and administrative responsibilities at the county level. A flattened administrative hierarchy, achieved through institutional empowerment, is essential for aligning fiscal power, administrative responsibilities, and governance authority.

Wang Xueli (2015) explicitly argues that fiscal decentralization alone cannot achieve reform objectives. She emphasizes that PDMC is not merely a replacement for the city governing county system but rather a pragmatic choice based on a careful balance of advantages and disadvantages. To advance reform, it is necessary to redefine government functions and streamline vertical intergovernmental relationships.

Similarly, Pang Mingli (2017) highlights that under a one-sided, top-down fiscal authority allocation model, higher-level governments dominate decision-making in vertical fiscal relations, leaving lower-level governments with limited bargaining power and forcing them into a passive role. This underscores the need for administrative reforms to empower county-level governments, ensuring that they can effectively exercise their newly acquired fiscal authority.

Despite the widespread call for simultaneous advancement of both administrative and fiscal reforms, there remains a significant research blind spot—the lack of predictive analysis on the systemic challenges that may arise following the implementation of PDMC in administrative system.

This tendency to emphasize the necessity of reform while neglecting risk assessment results in reform proposals that are largely theoretical in nature, making them insufficient in addressing the complex contradictions of real-world governance. Without thorough risk forecasting, PDMC in administrative system may encounter institutional bottlenecks, power conflicts, and governance inefficiencies, potentially replicating the challenges observed PDMC in fiscal sector rather than resolving them.

To bridge this gap, future research must move beyond theoretical justification and incorporate empirical case studies, risk scenario modeling, and governance impact assessments. This will enable policymakers to anticipate potential obstacles, refine reform strategies, and enhance the overall effectiveness of administrative decentralization.

2.11 Summary of Chapter

The analysis of PDMC in fiscal and administrative system reforms reveals profound changes in intergovernmental relations. In the fiscal domain, PDMC reform has reduced excessive city interference in county-level finances, thereby improving the efficiency of resource allocation. However, exclusive fiscal decentralization has also exposed governance challenges, such as the weakening of city-county relations, imbalanced administrative power distribution, and lagging regulatory mechanisms.

Consequently, the transition from “PDMC in fiscal sector” to “PDMC in administrative system” has become a central issue in both academic and policy discussions. The diverse reform approaches adopted by different provinces underscore the concerns raised by the Questioning Faction regarding the inapplicability of Zhejiang’s experience to all regions.

Although there were divergent views in the early stages of the reform, the continuous advancement of PDMC has gradually addressed skepticism. In response to the Questioning Faction’s concerns about the non-replicability of Zhejiang’s experience, PDMC reform should be tailored to the economic development levels and fiscal management structures of different regions rather than simply replicating Zhejiang’s model. Regarding the Beyond Faction’s emphasis on intergovernmental cooperation, a well-implemented PDMC in administrative system reform can clarify intergovernmental relations, reduce power struggles across administrative levels, and foster a cooperative governance model.

Despite the progress made, significant research gaps remain. Firstly, there is still a lack of a systematic theoretical framework for the coordinated reform of fiscal and administrative systems, as most studies are limited to case analyses without providing widely applicable insights. Secondly, existing research focuses more on the necessity of reform while lacking forward-looking assessments of potential systemic risks post-implementation.

CHAPTER THREE

THEORY

3.0 Introduction

This chapter introduces the theory of fiscal decentralization, management hierarchy theory and government function allocation theory. On this basis, a theoretical framework is established for the argument by analyzing the problems in the implementation process of China's provincial-level counties and the future direction of China's provincial-level county reform system.

3.1 Theoretical Framework

This study examines three pertinent theories that support and elucidate the subject matter of this study, with the objective of establishing a theoretical framework. Additionally, it investigates the interrelationship between the challenges encountered in PDMC and the failure to implement the PDMC in administrative system, with a focus on these three theories. Concurrently, it also assesses the prospective trajectory of China's reform and the implementation of the system of PDMC. This article presents a discussion of the potential challenges that may arise in the implementation of the reform of the PDMC in administrative system, based on three theories. It then proposes solutions to these challenges.

The theory of fiscal decentralization provides substantial theoretical support for PDMC in China. The theory of fiscal decentralization underscores the significance of decentralization and autonomy of local governments (Ladner, 2022). Which aligns with the original intention of China's reform of the PDMC. Ensuring the autonomy of local governments through reasonable decentralization can facilitate the

advancement of PDMC. The ultimate objective of PDMC is to achieve a lower level. The rationale for lowering the level is that local governments can meet the development and daily needs of economic development, people's services, etc. This is consistent with the theory of fiscal decentralization. In some terms, China's PDMC decentralize control and power at the provincial level and redistribute the powers of city and county governments that were originally superior to lower-level governments. This is a modular allocation of powers held by city governments to county governments, which involves fiscal and administrative decentralization. At the same time, the theory of fiscal decentralization also explains why there are some problems in the current process of PDMC in China.

Fiscal decentralization theory provides a crucial theoretical foundation for the reform of PDMC in China. This theory emphasizes the delegation of financial resources and expenditure responsibilities to lower levels of government to enhance local fiscal autonomy and improve governance efficiency (Yang, 2025). This aligns closely with the objectives of PDMC in fiscal sector, which seeks to adjust fiscal management authority, grant county governments greater financial independence, and reduce city interference in the allocation of county-level funds. A well-structured fiscal decentralization arrangement ensures greater local fiscal autonomy, facilitating the deepening of PDMC reform.

At the same time, fiscal decentralization theory also explains some of the challenges encountered in the ongoing PDMC reform. The government decentralization underscores the significance of decentralization and autonomy of local governments (Ladner, 2022). In China, in order to ensure the autonomy of county governments, the coordination of their powers must be guaranteed. The delegation of fiscal

authority from city to county governments has further exposed disparities in local revenue generating capacities, as economically weaker counties remain reliant on fiscal transfers. Moreover, while fiscal autonomy at the county level has increased, the misalignment between fiscal and administrative decentralization has led to reduced governance efficiency, as county governments still require city approval for certain critical administrative functions. This structural imbalance suggests that PDMC reform requires not only adjustments to fiscal management authority but also the simultaneous restructuring of administrative power to prevent governance fragmentation. This is also an innovative application of the fiscal decentralization theory by China's PDMC.

The theory of management hierarchy also demonstrates the necessity of promoting the reform of counties under direct provincial administration. Under the original four-level local government system, management efficiency is relatively low, and it is necessary to reasonably lower the management level and expand the scope of management. The original intention of direct provincial administration of counties is an objective response to the management level, and the elimination of the subordinate relationship between the city level and the county level achieves the effect of lowering the management level. This will enhance the efficiency and speed of communication between central and local governments in China (Wu, 2017). In the first instance, it can address the challenges facing local governments more effectively, and information will be conveyed more accurately.

Furthermore, the theory of management hierarchy also supports the reform of the county system currently implemented in China, which is PDMC. In other words, the reform of PDMC in fiscal sector has not achieved the expected results in terms of

management hierarchy (Jia, Zhang & Guo, 2013). To be more precise, the current fiscal reform of PDMC has no real significance in lowering the management hierarchy.

Concurrently, the theory of management hierarchy provides a robust framework for the subsequent implementation of the reform of PDMC in administrative system. This will facilitate the identification of a balance point between management scope and management levels, thereby paving the way for the completion of the reform of the PDMC system.

The theory of government function allocation can, to a certain extent, explain why, in the current PDMC in China, despite the county government having received certain powers of fiscal transfer and allocation, as well as special financial support from the provincial government, autonomy is not achieved to a certain extent. The theory of government function allocation also provided a response.

Furthermore, this theory has played a guiding role in promoting the reform of PDMC in administrative system. For instance, while advocating for the PDMC in administrative system, it is also necessary to re-examine the functional allocation among governments, which encompasses the powers, responsibilities, and affairs assumed by governments at all levels. This theory is of paramount importance to China's comprehensive promotion of PDMC, which necessitates a rational distribution of functions between vertical and horizontal governments or agencies. This is of critical significance to the advancement of comprehensive reform. For instance, following the restructuring of intergovernmental functions, the responsibilities that governments at all levels must assume will be evident.

Realigning intergovernmental functions to clearly define responsibilities at all levels of government is essential for a more equitable distribution of power (Dollar & Hofman, 2008).

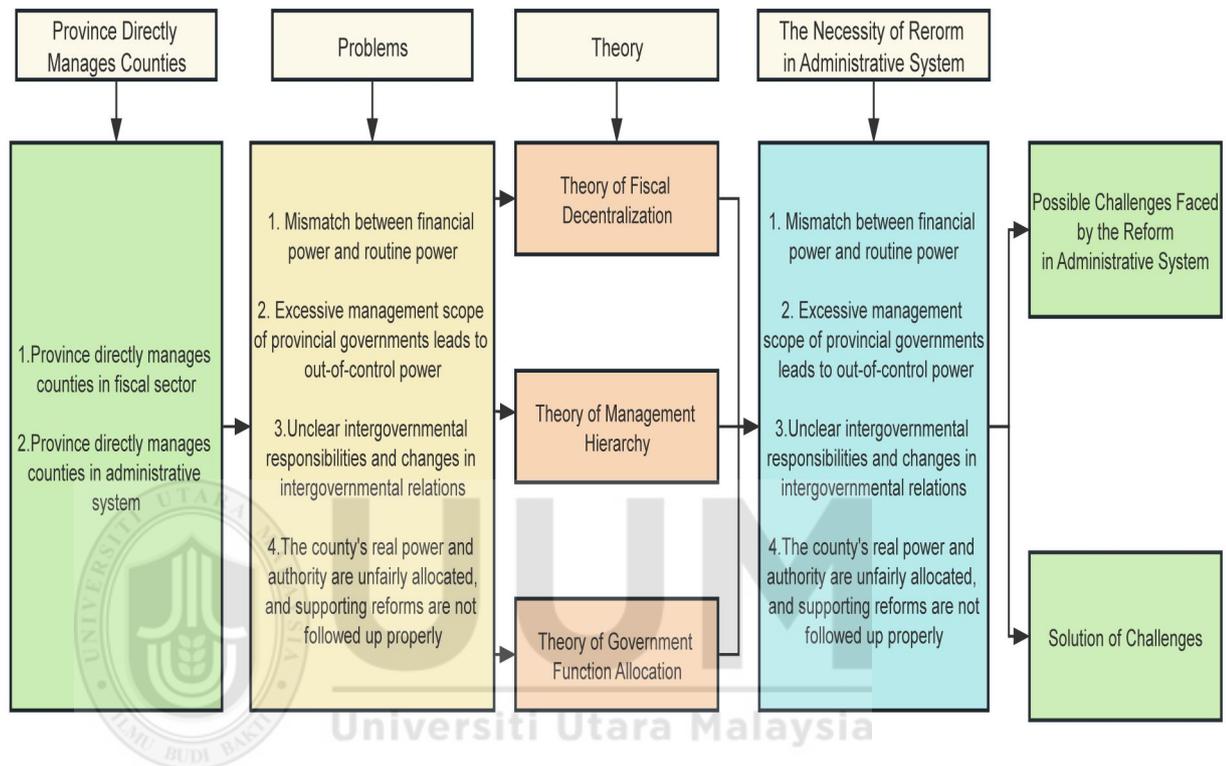


Figure 3.1 Theoretical Framework

3.2 Theory of Fiscal Decentralization

The development of fiscal decentralization theory has undergone two stages: the first-generation traditional fiscal decentralization theory and the second-generation fiscal decentralization theory. The first-generation fiscal decentralization theory began in 1956 when Tiebout, in his book "A Pure Theory of Local Expenditures," proposed the "voting with feet" theory. He argued that citizens "voting with their feet" could prompt local governments to provide residents with more efficient public goods and services, thereby guiding research on how governments can improve the

efficiency of public goods provision. Therefore, this theory is also regarded as the starting point of fiscal decentralization research. Oates' (1972) decentralization theory, Buchanan's (1965) club theory, Stiglitz's (1977) optimal decentralization theory, and Tiebout's (1956) "voting with feet" theory all illustrate the importance of decentralization from different perspectives. These theories, based on the hierarchy of public goods, argue that the central government cannot provide public goods according to the preferences of residents within its jurisdiction and the needs of regional development, nor can it maximize social welfare. Lower-level local governments, especially county- and township-level governments, are closer to the people and have advantages in obtaining grassroots information, making them more capable of understanding the interests of microeconomic entities. Therefore, lower-level local governments are more efficient in providing public goods in certain circumstances. Eckstein's "benefit principle" decentralization theory also divides the responsibility for public goods provision between central and local governments according to the scope of beneficiaries. These theories are referred to as "first-generation fiscal decentralization theories."

The hierarchical theory of public goods is the foundation of intergovernmental decentralization theory. The so-called hierarchy of public goods refers to the fact that the provision and consumption range of public goods is limited, making the beneficiary scope closed (Tian, 2010). The hierarchical nature of public goods determines that public goods at different beneficiary levels should be provided by different levels of government to ensure fairness and efficiency. Therefore, the allocation of fiscal resources among various levels of government must be based on the demand for public goods provision at different government levels. Consequently,

fiscal decentralization theory emerged and has continued to develop (Avcı & Karasoy, 2021).

The second-generation fiscal decentralization theory is an expansion based on the guiding principles of the first-generation traditional decentralization theory. This theory began in the 1990s, with notable representatives including Qian Yingyi, Roland, Weingast, and Montinola. The second-generation fiscal decentralization theory introduced public choice theory and principal-agent theory into the analytical framework of fiscal decentralization. It pointed out that in the process of pursuing their own interests, governments at all levels challenge existing decentralization rules, thereby harming social welfare. This theory focuses on how to establish a fiscal decentralization mechanism that can align the interests of officials with those of citizens to maximize social welfare and explores the correlation between fiscal decentralization and economic growth (Guo, Pei & Xie, 2022). Fiscal decentralization theory provides a basis for the division of responsibility for public goods with closed characteristics, technical support for fiscal expenditure responsibility on public goods with spillover effects, and a theoretical foundation for the division of fiscal revenue powers and expenditure responsibilities among different levels of government (Thöni, 2022).

China's understanding and application of fiscal decentralization are based on its institutional system. Fiscal decentralization theory emphasizes government autonomy. In China, ensuring local government autonomy requires the proper allocation of corresponding powers based on fiscal decentralization. In other words, the central government needs to rationally delegate power. Power is the lifeline of administrative management. Since the 1970s, decentralization has become a major

trend in government reform. Institutional economists, represented by Commons, believe that the determinant of resource allocation is not the market but the power structure embedded in social institutional arrangements (Commons, 2013). Craig Johnson (2008) argued that economics without power is meaningless. The core issue of contemporary Chinese administrative reform is the redefinition and division of state administrative power. The purpose of decentralization is to achieve good governance. Craig Johnson (2008) described three positive outcomes of decentralization: first, local governments can best listen to local voices and understand residents' preferences, making decision-making more practical and scientific; second, local governments can respond promptly to residents' needs through policy adjustments; third, decentralization helps narrow the gap between the government and residents, promoting interaction between them.

The application of fiscal decentralization theory in China requires incorporating more elements of government decentralization because China is a unitary state. Government decentralization refers to the process by which the central government transfers governance authority to local governments, markets, and society. Governance authority mainly includes two aspects: power, which involves rights and responsibilities, and resources, which include the human, financial, material, and legal resources required to fulfill rights and obligations, among which financial resources are the most important (Baltsii, 2023; Hanson, 2022). Specifically, government decentralization includes four elements: political decentralization, administrative decentralization, fiscal decentralization, and economic decentralization (Baltsii, 2023). Political decentralization mainly refers to the delegation of power, usually achieved through electoral system reform, party relationship reform, and the reform of political participation subjects and methods.

Administrative decentralization mainly refers to the delegation of all or part of regional governance functions, powers, and responsibilities to local governments. Fiscal decentralization refers to granting local governments the power to increase legitimate revenue through tax division and transfer payments. Economic decentralization primarily involves authorizing the market to address issues that the market can resolve.

Fiscal decentralization theory emphasizes that local governments have informational advantages and higher execution efficiency in providing public services and infrastructure development. Therefore, appropriate fiscal autonomy helps improve resource allocation efficiency (Oates, 1972). Additionally, fiscal decentralization promotes competition among local governments, enhances government governance performance, incentivizes local governments to optimize fiscal management, and improves the quality of public service provision (Weingast, 1995). However, the implementation of fiscal decentralization must be accompanied by effective supervision and accountability mechanisms to prevent excessive local government debt, fiscal resource misallocation, and regional development imbalances (Rodden, 2006). Based on this, the application of fiscal decentralization theory in China needs to be coordinated with the form of government decentralization.

Decentralization reform has many manifestations in practice, one of which is the decentralization of power. The core is to remove unnecessary red tape in the process of handling affairs, simplify complex rules and regulations, shift from emphasizing 'process control' to 'result control', and create sufficient space and autonomy for managers to achieve organizational goals and expectations (Machidori, 2023). At the same time, result orientation also includes improving the incentive configuration and

responsibility mechanism to urge employees and managers to work hard to achieve the desired results. American professor Peters (2001) put forward the concept of "deconstructive government" in his book "Future Governance Model of Government" and the reform of 'executive agency' in Britain. Its core idea is to implement result-oriented management, endowing the executive agency with great management autonomy. The basis for its performance of duties is the 'policy and resource framework document' formulated by the competent department. The main contents include: Policies and the resources needed to implement the policies, the goals and work results to be achieved, the autonomy of the executors; the methods and procedures for handling sensitive political issues (Peters, 2001). The competent department implements 'proper distance control' over the executive agency, and must not directly interfere with the operation, and the relationship between the upper and lower departments has changed from a subordinate relationship to a contractual relationship. Decentralization can fully mobilize the enthusiasm and creativity of local grassroots governments, and is conducive to improving the level and quality of grassroots public services. Therefore, the reform of 'executive agencies' has been widely imitated in the United States, Germany, France and other countries.

Inter-government relations, also known as central-local relations and inter-local government relations, are another important form of decentralization reform. Due to the differences in the traditions and initial conditions of different regions, the reform model of decentralization of intergovernmental relations presents a variety of characteristics (Yu & Kwan, 2024). Federal countries represented by the United States and Germany implement a system of decentralization in the relationship between the central government and the local government. The powers authorized by the local governments to the central government are clearly included in the

constitution, and all other powers are reserved to the local governments. Federal countries mainly adopt the policy of fiscal federalism, changing the original 'one-stop transfer payment' to a 'package appropriation' policy to expand the financial autonomy of local governments.

At the same time, the central government has also tried its best to improve the transfer payment system and accounting methods, strengthen the institutionalization, scientificity, fairness and openness of transfer payments, and strive to provide equal basic public services. The reform of intergovernmental relations in unitary countries also takes various forms, but decentralization is the common trend of all forms. In a centralized country like China, decentralization may be complicated by local government loyalty to central policies, which may lead to distorted information transmission and suboptimal economic outcomes (Bo & Wang, 2021). Therefore, intergovernmental relations need to be taken into account in the government decentralization to support the province-county reform in China. Even France, which has been questioned and criticized for its highly centralized system, has begun to decentralize intergovernmental relations. The famous French thinker Tocqueville pointed out more than 100 years ago that the centralized administration of France only constitutes an obstacle, rather than taking action. The perfection of centralized administration leads to tranquillity without happiness, industry without progress, stability without power, and public order without morals, in which ordinary citizens are indifferent to the interests of the communities in which they live (Toequville, 1992). In response to public doubts and criticisms of centralization, the banner of French government reform is to mobilize the enthusiasm of local development through the decentralization of inter-government relations on the premise of ensuring centralized rule (Kuhlmann, 2011).

Decentralization is aimed at good governance, but it is not a panacea for achieving good governance, because decentralization can also have negative consequences. It is mainly manifested in three aspects: First, due to the lack of capacity of local governments, it is impossible to effectively perform the delegated powers and responsibilities. Second, because local governments are controlled by local elites, the decentralized power and resources are controlled and abused by a small number of people, deepening social and economic inequality. The third is to cause inconsistency between local goals and national goals and vicious competition between localities. Therefore, intergovernmental relations require not only decentralization, but also centralization (Baltzii, 2023) (Ibrahim, 2024). Riker(1964) has pioneered the idea that political centralization is a necessary condition for federalism to function and even survive. He pointed out that the two main forms of centralization are through a powerful national political party to guide the behavior of local politicians and through the vertical administrative leadership to control the appointment of local officials (Riker, 1964). Fukuyama's definition of the 'veto-type regime' in the United States also illustrates the importance of decentralization on the premise of centralization.

The advantage of Chinese-style decentralization is that it is a kind of 'economic decentralization under political centralization', which Pierre Rand called 'decentralized authoritarian system'. Economic decentralization gives local governments the autonomy to lead economic development, and political centralization coordinates the relationship between local governments, ensuring the implementation of the will of the state and the central control of the overall situation. At the same time, Chinese-style decentralization, whether it is administrative

decentralization or fiscal decentralization, has flaws and problems. The shortcomings of Chinese-style decentralization are reflected in the following aspects:

The legal decentralization model can lead the 'evil' of local protectionism into the track of the rule of law and transform it into the 'good' of the overall interests of the country, providing an inexhaustible driving force and a fair competition environment for local economic development, thereby promoting fair competition and sustainable economic development, and alleviating local protectionism (Qiao, 2017). On the contrary, if administrative decentralization continues to prevail, then when the speed of administrative decentralization exceeds the speed established by the rule of law, the growth of local power may exceed the bottom line of decentralization (Gong, Liu & Wu, 2021). This leads to fragmentation of the market and hinders the integrated development of the regional economy, and even social instability, which will be very dangerous. Second, there is a mismatch between financial power and administrative power. Any decentralization of administrative power will not have substantive significance without the support of corresponding resources. In terms of its substantive importance, there is no other power that can be compared with the national fiscal power (Ren, 2014).

Administrative decentralization is mainly the transfer of decision-making power, management responsibilities and resources from the central government to local or regional governments (Smith, 2023). The forms of administrative decentralization include deconcentration, delegation and devolution. Rondinelli (1981) proposed that deconcentration is the most basic form of decentralization, which means that the central government transfers some administrative powers to its local branches. Although the local agencies perform specific tasks, they are still under the control of

the central government. Delegation is when the central government entrusts specific functions to semi-autonomous local governments or independent institutions. These institutions have a certain degree of autonomy and can make decisions within a certain range, but they are ultimately responsible to the central government. Delegation is usually used in areas such as public utilities and infrastructure management. This method gives local governments greater management flexibility in certain areas while maintaining compliance with the overall national policy (Randinelli, 1981). Devolution is the most radical form of decentralization, where the central government delegates power to local governments, giving them a high degree of autonomy in administration, finance, and even legislation. Local governments can not only formulate local policies, but also manage financial resources, and usually elect responsible officials through local elections. This model makes local governments accountable to local residents rather than to the central government (Vlahos, 2020).

Administrative decentralization is the basis of fiscal decentralization, and fiscal decentralization is the guarantee of administrative decentralization. Renmin Luntan (2014) mentioned in “ Great Power Governance: Modernization of National Governance System and Governance Capacity ” that, “ In China, the grassroots government provides more than 70% of the public services for more than 70% of the population. However, the current regulatory and oppressive financial system has prevented the unique advantages and huge potential of the grassroots and communities from being brought into play, and the explicit and hidden costs to the country, society and people are very high and increasing” (p.157). At present, the county economy is the focus of China's economic development. Zhang Wuchang (2009) once declared that “the main economic power in China today is not in the

villages, towns, cities, or provinces, but in the hands of counties” (p.144). In terms of power structure, the county-level government is at the key point connecting the city and the countryside. It not only has to perform the functions of implementing the decisions and orders of the superior, but also undertakes the functions of developing the county economy and providing county public goods and social services. The reform of the system of PDMC has increased the powers and responsibilities of county-level governments and changed the chain of fiscal decentralization. However, the pattern of financial resource allocation has not been substantially changed. The mismatch between financial power and administrative power of county-level governments has become more prominent, and the financial difficulties of counties and townships are difficult to solve (Shangguan, 2014). Establishing a decentralization system between local governments with clear division of powers and matching financial powers with powers is an important condition to ensure the continuous advancement of the reform system of PDMC. The Chinese use of the fiscal decentralization theory is to ensure the autonomy of local governments on the basis of ensuring transfer payments and fiscal decentralization. To ensure autonomy, it is necessary to give local governments reasonable supporting powers and ensure a more reasonable responsibility system on the premise of ensuring the financial independence of local governments.

3.2.1 Relevance Between Theory of Fiscal Decentralization and PDMC

The core of the PDMC reform is to adjust the distribution of power and resources among the central, provincial, city, and county levels to enhance local governance efficiency. In this process, the theory of fiscal decentralization provides crucial theoretical support. Fiscal decentralization emphasizes the role of different levels of

government in the allocation of public resources, arguing that local governments, being closer to grassroots communities, can more effectively deliver public services tailored to local needs (Oates,1972). Therefore, granting county governments greater fiscal autonomy helps optimize resource allocation and improve governance efficiency.

The theory of fiscal decentralization suggests that the proper arrangement of intergovernmental fiscal relations should align with the administrative responsibilities of each level of government (Qian & Weingast, 1997) . If county governments undertake more administrative duties but lack corresponding fiscal autonomy, their governance capacity may be constrained, potentially leading to financial difficulties. Under the traditional city-governing-county system, city governments have significant control over revenue distribution, tax management, and transfer payments, leaving county governments with limited fiscal independence. However, the PDMC reform reduces the fiscal interception by city governments, allowing county governments to report directly to provincial governments and receive financial support. This enhances counties ' economic autonomy and strengthens their capacity to provide public services.

Moreover, fiscal decentralization theory highlights that intergovernmental fiscal competition can promote optimal resource allocation (Li, 2015). Under the PDMC model, county governments enjoy greater autonomy in fiscal management and economic development, enabling them to formulate development policies based on local needs. This competitive mechanism can incentivize local governments to improve administrative efficiency and promote balanced regional development. However, if the fiscal decentralization mechanism is poorly designed, it may lead to

local protectionism and regional disparities. Fiscal decentralization theory emphasizes the necessity of matching fiscal authority with expenditure responsibilities. If PDMC fails to advance administrative decentralization alongside fiscal decentralization, this alignment cannot be achieved. While fiscal decentralization is a crucial mechanism for enhancing local governance capacity, the absence of synchronized adjustments to administrative functions may result in uneven fiscal resource distribution, governance inefficiencies, and rising local debt risks. Therefore, in advancing PDMC, it is essential to establish a well-structured fiscal decentralization framework to ensure a proper match between fiscal resource allocation and administrative responsibilities.

Overall, fiscal decentralization theory provides a strong theoretical foundation for PDMC, emphasizing the importance of a well-defined division of fiscal authority and expenditure responsibilities. By granting county governments greater fiscal autonomy, the reform can enhance governance capacity, improve the efficiency of public resource utilization, and promote sustainable regional economic development. Furthermore, fiscal decentralization theory offers insights into the next steps of PDMC reform in China ensuring local government autonomy. Achieving such autonomy in China necessitates a rational redistribution of fiscal and administrative powers.

3.3 Theory of Management Hierarchy

Hierarchy theory includes two aspects, that is, the span of control and the level of control. The span of control and the level of control are the two decisive factors that affect the organizational structure, and are the basic categories of the organizational structure (Zoller & Muldoon, 2020). The research on the theory of management level

and range can be traced back to the French management scientist Henri Fayol, who proposed when discussing the theory of enterprise organization and management: a reasonable hierarchical structure is an important guarantee for organizational control and management efficiency (Fayol, 2016). The level of control refers to the number of vertical levels in the organizational structure, which constitute the vertical structure of the organization. The span of control refers to the number of units that the upper level manages the next level in the organizational structure, and it constitutes the horizontal structure of the organization. The two are a pair of highly negatively correlated categories, which are both independent and related to each other. Under the condition of constant organizational conditions, the span of control and the level of control usually show an inverse proportional relationship, that is, the greater the span of control, the less the level of control, and vice versa (Zhang & Li, 2011). With the continuous development of management science, hierarchy theory has also been perfected and developed in government organizations. As Zhang Zhanbin (2009) said, "Flattening the hierarchy is not only a trend in corporate governance internationally, but also a general trend of government reform in various countries" (p.25). For government organizations, the span of control refers to the effective supervision and management of the number of subordinate governments at a higher level. Level of control refers to the number of levels from the highest level of government (central government or federal government) to the lowest level of government (Liu, 2021). The core problem of the theoretical research on management hierarchy is to seek a moderate balance between the government's span of control and level of control. The level of control is neither the more the better, nor the less the better, but to seek a suitable balance between the span and the level. Too many levels will lead to high management costs, distortion of information

transmission, and difficulty in level communication. If the level of control is too small and the span of control is increased, the supervision of the superiors over the subordinates will be out of control.

Since the 1970s, a 'new public management trend' has emerged in western countries, which is based on the criticism of bureaucracy (Kalalo, 2023). It is believed that the bureaucracy has not been able to adapt well to the needs of government management in the post-industrial era, and cannot solve the two core issues of government management, efficiency and responsibility. It is advocated to follow the example of enterprises to adopt a flat organizational structure in government management, and build a 'local-based' flat model. The so-called flattening of the government organizational structure refers to a new type of horizontally austere government organizational form established by increasing the scope of government management, reducing the vertical management level of the government, integrating organizational resources, and implementing management functions. Its typical features include: a wider management range, less management levels, and on the basis of emphasizing the division of labor, it also pays attention to the integration of the system (Franklin & Raadschelders, 2023). Emphasizes the decentralization management between vertical governments, especially lower-level governments should enjoy full autonomy and autonomy, reduce intermediate levels, and increase the flexibility and flexibility of the system (Boadway & Eyraud, 2018). The implementation of a flat form of government organization can effectively reduce the level of information transmission and the possibility of information distortion, which is conducive to ensuring the smooth flow of national decrees and improving administrative efficiency. At the same time, with the reduction of the management level, the power will inevitably move downward, and the lower-level government, especially the

grass-roots government, can flexibly make various responses according to the change of the situation, which is conducive to mobilizing the enthusiasm and initiative of the lower-level government in public governance (Babaeva, 2022) .

The setting of administrative levels is restricted by a series of factors such as political culture, personnel quality, economic level, and technological development (Sindane, 2009). For a long time, the main reasons for the formation of China's 'multi-level, narrow-range' 'pyramid-style' administrative hierarchy is the 'omnipotent' government and urban power hierarchy (Wei, 2015) (Zhang, 2022). Such government work overload and underdeveloped information technology lead to limited information acquisition and processing capabilities, and difficulties in monitoring and control. The modern market economy has accelerated the separation of the state and society, and the power and functions of the government's economic management have shrunk, mainly performing the functions of social management and public services (Xu & Wu, 2016). Throughout the history of the repeated evolution of Chinese government levels, the number of government administrative levels is highly coupled with its administrative functions. Before the reform and opening up, the administrative divisions were all politically oriented. The main function of the government was explicit political control. Whether the administrative level was increased or decreased, it was to strengthen the centralized control of the central government over the localities (Liang, 2024).

Since the implementation of the 'city governing counties' system in the 1980s, the management level of the government has basically been determined as a four-level system of 'province, city, county and township' (Yin, 2007). Then add special forms such as sub-provincial cities, sub-prefecture-level cities, and sub-county-level

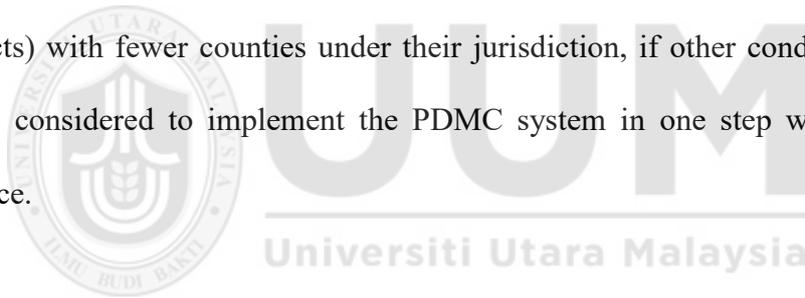
townships, and there are actually more management levels. It is undeniable that under the system of 'city governing counties', prefecture-level city, as an intermediate level between provincial government and county government, has played an important role in linking the previous and the next for a long period of time. Prefecture-level cities share a large number of supervisory functions with lower-level governments for provincial governments.

However, there are also many problems when there are too many levels of government in strengthening the control and supervision of the upper level government over the lower level government such as low management efficiency, distorted information transmission, high administrative costs, and suppression of the enthusiasm and creativity of lower-level governments and staff. This is not only inconsistent with the general trend of the modern government organization structure developing in a flat direction, but also inconsistent with the current national conditions. At present, under the background of the transformation of government functions, with the gradual straightening of the relationship between the state and society, the government and the market, the 'omnipotent government' in the planned economy period has gradually transitioned to a 'limited government'. The government is no longer as meticulous as it was in the planned economy period, but transfers the functions that should be undertaken by the market and can be managed by the society to the market and society respectively, which provides a basic premise for the flattening of the government's organizational structure (Wang, 2022). At the same time, with the advanced development of modern information technology and the gradual improvement of the convenient and efficient modern transportation system, the appropriate reduction of government management levels and the increase of management scope have achieved realistic conditions and are no longer out of

reach. At present, the reform of the system of PDMC implemented in various parts of China which tried to eliminated the subordination relationship of prefecture-level cities to counties under its jurisdiction, so that cities and counties have an equal administrative status, and restored the three-level administrative system originally stipulated in my country's constitution.

To some extent, it is an objective response to the development trend of government flattening. Based on this, appropriately reducing the level of government management, appropriately increasing the range of government management, and seeking a suitable balance between the level of management and the range of management have become one of the key issues to be solved in promoting the reform of the administrative system. It is worth mentioning that some scholars are worried that after the implementation of the PDMC system, the jurisdiction of the prefecture-level city over the county will be cancelled, which will lead to the problem of excessive management by the provincial government (Lu & Tsai, 2021). They believe that this may even lead to the situation that the city and county governments are independent, and the provincial government's supervision of cities and counties is out of control. Objectively speaking, in the process of promoting the reform of the system of PDMC, it is very understandable to have the above-mentioned concerns. This is because the implementation of the PDMC system will indeed greatly increase the number of lower-level governments directly led and managed by the provincial government in a short period of time, especially for those large provinces with a relatively large number of counties. The reform system is indeed a big test for the management ability of the provincial government. Therefore, in the process of this round of reform, it is necessary to implement measures according to local conditions according to the different circumstances of the number of counties under the

jurisdiction of different provinces. Generally speaking, large provinces (autonomous regions) with a large number of counties under their jurisdiction do not need to rush to implement the system of PDMC in the whole province. These provinces can consider selecting some regions with relatively developed county economies as pilot reforms, and implement a three-level administrative management system of 'province, city (county), and township (town)'. For areas where the county economy is not yet developed and the prefecture-level cities have a certain economic radiation and leading role, it is not suitable for the province to directly manage the county for the time being. Instead, we should continue to adhere to the four-level administrative management system of 'province, prefecture-level city, county, and township (town)', and then promote flat management when conditions are ripe. In small provinces (districts) with fewer counties under their jurisdiction, if other conditions permit, it can be considered to implement the PDMC system in one step within the whole province.



3.3.1 Relevance Between Theory of Management Hierarchy and PDMC

The theory of management hierarchy explores the relationship between span of control and levels of control within an organizational structure, emphasizing that a well-balanced hierarchy is essential for enhancing efficiency and reducing administrative costs (Zoller & Muldoon, 2020). This theory also applies to government structures, where the key challenge is to balance span of control and levels of control to achieve effective governance (Fayol, 2016).

Under the traditional city governing county model, multiple layers of government exist, forming a four-tier administrative system: province–city–county–township. While city governments have played an important role in fiscal management,

economic development, and public service coordination, their intermediary status has prolonged the chain of information transmission, leading to higher policy implementation costs and lower administrative efficiency (Zhang, 2009). According to the theory of management hierarchy, excessive administrative layers can result in information distortion, inefficiency, and increased costs (Zhang, 2009). Therefore, an optimal hierarchy should reduce unnecessary layers while keeping the span of control within a manageable range.

PDMC reform serves as a practical application of this theory. The core of this reform lies in removing city-level oversight of counties, placing them directly under provincial jurisdiction, thereby reducing administrative layers (Liu, 2021). This transition simplifies the hierarchy from four levels to three—province–county–township—which aligns with the flattened organizational model advocated by the theory of management hierarchy (Franklin & Raadschelders, 2023). From a governance perspective, reducing administrative layers shortens decision-making chains, improves policy implementation efficiency, lowers fiscal expenditures, and optimizes resource allocation (Boadway & Eyraud, 2018).

However, the theory of management hierarchy also emphasizes that span of control and levels of control are interdependent variables—reducing the number of levels inevitably expands the span of control (Zhang & Li, 2011). In the case of PDMC reform, this means that provincial governments must directly manage a significantly larger number of county governments. If provincial administrative capacity does not increase accordingly, the governance burden may intensify, potentially leading to administrative overload or even governance failures (Lu & Tsai, 2021). This challenge is particularly pronounced in provinces with a high number of counties,

where the provincial government may struggle to effectively supervise lower-level governments, ultimately affecting governance quality.

As a result, the implementation of PDMC reform must be tailored to local conditions rather than applied uniformly across all regions (Sindane, 2009). Within the framework of management hierarchy theory, the optimal administrative structure should be adjusted based on actual governance capacity. In economically developed counties with strong administrative capabilities, the PDMC reform can be accelerated to adopt a three-tier model directly. However, in less developed regions where grassroots governance is relatively weak, a gradual reform approach may be more appropriate, allowing some city governments to retain specific functions to alleviate provincial administrative pressure (Lu & Tsai, 2021).

Furthermore, the theory of management hierarchy involves the concept of governance adaptability, which suggests that adjustments in administrative hierarchy should align with local government capacity (Hood, 2010). The PDMC reform does not imply the complete elimination of city-level functions; rather, it necessitates the establishment of new coordination mechanisms to fill the administrative gaps left by their removal. For instance, provincial governments can foster cross-county collaborations or set up regional coordination bodies to ensure effective governance after the restructuring (Ma, 2019). By doing so, the reform can achieve the intended reduction of administrative layers while mitigating governance burdens caused by an expanded span of control, thereby enhancing overall administrative efficiency.

In conclusion, the core logic of PDMC reform can be explained through the theory of management hierarchy: reducing administrative levels helps lower governance costs

and improve efficiency, but the potential governance burden resulting from an expanded span of control must be carefully managed. The key challenge lies in striking a balance between reducing levels and managing a wider administrative span, ensuring that provincial governments can effectively oversee counties while preserving the autonomy and governance capacity of lower-level governments. This reform is not only a practical application of management hierarchy theory but also a crucial step in China's broader efforts to modernize government administration (Wang, 2022).

3.4 Theory of Government Function Allocation

The theory of government function allocation emphasizes the structured distribution of fiscal, administrative, and public management responsibilities among different levels of government, arguing that a well-balanced allocation of functions enhances governance efficiency. This theory suggests that government responsibilities should be defined based on the capacity of each level, resource distribution, and public service demands, ensuring an optimized governance structure (Gulick & Urwick, 1937). The POSDCORB model, proposed by Gulick and Urwick (1937), outlines Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting as core governmental functions, highlighting the necessity of systematic function allocation to enhance administrative effectiveness.

Government functions refer to the responsibilities and functions that the state administrative organs need to undertake when they manage the political, economic and social affairs of the state in accordance with the law according to the objective needs of social development (Classification of the Functions of Government COFOG, 2021, p. 258). In short, government functions are the responsibilities and functions of

state administrative organs to manage state affairs. In actual political life, a country's understanding of government functions and related institutional arrangements can determine its overall design of government institutions, government systems and government processes on the basis of 'fundamentals' (Zhu, 2006). That is to say, the allocation of government functions is the basic premise for the government to set up institutions and design the government structure system. The so-called government function configuration refers to the problem of how to determine the boundaries of the responsibilities and functions that the government needs to undertake and how these responsibilities and functions are distributed within the government system. In the final analysis, the configuration of government functions can be interpreted from two levels: the first level mainly solves the problem of the boundary between the government and the external system (including the state and society, the government and the market). That is, it is necessary to answer questions such as “what should the government as a whole manage?” and “where are the boundaries of government functions?”. The second level mainly solves the problem of functional division of labor within the government system, which can be subdivided into two aspects: the division of labor between horizontal functional departments within the government and the functional division of labor between vertical levels of government.

As far as China's specific situation is concerned, from the perspective of the central government, with the start of the reform system of major departments in 2008, the horizontal division of functions among the central ministries and commissions has been basically clarified. However, little progress has been made in terms of what functions local governments should undertake, and how vertical inter-governmental powers should be divided.

On the one hand, under the guidance of 'GDPism', the assessment and promotion of local officials are all linked to economic indicators (Feng, Qiu, Kang, Wang & Shi, 2016). This makes most local governments still focus on attracting investment and local economic construction, rather than better providing high-quality public services to residents in the region. In this context, the tendency of local governments to obstruct the free allocation of regional resource elements through administrative intervention, and thus provide protection for local economic development, is bound to intensify. It can be said that in the increasingly mature market economy conditions, if the relationship between the government and the market cannot be straightened out, the government functions should be effectively transformed. Even if the PDMC system is implemented in the whole country, various problems under the city management county system will also appear in other forms. From a global perspective, the current service-oriented government has become the mainstream direction of the development of governments around the world. According to Oates' (1972) 'decentralization theorem', the lower-level government is closer to the people than the high-level government, it has a better understanding of the residents' preferences in the jurisdiction. Therefore, the provision of public services by lower-level governments may be more efficient than higher-level governments. The current reform of the system of PDMC is a realistic product that adapts to the development trend of the above-mentioned world government. In the process of reforming the system of 'counties under the direct management of the province', it is necessary to effectively transform the functions of local governments, and shift the focus of local government functions from the field of economic construction to the field of public services. This ensures that local governments can concentrate limited resources and provide better quality public products and services for the people.

On the other hand, the current vertical levels of government in China still show a significant feature of 'responsibility isomorphism' in terms of function allocation (Constant, 2022). Under the 'responsibility isomorphism' system, what functions the lower-level government undertakes depends almost entirely on the administrative instructions of the upper-level government, and the scope of its own independent decision-making and independent execution is very small. In addition, the fiscal decentralization system established by the TSS reform in 1994 did not clearly stipulate the source of tax revenue for governments below the provincial level. Governments below the provincial level do not have independent tax revenue sources, which makes the lower-level government more limited in its discretionary financial resources (Xuan, Zhang & Li, 2020). However, in the actual operation of the government, the pressure on the lower-level government to perform its duties has not been relieved by the lack of financial resources, and it still needs to undertake a large number of distribution functions from the higher-level government. The mismatch between the financial and administrative powers of grass-roots governments seriously affected the enthusiasm of grass-roots governments and the realization of the goal of equalizing public services in urban and rural areas (Wang & Lu, 2021). To a certain extent, due to the fact that the current vertical intergovernmental function configuration is seriously lagging behind the objective requirements of the transformation of government functions, the lower-level local governments, especially the grass-roots governments, are facing the dual pressure of increasingly heavy government governance tasks and serious shortage of governance capabilities (Li, 2023). From this point of view, how to scientifically divide the scope of power between the vertical levels of government and build a responsibility allocation system that matches the power and financial power has become a key problem that

must be solved in the current process of promoting the reform of the PDMC system. This is directly related to the overall governance performance of the government.

3.4.1 Relevance Between Theory of Government Function Allocation and PDMC

The theory of Government Function Allocation provides a critical theoretical foundation for the reform of PDMC. This theory emphasizes that government functions should be allocated based on the governance capacity, fiscal resources, and public service demands of each level of government to optimize the governance system and enhance administrative efficiency (Gulick & Urwick, 1937). In China, the traditional province-city-county governance system has long maintained a city governing counties model, where municipal governments not only control fiscal distribution but also strictly regulate county-level administrative affairs. This structure has led to limited fiscal autonomy for county governments and inefficiencies in governance. PDMC reform represents a practical application of the Theory of Government Function Allocation by eliminating municipal control over county-level fiscal and certain administrative affairs, allowing counties to be directly governed by provincial authorities. This reform aims to reduce administrative layers, improve the efficiency of fiscal resource allocation, and enhance county-level governance capacity.

However, the application of the Theory of Government Function Allocation in PDMC reform must be contextualized within China's unique governance structure, particularly the phenomenon of "functional isomorphism" (Zhu & Zhang, 2024). Functional isomorphism is a defining characteristic of China's government system, in which different levels of government exhibit highly similar structures,

responsibilities, and institutional setups. While this model ensures administrative stability, it also leads to blurred lines of authority between different levels of government, making it difficult to effectively reallocate fiscal and administrative powers (Zhu & Zhang, 2024). In PDMC reform, the expansion of county-level fiscal autonomy has not always been accompanied by corresponding adjustments in administrative approval, planning, and governance authority. This has resulted in a “fiscal decentralization without administrative autonomy” dilemma, where counties gain control over financial resources but remain subject to municipal oversight in key administrative matters. As a result, fiscal decentralization alone does not automatically enhance governance effectiveness; the simultaneous adjustment of administrative authority is essential for the success of PDMC reform.

At the same time, the Administrative Contracting System provides another perspective for understanding the governance logic of PDMC reform. Zhou (2014) argues that China’s local governance system heavily relies on fiscal incentives and performance evaluation mechanisms, with higher-level governments “contracting out” governance responsibilities to lower-level governments through fiscal tools. This structure incentivizes local governments to prioritize short-term economic performance over long-term public governance objectives (Zhou, 2014). In the context of PDMC reform, if fiscal decentralization occurs without corresponding adjustments to local governance incentives, county governments may continue to operate under the same financial constraints, driven more by fiscal assessments than by actual governance needs. This indicates that PDMC reform must go beyond fiscal autonomy by introducing complementary administrative delegations and governance assessment mechanisms, ensuring that county governments assume real governance responsibilities alongside their increased fiscal authority.

In conclusion, while the Theory of Government Function Allocation provides the theoretical framework for PDMC reform, its practical implementation in China must account for the challenges posed by functional isomorphism and the Administrative Contracting System. Functional isomorphism underscores the necessity of adjusting administrative authority in parallel with fiscal decentralization, ensuring that governance responsibilities are appropriately aligned. Meanwhile, the Administrative Contracting System highlights the role of fiscal incentives in local governance, emphasizing that fiscal decentralization must be integrated with administrative restructuring and governance evaluation mechanisms. Only by addressing these structural constraints can PDMC reform achieve its intended goal of empowering county governments and enhancing governance efficiency. The application of the Theory of Government Function Allocation in PDMC reform thus represents both an adaptation to China's governance realities and a theoretical advancement in understanding the relationship between fiscal and administrative decentralization.

3.5 Summary of Chapter

This study explores three key theories that provide a theoretical framework for understanding the challenges and prospects of the PDMC administrative system in China. It analyzes the interconnections between the difficulties faced in implementing PDMC and the broader administrative challenges, while also considering the potential future of reforms in this area.

The theory of fiscal decentralization emphasizes the importance of local government autonomy, aligning with the core goals of PDMC, which aims to enhance local governance and better meet the needs of economic development and public services. This theory posits that local governments, being closer to grassroots communities,

can more effectively deliver public services and optimize resource allocation. Therefore, granting county-level governments greater fiscal autonomy can enhance governance efficiency. However, fiscal decentralization must be coordinated with administrative decentralization to prevent imbalances in fiscal resource distribution, inefficiencies in governance, and rising local government debt risks. This theory also accounts for some of the existing issues within the PDMC framework.

The management hierarchy theory highlights the inefficiencies of the previous four-level local government system and supports the need for reform to improve communication and efficiency between central and local governments. However, it notes that current fiscal reforms under PDMC have not significantly lowered management levels as intended.

Lastly, the theory of government function allocation explains the limited autonomy of county governments despite receiving certain fiscal powers from provincial authorities. China's local governments still face the issue of "responsibility isomorphism," where grassroots governments bear excessive responsibilities despite limited fiscal resources, negatively impacting governance performance. It underscores the necessity of re-evaluating the distribution of functions among various government levels to ensure effective implementation of PDMC reforms. Therefore, the PDMC reform must not only adjust administrative hierarchy but also scientifically delineate governmental functions at different levels, ensuring a proper alignment of authority and responsibility to enhance overall governance effectiveness.

Overall, the study identifies key challenges in the PDMC system and proposes solutions grounded in these theoretical frameworks, emphasizing the need for a

balanced approach to management levels and functional allocation to achieve comprehensive administrative reform in China. The PDMC reform is not merely an adjustment of the administrative structure but a comprehensive practice of fiscal decentralization, hierarchical optimization, and government function restructuring. The key to successfully advancing the reform lies in the rational allocation of fiscal and administrative authority, optimization of government hierarchy, and enhancement of local governance capacity to achieve more efficient public service delivery and governance modernization.



CHAPTER FOUR

METHODOLOGY

4.0 Introduction

This research adopt qualitative methodology by interviewing interviewees from government units to analyze PDMC reform system based on the information provided by the interviewers. This study focuses on the current problems existing in China's PDMC and the next reform path, as well as possible challenges and solutions in the advancement of subsequent reforms.

4.1 Research Method

This study uses literature research and qualitative analysis to study the reform goals, conditions and paths of China's PDMC. In the process of research, case studies are used to study the effectiveness of China's PDMC reform. It will give a comprehensive explanation of the background, reform implementation, reform effects and problems faced by the reforms related to the PDMC initiated in several provinces in China. Through the method of literature research, analyze and study the future direction of China's PDMC reform. This study adopts qualitative research methods, selects Jiangsu and Guizhou to analyze the reform policies of PDMC, analyzes the current stage of PDMC reform and whether it is suitable for the next step of reform. A comparative analysis of the reform process of PDMC in different provinces can provide experience for the reform of the system of PDMC in the future, and a more appropriate starting point can be correctly selected according to the conditions of different provinces. Hence, the correct relationship between provinces, cities, and counties can be quickly established. This research uses the expert interview method. The author specified the questions according to the research

content and interview relevant staff. Interview data was collected and processed by Nvivo. Multiple ways has been adopted such as phone calls, video interview, and visits to consult scholars of the PDMC reform system theory, personnel from relevant departments, and experts and scholars with rich experience in universities. The researcher explored the development direction and target positioning of the reform system of PDMC.

4.1.1 Research Paradigm

The word 'paradigm' originally refers to the word 'word change table' in the grammar. Its original meaning is to indicate the rules of magnetic changes. As a special term, the 'paradigm' is first proposed by the famous American historian Ken in the "The Essential Tension" (1959). However, the extensive spread of this term and the general acceptance of people are still related to Kuhn's classic book "The Structure of the Scientific Revolution" (1962). In this book, one of the most useful use of Kuhn is 'paradigm' (Daston, 2020). In Kuhn's view, paradigms have two characteristics or standards, One is to be able to attract some firm supporters. Second, it can know that these supporters solve problems, so the paradigm has both psychological orientation and actual guiding role in scientific researchers. It can be seen that the so -called paradigm refers to the common beliefs, traditions, and theoretical methods held by scholars engaged in the same special field research. Paradigm represents a solution to a near -fixed problem. Paradigm is not theory, but he has played a great role in the formation. From this to the research paradigm of curriculum and teaching, it can be regarded as a common belief, tradition, theoretical and research form, and research strategy held by curriculum researchers when studying curriculum problems.

After hundreds of years of historical development, Western education and education theory has achieved fruitful results. The research paradigm includes three main categories, namely the positivist paradigm and the interpretivist paradigm and criticism paradigm.

The founder of the positivist paradigm is August Comte. Not only did he establish positivist paradigm system, but he was committed to implementing the empirical scientific spirit into all areas of knowledge. He advocates applying natural scientific research methods, such as observation, experimental laws, investigation methods, comparative methods, etc. to social science research. He believes that only by implementing the empirical spirit into all areas of human knowledge can we lay a solid foundation for social transformation and education. The basic characteristics of positivist paradigm attribute the task of philosophy to the phenomenon research, use the phenomenon theory as the starting point, and refuse to grasp the sensory materials through rationality. It is believed that the scientific law can be obtained through the induction of the phenomenon. It takes the relationship between philosophy and science as the central issue of its theory, and strives to dissolve philosophy into science.

In the middle of the 19 century, in the face of natural sciences, the invasion of humanities science. A group of influential social scientists such as German philosopher Wilhelm Dilthey began to fight natural sciences and strive for independence for humanities. They believe that there is a huge difference in humanities and natural sciences, and natural science research in nature is naturally unconscious. Humanities and science research people, people and people and people's creators. Therefore, Dilthey pointed out that humanities cannot apply the

methodology of natural sciences. The banner of 'We explained nature and understanding spiritual life' proposed by Dilthey laid the foundation of understanding as the interpretivist paradigm.

Criticism paradigm itself is formed on the basis of the positivist paradigm and the interpretivist paradigm. The sociological theory of criticism comes from Hegel's dialectical philosophy, Marx's critical philosophy, and Freud's subconscious theory. Criticism paradigm believes that the research object of social philosophy is social practice, and social practice is a transformation of unreasonable phenomena in society. In other words, sociology is not to study general social actions, but to study practical activities that can transform society. In terms of social views, criticism paradigm believes that society is not pure in humanity. Society itself is the practice process of being a class. Through the above analysis of various schools, the researchers decided that based on the nature of the problem and the goals of the research, it is consistent with the interpretivist paradigm.

The selection of the interpretivist paradigm in this study is primarily based on the research objectives, which focus on exploring the necessity of advancing Provincial Directly Administered Counties (PDMC) in administrative governance, the potential challenges involved, and relevant policy recommendations. Given that the study emphasizes the dynamic interactions between different levels of government, the distribution of administrative authority, and the optimization of governance structures, the interpretivist paradigm provides the most suitable analytical framework for capturing these complexities (Yanow & Schwartz-Shea, 2014).

Kuhn (1962) defined a paradigm as a set of shared beliefs, traditions, and theoretical frameworks that guide scientific inquiry. The interpretivist paradigm, introduced by Dilthey (1989), emphasizes understanding social phenomena through subjective experiences rather than relying solely on empirical measurement. Unlike the positivist paradigm (Comte, 2000), the interpretivist paradigm is more applicable to policy reform research as it addresses institutional structures, governance practices, and government behavior patterns, which cannot be precisely measured through quantitative methods (Schwartz-Shea & Yanow, 2012).

This study primarily employs qualitative data, particularly in-depth interviews with government officials, to assess the feasibility of PDMC in administrative system reform and the potential administrative burdens on provincial governments, asymmetrical power distribution, and adjustments in governance levels (Creswell & Poth, 2016). These issues involve subjective perceptions, institutional interactions, and the evolution of governance mechanisms, making it difficult to capture them comprehensively through quantitative or positivist approaches alone (Bryman, 2016). The interpretivist paradigm thus enables the study to explore how different levels of government perceive and respond to decentralization reform, leading to a more holistic understanding of the issue (Yanow, 2000).

Moreover, while the critical paradigm focuses on power structures and societal transformation (Horkheimer, 1972; Marcuse, 1964), this study does not aim to critique the existing governance model but rather to provide feasible policy recommendations for optimizing the reform process. Such as the necessity of PDMC in the administrative system and the possible challenges, and based on this, refine solutions and suggestions. Therefore, the interpretivist paradigm is more appropriate

for analyzing policy implementation challenges and administrative restructuring strategies from the perspective of reform practitioners, ensuring the study's practical relevance and policy applicability (Guba & Lincoln, 1994).

In conclusion, the interpretivist paradigm aligns with the research objectives of analyzing the PDMC in administrative system. It facilitates a deeper understanding of the complexities of policy reform, government behavior patterns, and governance structure adjustments (Schwartz-Shea & Yanow, 2012). By emphasizing subjective experiences and institutional interactions, this approach provides a solid theoretical foundation for analyzing administrative reform and contributes to future policy formulation (Creswell, 2017).

4.2 Research Design

Research design refers to the overall strategy used to conduct research. By collecting, explaining, analyzing, and discussing data, a simple and logical plan is defined to solve the established research problems. The design of the research defines the type of research, research issues, assumptions, independence, and due to variables, experimental design, and if the applicable data collection method and statistical analysis plan (Creswell, 2017). Research design is a framework to find the answer to research questions.

This study adopts a qualitative analysis approach, utilizing in-depth interviews, case studies, and historical analysis to enhance research effectiveness and provide a more intuitive exploration of the research topic. By examining the implementation of the PDMC reform in provinces such as Guizhou and Jiangsu, this study investigates the

next steps in the reform process and offers perspectives for advancing the PDMC system.

Understanding the logical evolution of the government's vertical management system is crucial for comprehensively grasping the ongoing PDMC reform. Furthermore, this study contextualizes the reform within China's national conditions, conducting an in-depth analysis of its background, impact, and future trajectory. By providing informed predictions and policy recommendations, the study aims to contribute to the continued advancement of PDMC reform.

This research adopted qualitative research design. Face-to-face interviews adopt the same research issues and goals, and consult scholars, relevant departments, and experts and scholars with rich university experience through telephone, access, etc. To explore the development direction and target positioning of the reform of the PDMC system.

4.3 Techniques of Data Collection

In-depth interviews are suitable for investigating sensitive and private issues. The interview method is an in-depth face-to-face or online conversation method used to gather information about an individual's views and feelings. It typically involves open-ended questions that allow respondents to freely express their thoughts and emotions. Therefore, the in-depth interview method is suitable for collecting data on motivation and sensitivity issues. In-depth interviews allow researchers to obtain more authentic and insightful responses through in-depth interactions with respondents, allowing researchers to better understand topics such as their needs, motivations, and behavioral patterns (Roller, 2020; Eppich et al., 2019). In addition,

this approach can help alleviate the defensiveness and concerns about privacy leaks that respondents may have in public. At the same time, for case analysis, the data comes from official releases or document data. Provinces like Shandong, Jiangsu and Guizhou are promoting the documents and policies issued by PDMC. Additional information comes from local government personnel.

The methodology section of this study covers research design, research instruments, and data collection methods. A qualitative research approach is adopted, integrating interviews, case studies, and historical analysis to explore the reform of PDMC. The research instruments primarily include an interview guide, NVIVO 14 qualitative analysis software, and a case study framework, which are used for data collection and analysis. The interview questions were developed based on relevant literature and tailored to the research needs to ensure data validity. Regarding data collection, this study systematically examines the governance structure and future reform directions of PDMC through in-depth interviews with government officials and scholars, as well as the analysis of policy documents and government reports. This methodological framework facilitates a comprehensive understanding of intergovernmental relations, administrative power distribution, and governance challenges, providing both theoretical and practical insights for PDMC reform.

This project puts forward the basic problems to be solved in the full text by studying the history of China's PDMC reform and reading a large number of documents. Starting from the related theories of administration and political science, systematically study the direction, conditions and path of the reform system of PDMC.

Snowball sampling can rapidly expand the sample size within a short period, making it particularly practical for studying policymakers, expert scholars, or specific administrative levels (Noy, 2008). This study adopts the snowball sampling method to ensure the expertise of respondents and the high relevance of the collected information. Initially, the researcher identified appropriate government departments and academic institutions as the primary sources of information based on the research objectives of the PDMC reform. These sources included provincial and county-level governments, policy research institutions, and scholars from relevant universities. At the initial stage, key informants were selected through a review of policy documents, academic literature, and government reports, combined with the researcher's understanding of PDMC reform.

During the interviews, the researcher introduced the research background, objectives, and data confidentiality principles to participants and invited them to recommend other government officials or experts with substantial experience in PDMC reform. Since many respondents belonged to the core policy making and implementation circles, they were familiar with one another. This recommendation mechanism effectively expanded the interview pool and ensured the high quality and depth of the collected data (Atkinson & Flint, 2001).

4.3.1 Research informant

In order to obtain first-hand reliable data, the personnel providing the data must have a certain understanding of the reform of China's PDMC system. Selecting government departments that are involved in the reform of PDMC and scholars from universities who are involved in the reform of PDMC has been made carefully. At the same time, in order to make the data more complete, staff and scholars from

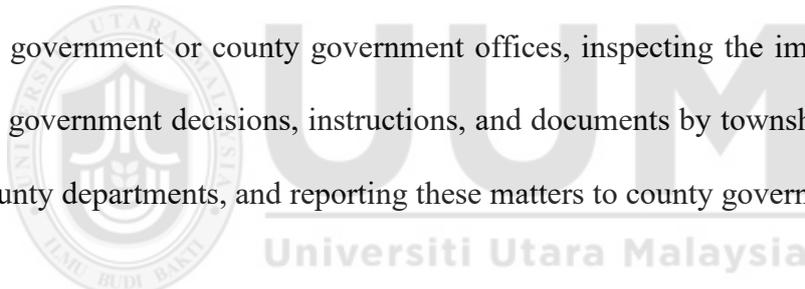
Party School were selected for interviews. These government departments are: County Government Office, city Party Committee Office, Policy Research Office, Development and Reform Commission, Bureau of Finance, and Party School. Scholars in colleges and universities come from universities in Shandong such as Shandong Agricultural University.

These departments have first-hand document transmission or implementation tasks for policy transmission and implementation. At the same time, because the reform of the PDMC is mainly promoted by local governments, government departments within Shandong Province are selected instead of central departments, which can make the data closer to reality and more reliable. At the same time, the reform of counties under direct provincial administration currently involves the support of theoretical knowledge in many fields, so researchers from universities are more authoritative in this regard.

Qualitative data collection is time-consuming and the number of respondents is saturated. In qualitative research, saturation means that after collecting and analyzing data, the researcher finds that no new information or ideas emerge, but instead repeated themes and patterns emerge. At this time, it can be considered that the data has reached saturation (Creswell, 2021).

County Government Office: The County Government Office is a functional department of the county government that comprehensively manages the county's economic construction and social development undertakings, is in charge of the daily government affairs of the county government, implements administrative command and supervision, and participates in macro-control of the national economy. Its main

responsibilities are to undertake the administrative work of the city government's work decisions in the county and the drafting of documents for the county government to report and request instructions to the city government. In addition to the matters and feedback transferred to the county government by the city party committee, city government, and its departments, the county government is also responsible for undertaking the processing, review, and approval of requests for instructions and reports submitted by township governments and county-level departments to the county government. Furthermore, it is responsible for the preparation of county government meetings and for the supervision, inspection, and feedback of decision-making matters. In addition, it is responsible for drafting, submitting for review, printing, and distributing documents issued in the name of the county government or county government offices, inspecting the implementation of county government decisions, instructions, and documents by township governments and county departments, and reporting these matters to county government leaders.



City Party Committee Office: Responsible for information research work, focusing on the overall work deployment of the city Party Committee, collecting information, reflecting trends, investigation and research, comprehensive coordination, and providing basis and services for the city Party Committee's decision-making. Responsible for supervision and inspection work, formulate supervision plans according to the important work arrangements of the city Party Committee, directly or coordinately organize relevant departments to carry out supervision and inspections, and provide feedback on implementation progress to the city Party Committee and higher-level party committees. Responsible for conveying and urging the implementation of instructions from the Party Central Committee, provincial and

city committees, and instructions from leaders of the Party Central Committee, provincial and city committees.

Political Research Office: Focusing on the central work of the city Party Committee, it conducts investigations and research on the city's economic, political, social and other aspects of guidelines and policy issues, and provides opinions and suggestions to the city Party Committee for reference in the city Party Committee's decision-making. Organize and coordinate relevant functional departments to investigate and study major issues in the city's industry, agriculture, finance and trade, science and technology, education, health, culture and other aspects, and put forward opinions and suggestions. Responsible for drafting or revising important documents and manuscripts related to the city Party Committee. Do a good job in providing information feedback in the implementation of the party's principles, policies and important decisions. Go deep into the grassroots, investigate and study, collect information, summarize information, comprehensively reflect relevant opinions and various tendentious issues of leaders at all levels and the broad masses of cadres and the masses to the city party committee, and put forward suggestions to improve, supplement or even modify decision-making. Organize and write articles and books as needed to publicize and explain relevant guidelines and policies of the central, provincial and city committees. Organize, contact and coordinate all aspects of the city's forces to form a multi-level political research network.

Finance Bureau: The Finance Bureau is responsible for local financial work, implementing financial systems, organizing fiscal revenue in accordance with policies, ensuring fiscal expenditures, managing and utilizing local fiscal funds, and promoting the development of industrial and agricultural production and the

development of various undertakings. According to the local economic development plan, formulate local financial development plans, formulate annual budgets and prepare annual final accounts, implement the annual budgets approved by the local people's congress, and comprehensively balance local financial resources. Manage the expenditures of local administrative departments, political and legal departments, culture, education, health, science and technology, radio and television and other units, and supervise and guide administrative, groups, enterprises and institutions to strictly implement financial systems.

Development and Reform Commission: The responsibilities of the National Development and Reform Commission are very broad and cover many fields. In terms of macroeconomics, the National Development and Reform Commission is responsible for formulating and implementing macroeconomic policies, monitoring and analyzing domestic and foreign economic situations and developments, and proposing macroeconomic control policy recommendations to maintain stable economic operation. At the same time, the National Development and Reform Commission is also responsible for promoting strategic adjustments to the economic structure, optimizing industrial layout, and promoting coordinated regional development. In terms of investment, the National Development and Reform Commission is responsible for approving, approving, and filing major construction projects, and supervising the implementation of these projects. The National Development and Reform Commission is also responsible for formulating investment policies, guiding the flow of social funds, and promoting the reasonable growth of fixed asset investment. In addition, the National Development and Reform Commission is also responsible for promoting reforms in key areas and key links, deepening market-oriented reforms, and expanding opening up to the outside world.

The National Development and Reform Commission is also responsible for price management and supervision. Formulate and organize the implementation of price policies, monitor and predict changes in price levels, manage the prices and service charges of important national commodities, and maintain market price order. At the same time, the National Development and Reform Commission is also responsible for supervising infrastructure industries such as energy, transportation, and communications to ensure the security and stable operation of the national economy. To sum up, the National Development and Reform Commission is a comprehensive economic management department responsible for formulating and implementing economic policies and plans, promoting stable economic growth and structural optimization, and advancing reform, opening up, and modernization.

Party school: A school that trains leading cadres and outstanding young and middle-aged cadres. It is an important position to promote the construction of the party's ideological theory. It is a party and national philosophy and social science research institution and a new think tank with Chinese characteristics. The research on policy is very professional and extensive.

4.3.2 Interviews

In-depth interviews are a technique designed to gain a vivid understanding of participants' perspectives on the research topic. In in-depth interviews, the interviewee is considered the expert and the interviewer is considered the student. The researcher's interviewing technique is motivated by a desire to learn everything the participant can share about the research topic (Milena, Dainora & Alin, 2008). The selected interviewees were six from the county government office, three from the city party committee office, three from the party school, three from the political

research office, five from Shandong universities, and two from the Finance Bureau. The other two are from the Development and Reform Commission and the township and sub-district offices. Specific information can be found in Table 4.1.

Table 4.1
Informants Interviewed

S/N	interview	No. of Informants
1	County government office workers.	6
2	Policy Research Office staff.	3
3	Researcher at some Shandong Universities, China.	5
4	Township government staff.	1
5	Party school worker.	3
6	Bureau of Finance staff.	2
7	city Party Committee Office workers.	3
8	Development and Reform Commission	1
	Total number of the informants interviewed	24

The selected informants are all workers from the three levels of government, province, city and county in Shandong Province. The reason for choosing to interview staff from the three levels of government in Shandong is that Shandong's situation can provide reliable experience for most provinces in China in promoting PDMC reform system. Firstly, Shandong Province is representative in terms of economic and social structure. Its economic structure combines a developed coastal economy with a vast inland area, and has a variety of industries, including agriculture,

manufacturing, and emerging high-tech industries. This diversity is similar to the economic and social structure of many provinces in China. Secondly, Shandong Province is geographically and culturally diverse. Shandong Province is vast, covering both coastal open areas and inland traditional agricultural areas, and is rich in cultural diversity. This geographical and cultural diversity can provide other provinces in the country with similar situations with valuable experience on how to implement reforms in accordance with local conditions. Thirdly, Shandong Province is one of the most populous provinces in China, with a complex administrative structure and a widely distributed population covering a diverse range of regions from urban to rural areas. Shandong is able to improve the administrative management capabilities of county-level governments in such a large population scale. When provinces with smaller populations learn from Shandong's experience, the management tasks of county-level governments will be relatively simple and the pressure of execution will be less.

Interviewees include department deputy director-level leaders, department deputy directors, and deputy section chiefs. The reason for choosing this group of people is that most of the interviewees have more than 10 years of work experience, and the least one interviewee has worked in the government department for at least 3 years. They are more professional and comprehensive in the reform of China's provincial-level county system than others. For scholars in universities, they have a comprehensive understanding of the theory of reform. In light of the aforementioned considerations, the codes presented in Table 4.2 were identified during the analysis.

Table 4.2
Informants' Background Information

s/n	Informant s/codes	Organization	Role/Experience
1	CGO1	County government offices	Deputy Director
2	CGO2	County government offices\Admin	Chief
3	CGO3	County government offices\Secretarial Section	Chief
4	CGO4	County government offices\Admin	Deputy Chief
5	CGO5	County government offices\Personnel Section	Chief
6	CGO6	County government offices\Secretarial Section	Officer
7	MCO1	city Party Committee office	Deputy Director
8	MCO2	city Party Committee office\The first section of the secretary	Deputy Chief
9	MCO3	city Party Committee office	Officer
10	PS1	Provincial Party School	Vice President
11	PS2	Provincial Party School\Teaching Affairs Department	Lecturer
12	PS3	Provincial Party School\Theoretical Research Office	Researcher
13	PRO1	Policy reform office	Deputy Director
14	PRO2	Policy reform office	Officer
15	PRO3	Policy reform office	Officer
16	UOS1	University in Shandong\Agricultural University	Associate Professor
17	UOS2	University in Shandong\Agricultural University	Lecturer
18	UOS3	University in Shandong	Associate Professor
19	UOS4	University in Shandong	Lecturer
20	UOS5	University in Shandong	Associate Professor
21	BOF1	Bureau of Finance	Deputy Director in charge of Financial Supervision
22	BOF2	Bureau of Finance	Officer
23	DRC1	Development and Reform Commission	Deputy Director
24	TSO1	Township sub-district offices	Mayor

Source: Generated from the interview

The author conducted interviews with the above mentioned interviewees. In the preparation stage, it is usually difficult to communicate with the external telephone number of the department in advance, or to convey the willingness of the interview

to the leader through the department staff to ensure that the interviewee finds a suitable time to be interviewed. The interviewee was then informed of the purpose of the interview before the interview, and the relevant documents for collecting data were presented. Because most of the interviews were limited by time and location, they were conducted online and face-to-face. Due to national policy reasons, most of the interviewees did not want the video to be recorded. After obtaining their consent, their answers to the interview were transcribed in real time to ensure the accuracy of the information. For those interviewees who agreed to have their videos recorded, they were assured after the interview that they would not be used for anything other than the research of this article.

4.3.3 Chronology of Data Collection

This study conducted one round of semi-structured interviews between May 2023 and November 2023. The interviews focused on the reasons, approaches, and existing challenges related to PDMC reform system, as well as potential solutions. A total of 24 participants were interviewed, including officials from provincial, city, and county-level governments, as well as scholars from universities. During the interviews, data reached a saturation point, with no new themes or insights emerging. As a result, no additional interviews or data validation were conducted.

Preparation Phase (April 2023)

Before data collection, the researchers carried out thorough preparatory work:

Based on the research framework of the PDMC reform, a semi-structured interview guide was developed, covering 9 core questions. These questions mainly addressed

the reasons behind the PDMC reform, the challenges of implementing PDMC in fiscal sector, and possible solutions. The guide also explored potential issues that could arise if PDMC in administrative system were implemented, along with solutions to those problems. Moreover, the study focused on changes in relationships between the province, city, and county levels post-reform.

A total of 24 participants were recruited. The participants included government officials from different levels, scholars from universities, and policy researchers from party schools, ensuring diversity in the data sources.

Interview Implementation Phase (May 2023 - November 2023)

Interview Period: The interviews were conducted in batches from May 2023 to November 2023, depending on the participants' schedules. Each participant took part in a single interview lasting approximately one hour.

Interview Format: Due to geographic constraints and the work schedules of both the participants and the interviewers, the interviews were conducted primarily online or in person.

Data Accuracy in Online Interviews: To ensure data accuracy during online interviews, real-time transcription of the interview content was performed.

Data Collection Focus: The interviews focused on the reasons and progress of the PDMC reform, the new roles of county governments within the reform, the impact of the reform on intergovernmental relationships, and future prospects. The participants

provided rich qualitative data, detailing the practical issues encountered during the reform and potential solutions.

Data Saturation (November 2023)

Saturation Point: As the interviews progressed, it became apparent that the data had reached saturation, with no new themes or insights emerging from the participants' feedback. All core questions were sufficiently addressed, and therefore no additional interviews or further data collection were conducted.

Data Processing Phase (November 2023 - March 2024)

Preliminary Analysis: After the completion of data collection, the study entered the data processing phase in November 2023. The initial analysis focused on coding the interview records and extracting key themes, identifying five major themes.

Data Organization and Analysis: Between January 2024 and March 2024, the data were systematically analyzed using qualitative analysis software (NVivo). A total of 21 sub-themes were identified. During further analysis, it was discovered that two of these sub-themes could each be further divided into three smaller sub-themes.

Final Analysis: The entire data processing and analysis process was completed in March 2024, providing solid data support for the subsequent report writing.

4.3.4 Ethical Consideration

Before each interview, all participants should be clearly informed of the purpose of the study, the nature of their participation, and how their data will be used (Creswell & Poth, 2016). Participants should be informed of their rights before the interview

begins, including that they can withdraw from the study at any time without any adverse effects. Parts involving participants' personal information are pseudonyms or blurred to ensure that the privacy of participants is protected to the greatest extent possible (Wiles, 2012). Given the sensitivity of the research topic involving government reform and policy analysis, as well as the nature of the participants' work, when the interviewee did not want to be video recorded, voice transcription was used to ensure not only the personal privacy of the interviewee, but also the accuracy of the data. Interviewees who agreed to video recording were also guaranteed that the recorded video would not be leaked and would only be used for this study.

4.4 Methods of Data Analysis

Thematic analysis technique was used to process the information from the in-depth interviews. This is consistent with qualitative analysis. The researcher used qualitative analysis software (NVIVO 14) to analyze the interview data. A particularly important part of the thematic analysis process involved coding the data. A code is a short descriptive phrase or sentence that gives meaning to the data that is relevant to the researcher's analytic interest (Lester, Cho & Lochmiller, 2020).

The thematic analysis method was employed to process in-depth interview data, ensuring a systematic and rigorous approach. This study employs thematic analysis as the primary data processing method due to its flexibility, depth, and applicability in complex policy research. The PDMC reform involves multiple dimensions, including fiscal decentralization, administrative authority reallocation, and local governance restructuring. By applying thematic analysis, researchers can extract key themes from interviews with policymakers and government officials, thereby

identifying the driving forces, obstacles, and potential impacts of the reform's implementation (Naeem et al., 2023).

Thematic analysis offers a high degree of flexibility, making it particularly suitable for exploratory research (Naeem et al., 2023). The PDMC reform represents an innovative governance approach specific to China, and existing theoretical frameworks may not fully capture its complexity. Therefore, this study mainly extracts key themes from interview data, which can ensure the innovativeness of the themes (Roberts et al., 2019). This approach ensures openness in data analysis, allowing researchers to identify emerging issues beyond conventional theoretical frameworks. The selection of these three theories in this study also provides guidance for the formulation of the topics. For example, the fiscal decentralization theory provides researchers with topics related to fiscal decentralization, such as the lack of fiscal autonomy of county governments.

Moreover, thematic analysis allows for a deeper exploration of respondents' perspectives, mitigating the oversimplification often associated with quantitative research (Jowsey et al., 2021). PDMC reform entails fiscal authority delegation, adjustments in administrative approval rights, and public service provision, and government officials at different levels may have diverging interpretations and attitudes toward these changes. Thematic analysis ensures that the perspectives of various levels of government are fully captured, avoiding the loss of contextual information that can occur in purely quantitative studies. For instance, municipal officials may emphasize the impact of functional adjustments on intergovernmental coordination, whereas county-level officials may be more concerned with the actual implementation of fiscal autonomy.

Furthermore, thematic analysis is particularly well-suited for policy and governance research (Naeem et al., 2023), as it reveals the institutional logic and practical challenges of PDMC reform across different levels of government. PDMC reform is not merely about fiscal reallocation; it also requires administrative power realignment and the enhancement of grassroots governance capacity. Through thematic analysis, researchers can systematically identify the experiences, challenges, and coping strategies of local governments during the reform process, offering targeted policy recommendations. For example, thematic analysis can uncover how county governments navigate administrative constraints even after gaining fiscal autonomy, particularly when land-use planning and major project approvals remain under municipal control.

In conclusion, thematic analysis ensures both depth and systematic rigor in this study, allowing for a comprehensive examination of PDMC reform. By leveraging NVIVO 14 software for coding and visualization, this method enhances the transparency and replicability of the research findings. The application of thematic analysis not only facilitates a nuanced understanding of the policy outcomes of PDMC reform but also provides a methodological framework for future governance reform research.

Prior to importing the data into NVIVO 14 for coding, the researcher conducted a comprehensive review of all interview transcripts. This preliminary step aimed to familiarize the researcher with the respondents' perspectives, identify potential themes, and establish an overall understanding of the interview content. Particular attention was given to high-frequency words, recurring viewpoints, and key policy terms. Additionally, the review process was informed by fiscal decentralization

theory, management hierarchy theory, and government function allocation theory to facilitate an initial organization of the data.

Following this review, the researcher annotated the text and filtered out irrelevant information, such as casual conversations, redundant expressions, and content unrelated to the research focus (Braun & Clarke, 2006). Simultaneously, potential coding categories were recorded, and key patterns observed in the data were documented in a research log. To ensure the scientific validity of thematic categorization, the researcher cross-referenced the interview content with relevant literature, leading to the identification of several key themes, including 'fiscal autonomy,' 'administrative hierarchy optimization,' 'provincial government pressure,' 'power asymmetry,' and 'adjustments in governance levels.' Under the framework of fiscal decentralization, particular emphasis was placed on county governments' perspectives regarding budget management, taxation policies, and fiscal autonomy. In the context of management hierarchy, the study examined the distribution of responsibilities between provincial and county governments and the governance challenges arising from the weakened role of prefecture-level cities. Regarding government function allocation, attention was directed toward respondents' views on administrative approval, public service provision, and power delegation. This phase not only helped clarify the core research direction but also provided a structured foundation for subsequent coding.

Upon completing the review and initial analysis, the refined interview transcripts were imported into NVIVO 14 and categorized according to the respondents' respective departments to facilitate structured and efficient data management. The coding process involved three distinct stages. The open coding phase entailed

assigning labels to key content based on research objectives, such as 'fiscal autonomy,' 'administrative hierarchy optimization,' 'policy implementation challenges,' 'provincial government management pressure,' 'power asymmetry,' and 'county-level governance capacity.' These labels were either directly derived from the respondents' statements or synthesized from relevant theoretical frameworks and literature. During the axial coding phase, similar codes were grouped into broader categories, and relationships between them were analyzed, including the alignment between fiscal and administrative powers, constraints on power delegation, and strategies for enhancing county-level governance capacity. The final selective coding phase involved refining the core themes to ensure that they comprehensively encapsulated the respondents' perspectives while aligning with the research objectives. Ultimately, five major themes and 21 sub-themes were identified, with two sub-themes further divided into three smaller themes, providing a structured analytical framework for the study.

To enhance the reliability and validity of the thematic analysis, multiple validation measures were adopted. Triangulation was conducted by cross-referencing interview transcripts, research notes, and relevant literature to strengthen the accuracy of data interpretation. Throughout the analysis, a reflexive approach was maintained, with the researcher documenting analytical decisions, potential biases, and methodological reflections to enhance objectivity and transparency. By implementing this systematic thematic analysis methodology, the study ensures a rigorous approach to data processing while providing a solid foundation for theoretical development and empirical analysis.

4.5 Summary of Chapter

This chapter discusses the research method used, which is qualitative research, and complements the research theme of China's PDMC reform system with case analysis. NVIVO is used for encoding during data processing, which facilitates data processing.



CHAPTER FIVE

DATA ANALYSIS AND RESULTS

5.0 Introduction

This chapter presents the analysis, starting with a case study of reforms in Shandong Province, China. It begins by analyzing and comparing the documents issued by the PDMC in administrative system and the conditions of each pilot county, and analyzing the existing problems and development directions of the PDMC in administrative system in Shandong Province. This provides an answer to research question 1.

It also introduces the analysis of the interview content, based on the fact that the interviewees are staff from county government offices and political research offices in Shandong Province, China, as well as researchers from Shandong universities, etc. The analysis provided answers to research questions 1, 2, and 3, which were explored through in-depth interviews. The interviews were conducted between May and October 2023. Regarding research questions 2 and 3, due to the reality that Shandong Province has not implemented the PDMC in administrative system, the interviewees conducted reasonable analysis based on their own experience and the current research on PDMC.

5.1 Basic Situation of Shandong Province

Shandong Province has a total area of 157,900 square kilometers. As of December 31, 2023, Shandong Province has 16 cities divided into districts and 136 county-level administrative regions, including 58 city districts, 26 county-level cities, and 52 counties.

Shandong Province will achieve a regional GDP of 9.20687 billion yuan in 2023, an increase of 6%. Among them, the added value of the primary industry was 650.62 billion yuan, an increase of 4.5%. The added value of the secondary industry was 3.59879 billion yuan, an increase of 6.5%. The added value of the tertiary industry was 4.95746 billion yuan, an increase of 5.8%. The three industrial structures are 7.1:39.1:53.8. Shandong Province has always been among the top three economies in China, with a permanent population of 101.2297 million, ranking second in China.

5.2 The Reform Situation of PDMC in Shandong Province

Under the guidance of relevant documents of the central government, Shandong Province began to carry out the pilot reform of PDMC in 2009. During the first batch of pilot reforms, 20 counties (cities) were selected as pilot counties on the basis of full consultation between the two parties in accordance with the principles declared by each city and determined by the provincial government. All of these counties have a good agricultural or breeding industry foundation, and there are certain differences in the level of economic development and fiscal revenue among the counties. In order to standardize the reform work of 'counties under direct provincial management', Shandong Province issued the 'Notice of the Shandong Provincial People's Government on Implementing the Pilot Reform of the Financial System of Counties (Cities) under Direct Provincial Management' (Lu Zhengfa [2009] No. 110). Detailed provisions are made on the division of fiscal revenue, the definition of fiscal expenditure responsibilities, the determination of institutional bases, the management of government claims and debts, and specific management methods. It can be found that Shandong Province's PDMC reform is mainly about financial decentralization and does not delegate economic and social management authority to the county level.

It can be demonstrated that the reform of the PDMC in Shandong Province is primarily concerned with the decentralisation of financial authority, rather than the delegation of responsibility for the management of economic and social affairs to the county level.

On this basis, Shandong Province added 17 additional counties (cities) in 2017 to further expand the scope of reform pilots. Furthermore, in order to better standardize the reform of the fiscal system below the provincial level, and deepen the reform of the county system under direct provincial fiscal management. In 2019, Shandong Province issued the “Implementation Opinions of the People's Government of Shandong Province on Deepening the Reform of the Financial Management System below the Provincial Level” (Lu Zhengfa [2019] No. 2). It was clearly pointed out that in accordance with the principle of giving priority to weak counties and taking into account the needs of regional integrated development, 41 counties were re-selected as PDMC.

At the same time, the fiscal revenue division system between provinces and cities and counties has been further improved, and the mechanism for provinces and municipality to jointly assist counties with direct provincial financial management has been further improved. However, in the 15 years since the establishment of counties under provincial direct administration in Shandong, administrative reforms have not been promoted. The move from a relatively developed county in the beginning to a relatively underdeveloped Shandong region was an adjustment in fiscal practices. Specific reform aspects and adjustments can be found in Table 5.1.



Figure 5.1 Distribution of counties directly under the jurisdiction of Shandong Province

Table 5.1
Specific Reform Aspects and Adjustments in ShanDong

Reform year	2009	2019
Reform form	provincial direct manage county	provincial direct manage county
Public document	Notice of Shandong Provincial People's Government on Implementing the Pilot Reform of financial System of Counties (cities) (No.110,2009)	The Implementation Opinions of Shandong Provincial People's Government on Deepening the Reform of the Financial Management System below the Provincial Level (Lu Zhengfa No.2,2019)

Table 5.1 (continued)

Direct county name	<p>Shanghe County, Gaoqing County, Laiyang City, Anqiu City, Jinxiang County, Sishui County, Tancheng County, Pingyi County, Ningyang County, Shen county, Guan county, Cao county, Juancheng County, Xiajin County, Qingyun County, Huimin County, Yangxin County, Lijin County, Rongcheng City, Ju county</p>	<p>Gaoqing County, Yiyuan County, Anqiu City, Linqi County, Sishui County, Jinxiang County, Yuxiang County, Yutai County, Wenshang County, Liangshan County, Weishan County, Ningyang County, Dongping County, Ju County, Wulian County, Tancheng County, Pingyi County, Yishui County, Lanling County, Mengyin County, Linshu County, Xiajin County, Qingyun County, Qingyun County, Leling City, Ningjin County, Linyi County, Pingyuan County, Xin County, Guan County, Linqing County, Linqing City, Yanggu County, Gaotang County, Huimin County, Yangxin County, Wudi County, Cao County, Juancheng County, Shan County, Chengwu County, Juye County, Yuncheng County, Dongming County</p>
Selection principle	<p>In accordance with the principles declared by each city and determined by the provincial government, the reform pilot counties will be selected on the basis of full consultation between the two parties. Under this principle, there is a certain gap between the economic and financial levels of the reform pilot counties. For example, the overall levels of Rongcheng City and Laiyang City are higher than those of other pilot counties.</p>	<p>Reform pilot counties will be selected based on the principle of giving priority to weak counties and taking into account the needs of regional integrated development. Under this principle, reform pilot counties are generally counties with weak financial resources, and the overall differences are small.</p>

Table 5.1 (continued)

Reform content	<p>Revenue division: Districts and cities will no longer participate in sharing the tax revenue and various non-tax revenues of the directly governed counties (cities). Definition of fiscal expenditure responsibilities: The provincial level will separately approve financial transfer payments and special subsidies to the directly governed counties (cities). . For the non-tax revenue shared by the counties (cities) directly under the jurisdiction of the districts and cities after the reform, the districts and cities will bear the expenditures and city assistance of the counties (cities) under the direct administration according to their powers and responsibilities. Districts and cities must stand at a height that is conducive to regional economic development and continue to support and help the development of directly managed counties (cities).</p>	<p>On the basis of the decentralization content in 2009, some adjustments and detailed income divisions were made. In addition to special corporate taxes, starting from 2019, city and county value-added tax, corporate income tax, personal income tax and resource tax, real estate tax, urban land use tax, land value-added tax, cultivated land occupation tax, and deed tax revenue will increase by part compared with 2017. The province and the counties under direct provincial financial management are divided in a ratio of 20:80. Provincial and city joint assistance: city-level assistance to counties directly under the jurisdiction of provincial finance shall be regarded as an important part of the performance evaluation of each city's financial management, and shall be linked to the allocation of provincial transfer payments.</p>
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5.3 Reform Difficulties

With the support and encouragement of the state, Shandong Province began to implement the pilot fiscal reform system of PDMC in 2009. The pilot has brought positive effects to a certain extent. For example, on the basis of alleviating financial difficulties at the grassroots level and promoting economic development, it has further straightened out the income distribution relationship between governments at all levels, reduced levels, streamlined agencies, and improved administrative efficiency.

However, PDMC in the fiscal area were expected to be rolled out across the province in 2012 were not implemented as scheduled. After the 2019 reform plan, PDMC were not fully promoted, but provincial financial direct management was regulated in some details. Up to now, there are some problems in the reform of PDMC in Shandong Province that need to be resolved urgently.

5.3.1 Increased Pressure on Provincial Management

The reform has increased pressure on provincial management. The fiscal reform system has eliminated the intermediate level of prefecture-level cities, and the provincial finance directly handles fund allocation, project arrangements, system settlement, etc., directly to the county finance (Wan, 2020). This approach can indeed speed up the transmission of information and improve the operational efficiency of fiscal funds.

However, based on the provincial conditions of Shandong Province, the province governs 16 prefectures and cities with a total of 136 county-level administrative districts, and the province's effective management range at the county level is generally 40 (Yunxia, 2011). During the Qin Dynasty, a two-tier government system was implemented, known as the commandery-county system, which roughly corresponds to the modern provincial-county system. Under this system, the provincial level directly managed about 40 counties. Throughout the long history of China, the configuration of administrative divisions has undergone various transformations. When a two-tier system was in practice, the maximum effective scope of provincial governance over counties generally numbered around 40.

If the PDMC financial system is fully implemented in Shandong Province, the sudden increase in the number of management will inevitably bring huge pressure to the provincial finance. The ensuing problems of insufficient provincial financial management personnel, lack of management capabilities, and streamlining of prefecture-level city management personnel have also become problems that must be faced but are difficult to solve when the reform is fully rolled out (Shi, Sun & Pan, 2021).

5.3.2 Increase Contradiction between City and County Governments

Before the reform of the fiscal system of PDMC, city finance could formulate or participate in the formulation of targeted fiscal and economic policies from the standpoint of the entire prefecture-level city and based on the goals of common development within its jurisdiction. After the 2019 reform, in accordance with policy requirements, while the city finance no longer participates in the revenue sharing of directly managed counties, it still needs to continue to subsidize them. Therefore, in actual implementation, the counties directly under their jurisdiction and the municipality under their jurisdiction are on the same level in terms of finance. It is difficult for the city finance to concentrate the financial resources of the pilot counties, and competition for interests will inevitably occur at the city and county levels (Shi, Sun & Pan, 2021).

Dezhou City of Shandong Province as an example, Dezhou City has jurisdiction over Decheng District, Lingcheng District, Yucheng City, Leling City, Linyi County, Pingyuan County, Xiajin County, Wucheng County, Qingyun County, Ningjin County, Qihe County, 2 districts, 7 counties, 2 county-level cities, the number of Province Directly Manages Counties of Dezhou City is 6 (Dezhou Civil Affairs

Bureau, 2020). In addition to the six county-level administrative regions directly under the financial control of the province, Dezhou city also manages five county-level administrative regions (Dezhou Daily, 2019). Although the county is taken care of in the project approval due to the tilt of the provincial policy, its competitiveness is still insufficient compared with the city (Cao, 2016). In terms of the number of project approval, the basic proportion is kept at 3:1 in the city and the directly managed county. This has increased the competition between the cities and counties.

Under this circumstance, although it is mentioned in the policy that the city government should provide assistance to the pilot counties within its jurisdiction, for example, the six provincial-level counties in Dezhou City, most of them are in the middle and lower reaches of the province's economic rankings in 2023. . For example, Laling City's GDP in 2023 will be 29.865 billion, ranking 104th in the province, Ningjin County's GDP in 2023 will be 29.620 billion, and the province will be 105th. The lowest Qingyun County's GDP in 2023 will be 20.505 billion, ranking 131st in Shandong Province. Their economy still needs help from the city while the province transfers funds. However, in some cities, under such circumstances, in the actual work of policy formulation, city-level fund allocation, and even in the process of fund use, the city will inevitably give priority to the cultivation and development of its own urban financial resources, and even intentionally ignore the counties directly under its jurisdiction. Because except for part of the fiscal power, other social administrative rights are still in the city. If the city government neglects to provide assistance to these counties, this will not be conducive to the coordinated economic development of the pilot counties and the relationship between cities and counties.

5.3.3 The Supply of Regional Public Goods

Before the reform of the fiscal system, city governments could mobilize all fiscal funds within the city to provide products and services needed by the public. After the reform, prefecture-level cities no longer enjoy county-level revenue sharing and no longer participate in county-level financial management. Coupled with the unclear division of expenditure responsibilities of governments at all levels and the chaotic relationship between financial and administrative power, some prefecture-level cities with weak economic foundations and poor self-development capabilities have fewer and fewer sources of financial funds (Wang, 2023).

Some city governments once relocated industrial enterprises with high energy consumption and high pollution that contributed significantly to local finances to improve the environment in central urban areas. They only enjoyed tax sharing and let counties and cities bear the burden of energy consumption and pollution. This will also cause prefecture-level cities to lose the tax contribution of these enterprises after the reform, and their fiscal revenue will drop sharply. The weakening of financial resources also makes the city government unwilling and unable to continue to provide cross-regional public goods, such as water conservancy facility construction, health and epidemic prevention, atmospheric environmental protection and other public affairs involving multiple regions (Shi, Sun & Pan, 2021).

5.3.4 County-level Operating Costs Increased

From the perspective of the county level, after the reform, the distribution power of financial resources and funds is controlled by the provincial finance, while the administrative power and personnel appointment and removal power are still, but in the hands of the city level, which requires the county government to deal with the

relationship with the 'two employers' at the same time. While the county is seeking funds and projects from the provincial finance, it must also report work to the city government and seek support. As a result, the workload and difficulty of work at the county level have not only not decreased, but have greatly increased as before.

For example, Heze City in the southwest of Shandong Province is geographically farther away than the direct management counties in other cities (Liu, n.d.). Among them, Dongming County is located southwest of Heze City. In the past, project applications in the county were summarized by the Heze city Government and submitted to the provincial government for approval. After the reform, Dongming County needs to declare separately, and will also need to report to Heze City in the future. Due to the influence of geographical location, this also invisibly increases its operating costs and efficiency.

5.4 PDMC Goals in Shandong Province

Shandong has a vast territory and a large population, but there is a problem of uneven development between the east and west. At present, most of Shandong's counties directly under provincial administration are from underdeveloped areas in the west (Huang, 2022). Without reform of the administrative system of counties directly under provincial administration, there are limitations such as limited provincial management capabilities. According to the current problems in PDMC in Shandong Province, the Shandong Provincial Government should promote the development of PDMC in the following aspects.

5.4.1 Rationally Promote PDMC in Administrative System

In the near future, the authority of other economic and social management areas in the reform pilot areas can be expanded to improve the independent administrative capabilities of grassroots governments. In the long run, the administrative structure can be adjusted, administrative divisions can be reformed, and the pressure of excessively difficult financial management at the provincial level can be alleviated.

Based on the actual situation of Shandong Province, some counties in the west with small populations, underdeveloped economies, and similar levels of economic development can be merged based on the principles of geographical proximity, similar natural and social conditions, and basically consistent management methods (Liu, 2017). Counties that are adjacent to prefecture-level cities and have close economic ties can be directly merged into districts. Counties with strong economic strength and great development potential may be upgraded to cities to minimize the number of county-level units directly managed by the province and lay the foundation for eventual counties under direct provincial management (Liu, 2017). This will not only effectively improve the county economy, but also help reduce the management pressure on the provincial government during the implementation of reforms. This will not only effectively improve the county economy, but also help reduce the management pressure on the provincial government during the implementation of reforms.

What is important is that the power of the city should be legally given to the county, and the power of the city should be delegated to the county through legal procedures. Clarify the powers, functions and expenditure responsibilities of governments at all levels, standardize service procedures, and organize institutions and personnel so that

governments at all levels can make decisions that are beneficial to the economic and social development of their administrative regions within the scope of their powers (Li, Kong & Yan, 2019).

5.4.2 Stabilize the Financial Resources

Stabilizing grassroots government financial resources and developing and strengthening county economies are key ways to advance PDMC in Shandong. In the current context of Shandong Province, the development of counties directly under the provincial government should focus on its own industrial exploration in addition to the support of the provincial government and the assistance of the city. Therefore, grassroots governments need to adapt to local conditions and combine the environment, resources, and economic foundation to cultivate financial resources with local characteristics.

Firstly, accurately analyze industrial advantages, build a characteristic industrial chain, use cluster effects to cultivate leading industries, and enhance the stability of fiscal revenue (Shandong Provincial Organization Department Research Group, 2013). For example, the county town of Dongying City can develop related economic development based on the local oil industry.

Secondly, focus on developing the private economy, give full play to the key role of small and medium-sized enterprises, and continuously expand the scale of fiscal revenue.

Thirdly, rationally use superior support funds to support enterprises to increase investment in scientific and technological innovation, increase product added value

and corporate benefits, and form a virtuous cycle (Wen & Lee, 2020). For example, in Leling City, Dezhou City, relevant government departments cooperated with universities to use the university's science and technology to conduct secondary transformation and processing of jujubes, which are abundant in the local area, to produce jujube foods. The county government should adapt to local conditions and develop related economies, and of course this also requires the support of the provincial government. If Shandong Province promotes the PDMC in administrative system, counties will gain more autonomy, which will be an indispensable help for counties to make reasonable choices of directions and rational use of resources.

5.4.3 Improve Transfer Payment System for the fiscal sector

China's transfer payments have problems such as numerous names, overlapping categories, unreasonable structures, and imperfect systems (Yang, 2021). It is necessary to further standardize and improve while increasing the total scale of transfer payments and enhancing financial support. Take Shandong Province as an example. The pilot counties selected by Shandong Province in 2019 to be directly managed by the province are all counties with relatively backward economies in the province. On this basis, the Shandong provincial government should improve the transfer payment system. This can more reasonably support the economic development of pilot counties.

Primarily, from the perspective of equalization, on the basis of fully understanding the actual difficulties in various places, scientifically calculate and reasonably arrange the types, proportions and amounts of transfer payments, and make timely feedback and adjustments based on economic development and changes in the situation (Xiao & Tan, 2019).

Subsequently, Shandong Province should improve efficiency by simplifying the application, approval, and allocation procedures for transfer payment projects and ensure that funds are received in a timely manner (Xiao & Tan, 2019). Ultimately, standardize and strictly implement the management methods for the use of transfer payment funds, strengthen tracking management, performance assessment and supervision and inspection, establish and improve the accountability system, and truly lock power in the cage of the system.

5.4.4 Improve The Capacity of Provincial Financial Regulation

Provincial finance is located between the central government and city and county finance, and occupies an important position in the economic regulation process. Due to differences in geography, resources, environment, and economic development conditions in Shandong Province, the fiscal problems faced by various regions are very different (Huang, 2022).

Moreover, most of the current directly managed counties in Shandong Province are in the western region where the economic situation is relatively backward and complex (Huang, 2022). The Shandong Provincial Government should reasonably analyze the characteristics of each county and form a specific transfer payment and development method. Give full play to the Commissioner Office model of the Department of Finance in various regions, introduce differentiated fiscal policies and form specific solutions based on different situations in different regions. On the basis of fully soliciting opinions, timely implementation is carried out, and attention is paid to understanding the effect of policy implementation at any time during the process and conducting dynamic management.

5.5 Policy Comparison of PDMC

Since the launch of the PDMC in fiscal sector in 2009, Guizhou has successively introduced "Notice on Implementing the Province Directly Manages Counties in Fiscal Sector" (Qianfu Banfa [2009] No. 95), "Notice on Further Improving the Province Directly Manages Counties in Fiscal Sector" (Qianfu Fa [2012] No. 35), and "Implementation Opinions on Further Advancing the Fiscal System Reform at Sub-Provincial Levels" (Qianfu Fa [2023] No. 19). Additionally, in 2021, the province deepened its "streamlining administration, delegating powers, and improving services" (Fangguanfu) reform to gradually expand fiscal autonomy at the county level. However, after more than a decade of reform, while the PDMC model has improved the efficiency of fund allocation and budget independence, the inherent constraints of the hierarchical administrative structure have prevented the full realization of its benefits.

Table 5.2
PDMC in fiscal sector in Guizhou

Year	Document Title and Number	Key Changes	Specific Adjustments
2009	"Notice on Implementing the Province Directly Manages Counties in Fiscal Sector" (Qianfu Banfa [2009] No. 95)	First introduction of the PDMC in fiscal sector, piloted in 31 counties (cities, districts). city fiscal management authority was gradually reduced.	Introduced the 'Three Unchanged, Five Direct Transfers' principle. Three Unchanged: Existing fiscal interests, provincial support for counties, and debt responsibilities remain unchanged. Five Direct Transfers: Budgeting, transfer payments, fund allocation, financial settlements, and administrative planning are directly managed by the province. Abolished city-level redistribution of county fiscal funds; provincial finance directly allocates funds to counties. Pilot counties (31): Including Panxian, Zunyi County, Xishui County, Bijie City, Dafang County, Weining County, Songtao County, etc.

Table 5.2 (continued)

2012	<p>"Notice on Further Improving the Province Directly Manages Counties in Fiscal Sector" (Qianfu Fa [2012] No. 35)</p>	<p>Expanded PDMC coverage to 42 counties (cities, special districts), further reducing city control over county-level finances and enhancing county fiscal autonomy.</p>	<p>Added 11 PDMCs (total expanded to 42 counties), including Chishui City, Jiangkou County, Yuping County, and Yanhe County. Revised fiscal revenue management: County fiscal revenue is no longer submitted to municipality but directly managed by the province. General transfer payments are determined and directly allocated by the provincial finance department, reducing city fund retention. Optimized special fund management: Counties apply for special funds independently; city finance has no approval authority.</p>
2023	<p>"Implementation Opinions on Further Advancing the Fiscal System Reform at Sub-Provincial Levels" (Qianfu Fa [2023] No. 19)</p>	<p>Deepened the sub-provincial fiscal system reform, optimized tax revenue distribution, and established a PDMC dynamic adjustment mechanism.</p>	<p>Adjusted tax revenue sharing. Local share of VAT: Province, city, and county allocated in a 23:19:58 ratio. Corporate and personal income tax: Allocated in a 20:20:60 ratio. Introduced the 'PDMC Dynamic Adjustment Mechanism': Economically weaker counties are prioritized for inclusion, while fiscally self-sufficient counties may apply for removal from the PDMC system. Strengthened grassroots fiscal security: Established a 'county-based, city-supported, province-backed' mechanism to ensure sufficient funding for 'Three Guarantees' (wages, operations, and essential public services). Enhanced local government debt management: Counties must strictly control new debt, with provincial oversight strengthened.</p>

The expansion of fiscal autonomy has not necessarily led to simultaneous economic development at the county level. During the 2009 pilot phase, Guizhou implemented PDMC in fiscal sector in 31 counties (cities, districts), establishing the principle of "Three Unchanged, Five Direct Transfers," meaning that existing fiscal interests, provincial support for counties, and debt responsibilities remained unchanged, while budgeting, transfer payments, fund allocation, financial settlements, and administrative planning were directly managed by the provincial government (Qianfu Banfa [2009] No. 95). The implementation of this policy benefited counties and cities with stronger industrial bases, such as Zunyi and Renhuai, while economically

weaker regions such as Bijie and Qianxinan remained heavily dependent on provincial fiscal transfers. With the full implementation of the reform in 2012, city fiscal management authority was abolished, and county-level budgetary autonomy was enhanced. After the reform, municipality and their subordinate PDMCs became fiscally independent, with city governments no longer allowed to centralize county revenues and financial resources (Qianfu Fa [2012] No. 35). Furthermore, the reform optimized the general transfer payment system and special funds, enabling the provincial finance department to directly determine and allocate funds to counties, reducing city-level fund retention or misallocation (Qianfu Fa [2012] No. 35).

The 2023 reform further refined the fiscal management model by establishing a "Dynamic Adjustment Mechanism," allowing economically weaker counties to enter the PDMC system while enabling fiscally self-sufficient counties to apply for withdrawal (Qianfu Fa [2023] No. 19). The policy also explicitly called for optimizing the transfer payment system, enhancing grassroots fiscal security, and ensuring a more standardized fiscal structure (Qianfu Fa [2023] No. 19). However, despite continuous improvements in the fiscal management model, county governments still require city-level approval for key matters such as land planning and major project approvals, leading to a fragmented system where fiscal authority is decentralized, but administrative control remains centralized (Qianfu Fa [2023] No. 19).

The marginal effectiveness of fiscal instruments is diminishing. Although the PDMC reform has improved fund allocation efficiency, economic development in certain counties remains constrained. The policy document emphasizes the need to improve the general transfer payment system, strengthen grassroots fiscal security, and

optimize special transfer payments, focusing on national strategic initiatives and specific regional development (Qianfu Fa [2023] No. 19). However, despite the devolution of some administrative approval powers to county governments, many processes still require city-level preliminary reviews, negatively impacting administrative efficiency (Qianfu Fa [2023] No. 19). Without the simultaneous adjustment of fiscal and administrative powers, the intergovernmental tensions between cities and counties will continue to hinder county-level governance autonomy.

The PDMC reform has reached an institutional bottleneck, making it essential to go beyond mere fiscal decentralization. While Guizhou has continued to delegate authority to counties under the 2021 Fangguanfu reform, most devolved matters remain procedural, such as project registration and social credit supervision, without addressing core governance powers such as land use approval and cadre management (Qianfu Fa [2023] No. 19). Within Guizhou's "Strong Provincial Capital" strategy, where Guiyang accounts for nearly one-quarter of the province's GDP, surrounding counties such as Xiuwen and Qingzhen remain economically and administratively dependent on city oversight, preventing the PDMC reform from truly achieving county-level economic independence (Qianfu Fa [2023] No. 19). Official documents indicate that Guizhou currently lacks the fiscal capacity to further expand the PDMC framework. Only through the coordinated advancement of fiscal empowerment and administrative authorization can Guizhou break the city dominance over counties, setting a precedent for county governance reform in underdeveloped western regions.

Since Jiangsu Province initiated the PDMC in fiscal sector in 2007, it has successively issued the "Notice of the Jiangsu Provincial People's Government on

Implementing the Province Directly Manages Counties in Fiscal Sector" (Su Zheng Fa [2007] No. 29) and the "Implementation Plan of the General Office of the Jiangsu Provincial People's Government on Further Advancing the Sub-Provincial Fiscal System Reform" (Su Zheng Ban Fa [2024] No. 15). These policies have gradually expanded county-level fiscal autonomy, reduced the secondary allocation of funds by city governments, and improved the flexibility of county-level fiscal management. However, as the reform reaches a deeper stage, the fiscal system has been thoroughly explored, and while county-level fiscal autonomy has been established, the adjustment of administrative authority has lagged, limiting the overall effectiveness of governance.

Table 5.3
PDMC in fiscal sector in Jiangsu

Date	Document Title and Number	Key Changes	Specific Adjustments
2007	"Notice of the Jiangsu Provincial People's Government on Implementing the Province Directly Manages Counties in Fiscal Sector" (Su Zheng Fa [2007] No. 29)	First introduction of the PDMC fiscal management system, establishing a direct fiscal relationship between the province and counties (cities) while reducing city fiscal control.	Adjusted fiscal system relations, with provincial finance directly managing 13 cities and 52 counties (cities). Canceled city-level redistribution of county (city) fiscal revenues, ensuring a localized fiscal management approach. Provincial finance directly handled fiscal settlement, budgeting, and transfer payments. city finance was prohibited from centralizing county-level revenues or shifting its own financial responsibilities onto counties. Strengthened the provincial government's role in fiscal regulation to improve efficiency in fund allocation.

Table 5.3 (continued)

2024	"Implementation Plan of the General Office of the Jiangsu Provincial People's Government on Further Advancing the Sub-Provincial Fiscal System Reform" (Su Zheng Ban Fa [2024] No. 15)	Deepened sub-provincial fiscal system reform, optimized fiscal revenue distribution, strengthened local government fiscal management, and enhanced county-level financial sustainability.	Further clarified fiscal responsibilities and expenditure obligations among provincial, city, and county governments. Adjusted tax revenue-sharing mechanisms to increase county-level fiscal allocations. Optimized the structure of transfer payments, enhancing financial support for economically weaker areas. Established a long-term mechanism for ensuring county-level 'Three Guarantees' (wages, operations, and essential public services). Strengthened local government debt management, strictly controlling new debt to prevent fiscal risks.
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Jiangsu's PDMC in fiscal sector has reached its optimization ceiling, and the delayed reform of administrative management has become a key factor restricting county-level governance efficiency. In the early stages of the 2007 reform, the provincial government enhanced the counties' financial discretion by eliminating city-level fund redistribution, ensuring direct financial management at the county level (Su Zheng Fa [2007] No. 29). After more than a decade, this model has firmly established county-level fiscal independence and improved the efficiency of financial resource allocation. However, county governments remain significantly constrained by city governments in administrative matters, particularly in areas such as land use, infrastructure investment, and major project approvals. County authorities still require city approval for key decisions, leading to a mismatch between fiscal and administrative powers (Su Zheng Ban Fa [2024] No. 15).

The 2024 fiscal reform focuses on optimizing tax revenue distribution, restructuring transfer payments, and strengthening grassroots fiscal management, but it does not include concurrent adjustments to administrative authority. The document explicitly

calls for revising the tax revenue-sharing ratios among the provincial, city, and county levels, increasing county-level revenue shares, and reinforcing the financial sustainability of county governments (Su Zheng Ban Fa [2024] No. 15). While these measures help alleviate fiscal pressure at the county level, they fail to address the redistribution of administrative powers between city and county governments. As a result, county authorities remain unable to independently decide on many matters related to public services and economic development.

Jiangsu's county-level governance has shifted from a focus on "fiscal decentralization" to a demand for "administrative coordination." Merely optimizing fiscal distribution is no longer sufficient to enhance county governance efficiency. For Jiangsu, the future reform priority should no longer be limited to fiscal decentralization but should instead focus on reshaping county-level administrative management. Establishing pilot programs for PDMC in administrative system in economically developed counties and cities, reducing city intervention in county-level affairs, and granting counties greater autonomy in both fiscal and administrative management will be essential steps forward. Only by simultaneously advancing fiscal and administrative authority adjustments can Jiangsu break through its current bottleneck and build a more efficient and sustainable county governance system.

5.6 FOCUS IN-DEPTH INTERVIEW

5.7 Themes

As shown in Figure 5.2, the study identified five major themes and 21 sub-themes through NVivo coding, with two sub-themes further divided into three smaller

themes, forming a structured analytical framework. This hierarchical organization enhances the systematic and logical analysis of the data, providing a comprehensive understanding of the research topic.

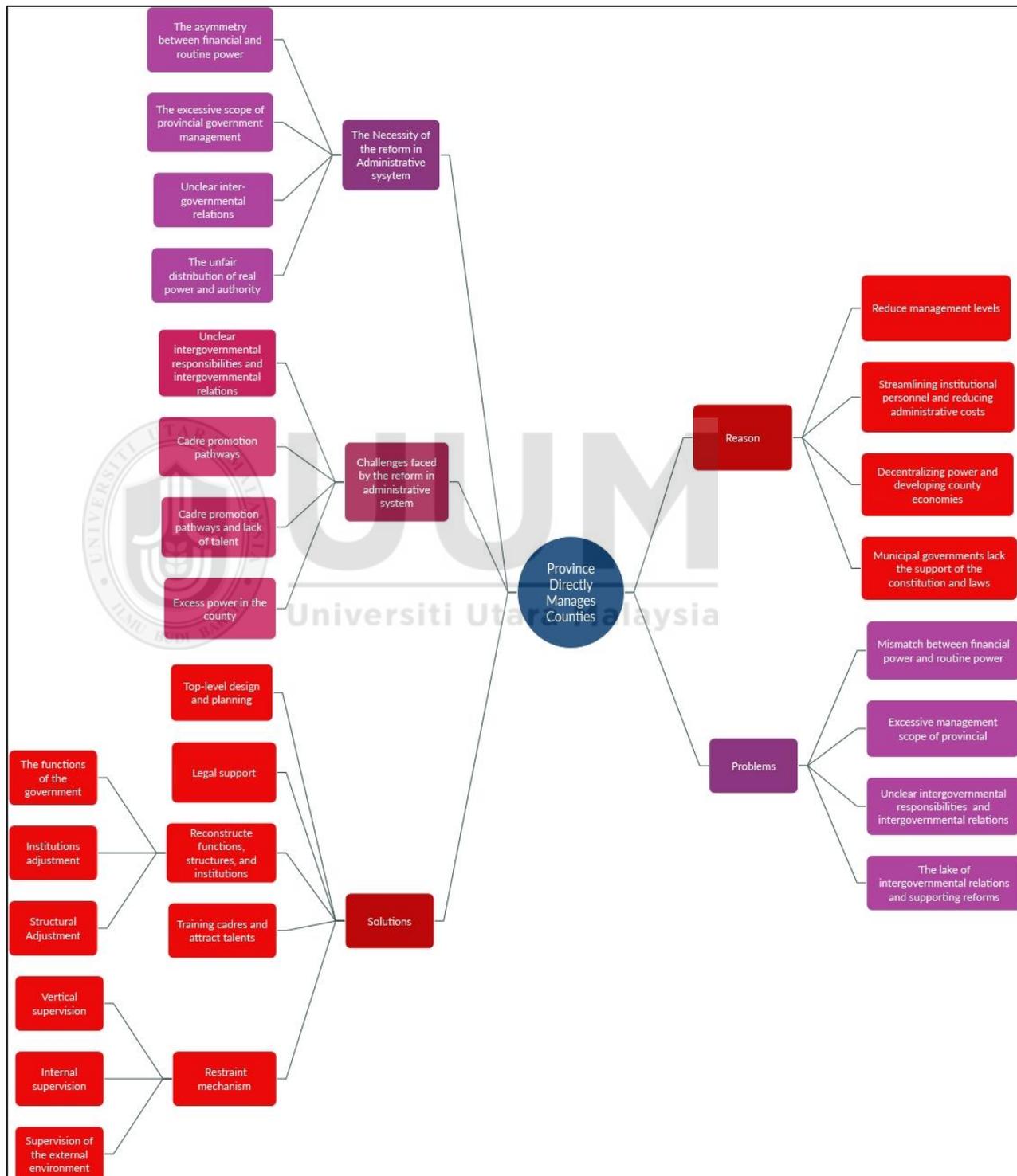


Figure 5.2 Relationships in the Reform of PDMC in China

5.8 Respondents' Background

Any research is based on identifying individuals with experience and opinions in relevant fields to provide information support. The individuals interviewed for this study were drawn from Chinese government departments and relevant professional researchers from universities. In order to enhance the enrichment of information, some of the interviewees were drawn from China's party school departments.

Prior to the interview, verbal consent was obtained from the interviewees. In addition, all interviewees were informed of the purpose and method of the interview. Before the interviews began, the rights to privacy and confidentiality were disclosed to all interviewees, as the interview process involved online and face-to-face interviews. Therefore, verbally, participants were assured that no one would be named or specifically identified at any time before, during, or analyzed in this study.

5.9 The Reason for Implementation of PDMC reform system

The implementation of counties PDMC stems from the reform needs of China's administrative management system. Its purpose is to reduce government levels, improve administrative efficiency, optimize resource allocation, and promote the sustainable development of county economies. The implementation of this reform measure aims to solve the problems of too many layers, poor information transmission, and low decision-making efficiency in the traditional administrative management system.

Through counties directly managed by the province, intermediate levels can be reduced and policy transmission paths can be shortened, so that the policy intentions

of the provincial government can be implemented more quickly and directly at the grassroots level, and the efficiency of policy implementation can be improved.

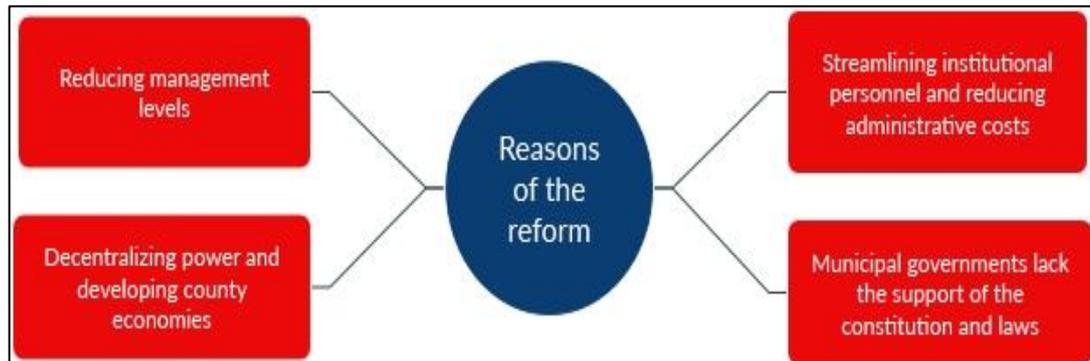


Figure 5.3 Reasons for the Reform of PDMC in China

5.9.1 Reduce Management Levels and Improve Efficiency

One of the main reason to implement PDMC reform system is to reduce management level and improve administrative efficiency. With the implementation of direct provincial administration of counties and cities, the management system currently commonly implemented in all provinces in China has been reduced to one level. From the perspective of management theory, it is conducive to the flattening of organizational structures. UOS1 said, “This is a reform of the past phenomenon of 'layers of transmission and layer-by-layer gap’”.

The flattening of organizational structures is a trend in modern organizational structures. The government adopts this organizational structure to lower the management level and appropriately increase the scope of management. This can promote horizontal and vertical communication in the organization and stimulate horizontal and vertical interactions between all levels of the organization. According to management hierarchy theory, by widening the span of control and reducing the

levels of control, this approach enhances horizontal and vertical communication within the organization and stimulates interaction between levels (Fsyol, 2016).

Government Office CGO1 said:

“ The purpose of the reform of PDMC is to strengthen the provincial government’s leadership over grassroots county-level governments” (Inf. CGO1).

From the perspective of government management practice, the establishment of a provincial-level system of counties and cities is conducive to the timely transmission of government information, strengthens communication, promotes the smooth flow of government orders, and improves administrative efficiency. UOS2 also mentioned:

“Specifically, it refers to counties and cities that have been dealing with the province through the intermediate level of regions or prefecture-level cities after the implementation of direct provincial administration of counties and cities. The situation in the region can be directly reported to the provincial government, so that it can promptly understand and grasp the actual situation of the county, and promptly help the county solve problems encountered in the development process” (Inf. UOS2).

From the perspective of the provincial government, direct management of counties and cities can be implemented, and the guidelines and policies formulated by the provincial government can be communicated to the counties in a timely manner. This reduces and avoids distortion and misalignment of management information transmission caused by too many management levels, enhances the timeliness and effectiveness of provincial government macro-control, and improves the administrative efficiency of governments at all levels to a greater extent. Regarding

the reasons for the reform, MCO2, deputy section chief of the First Secretary Section of the city Party Committee Office, elaborated on this point of view:

“Regarding the reform of the PDMC, I think the main reason is that we hope to solve the problem of low decision-making efficiency caused by too many administrative levels through decentralization of power. This can respond to people's needs faster and improve the quality of public services by reducing intermediate links.” (Inf. MCO2).

The author believes that the PDMC system helps to improve the speed of decision-making and execution, optimize resource allocation, and ensure the consistency of policy implementation by simplifying administrative levels and direct provincial management. PDMC aims to make cities and counties equal, so that county governments will eventually have the same power and treatment as city governments, but county governments are more likely to face rural areas, and China's rural population accounts for the majority. The implementation of PDMC can transmit central decisions more directly and quickly (Ye, 2024).

Figure 5.4 revealed that majority of the respondents interviewed agree that PDMC will help increasing the layers of management level and gradually improve administrative efficiency.

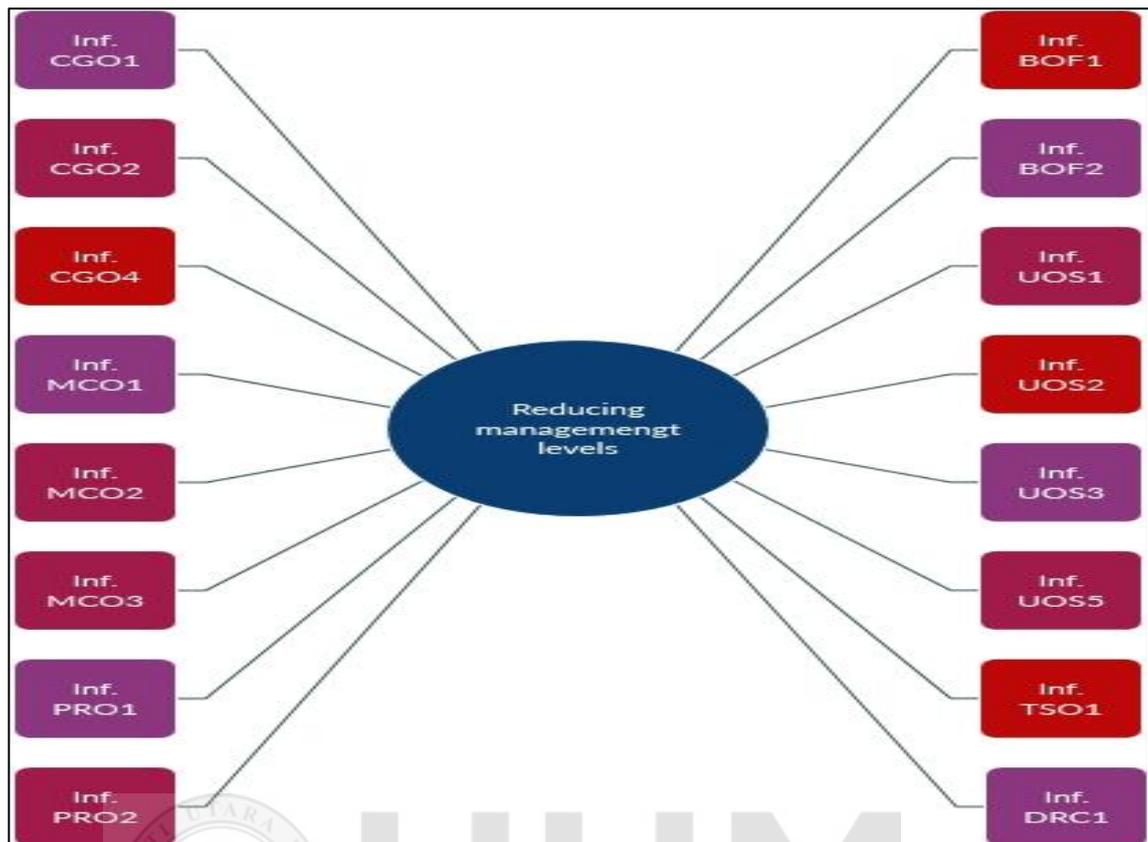


Figure 5.4 Opinions on Helps Reduce Management Levels and Improve Administrative Efficiency

5.9.2 Streamline Institutional Personnel and Reduce Administrative Costs

The implementation of the system of counties and cities directly under the jurisdiction of the province lowers the level of local management, which will inevitably reduce the number of institutions and personnel and break through the long-standing difficulties in the reform of local government institutions in China (Shen, 2012). Counties led by prefecture-level cities account for more than 70% of the total number of counties in the country, and most provinces across the country have implemented a city-led county system. After the implementation of PDMC, so many prefecture-level cities in charge of counties directly administer urban areas and no longer have jurisdiction over surrounding counties. In this way, its scale and setup must be much smaller than before, and there is still a lot of room for streamlining the

organization and staffing. Informant MCO1, who is the deputy director of the city Party Committee Office, mentioned that:

“After the reform, some institutions in the city have lightened their burdens, and the original personnel can be placed in other positions. Such a bloated organization has been slimmed down, and organizations that were in urgent need of personnel have also been strengthened” (Inf. MCO1).

PRO2, a worker at the Policy Research Office who has the same view, mentioned:

“In addition to the liaison groups established by the National People's Congress and the Chinese People's Political Consultative Conference, the city government has set up many functional departments that correspond with superiors and subordinates under the city-governed county system. Basically, whatever permanent agencies the provinces and counties have, the prefectures and cities have corresponding agencies. After the reform is completed, the city's institutions will inevitably be streamlined, which will reduce the cost of administrative implementation” (Inf. PRO2).

Through the PDMC reform, the organization can be streamlined, which not only reduce the mistakes in decision-making and service to a certain extent, but also reduce the appearance of lazy governance. At the same time, the positions in the organization can be maximized, because the environment become reasonable, as mentioned by respondents in figure 5.5.

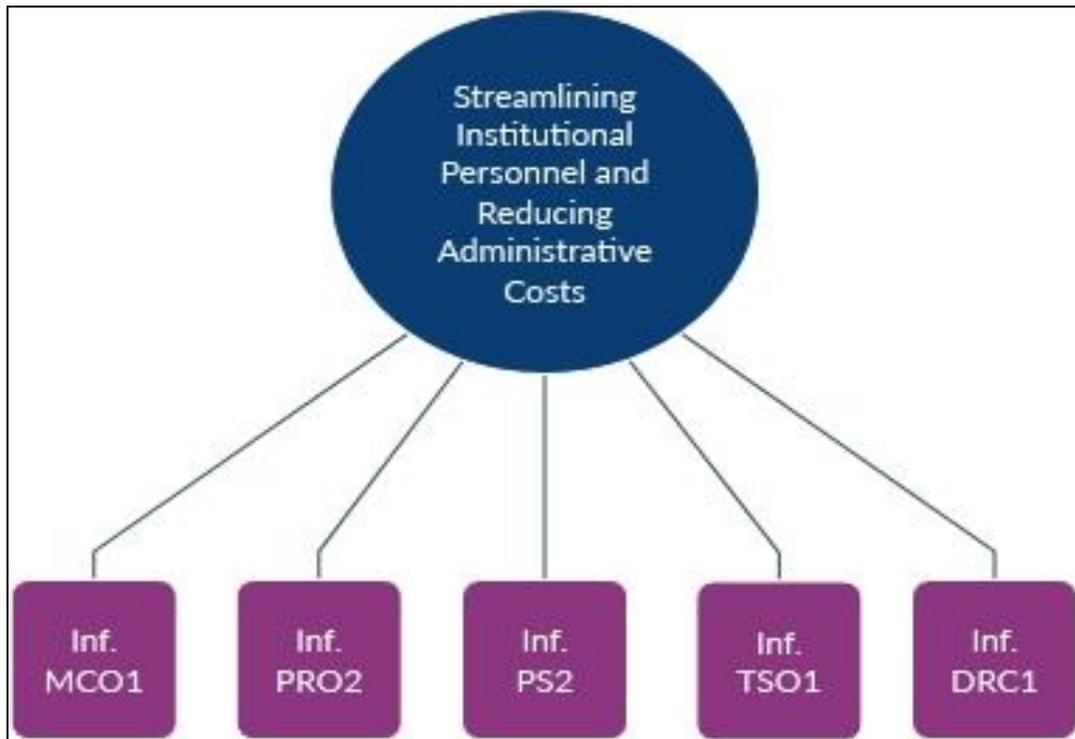


Figure 5.5 Opinions on Streamlining Institutional Personnel and Reducing Administrative Costs

5.9.3 Decentralize Power to County and Develop County Economies

PDMC is Conducive to Fully decentralize Power to Counties and developing county economies. Nearly 80% of China's population lives in rural areas, and rural areas are generally under the jurisdiction of counties. Therefore, after reform and opening up enters the critical stage, the development of county economy is of great significance to our country's comprehensive construction of a well-off society and the comprehensive realization of modernization (Liu, Zhang & Fu, 2023).

For a long time, China's county economic development has been affected by various factors, one of which is the restriction of the management system. Under the city-county system, county-level governments lack relatively independent management rights, and policy and financial support from the central and provincial governments cannot be directly provided (Huang, 2022).

After the implementation of the reform of the management system of counties and cities under direct provincial administration, county-level governments will directly accept the leadership of provincial-level governments and will no longer have administrative affiliations with prefecture-level cities, so they will no longer be subject to restrictions. PS1, the vice-president of the party school who supports this point of view, put forward:

“The reform of direct provincial administration of counties is to better exert the leadership role of provincial governments over county governments. This can speed up the reform of the grassroots financial system, improve work efficiency, and also help promote coordinated regional development, especially the development of some backward areas” (Inf. PS1).

If the province directly manages the county is fully implemented, the power of the county itself will be greatly increased, especially in terms of administrative approval and finance, and the imbalance between financial power and administrative power will be alleviated to a large extent (Wang, 2012).

PS2, who also had similar views, “After the institutional constraints are lifted, the county economy will further develop, which will be a great impetus for rural construction”. PS2, add that:

“The reform of the system of PDMC is mainly to achieve a greater degree of autonomy. In this way, county-level governments can have greater decision-making freedom, policies can be closer to reality, economic development constraints are weakened, and people's needs can be better met” (Inf. PS2).

The practice in Jiangxi Province shows that after the implementation of the PDMC reform in fiscal sector, the financial difficulties of the county level have been alleviated to a large extent, and the regional differences between the counties have been continuously narrowed, effectively ensuring the equalization of basic public services at the county level. In particular, the first batch of 21 national-level poor counties in the pilot program have achieved sound operation and sustainable development of county and township finances through the PDMC reform in fiscal sector (Zhang, 2016). After the full implementation of the PDMC reform in fiscal sector in 2009, in just three years from 2012, the county-level finances of the province have improved to a certain extent, the county economic development has had a relatively stable fiscal investment, and the competitiveness of the county economy has been greatly improved (Zhang, 2016).

The author believes that the implementation of PDMC reform will help the development of county economy. The city government will no longer enjoy the tax revenue of the county government or will only enjoy a small part of it. In this way, the county government will have more autonomy in finance, and the provincial government will have special funds to support the county government, so the county government will have more authority than before. This state is a good help for the county government to develop the economy. Figure 5.6 shows that a considerable number of respondents believe that PDMC can decentralize more power and promote county economic development.

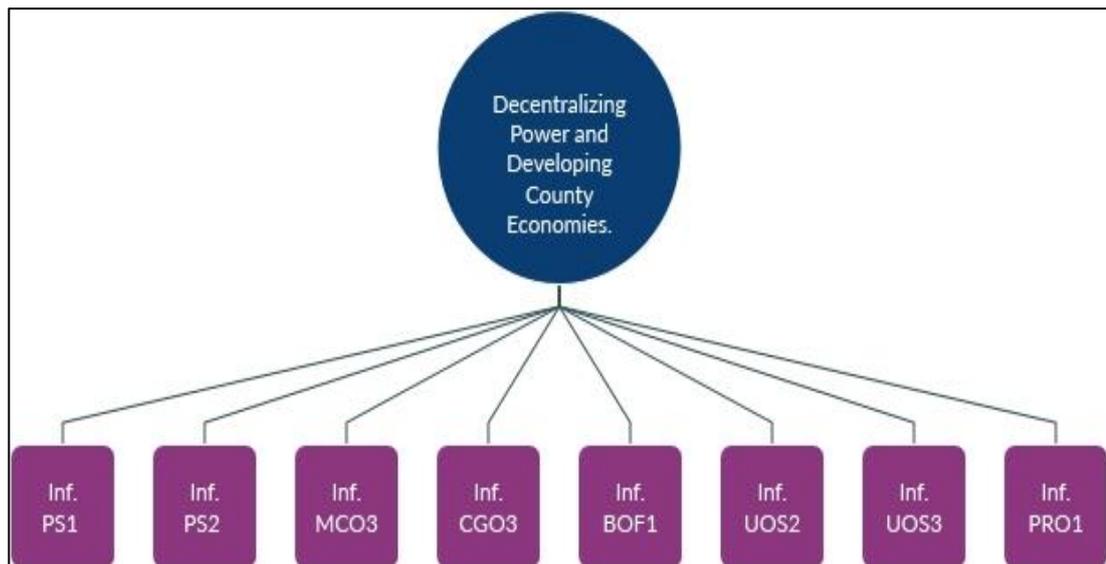


Figure 5.6 Opinion of Fully Decentralizing Power to Counties and Developing County Economies

5.9.4 City Governments Lack Support of the Constitution

One of the reasons for implementing PDMC is that the city government lacks constitutional and legal support. Article 53 of the first Constitution of the People's Republic of China in 1954 stipulates that the management level of local governments in China is divided into 'three levels': provinces, autonomous regions, municipality; autonomous prefectures, counties, autonomous counties, cities and townships, ethnic townships, and towns. The revised Constitution in 1982 clearly stipulates that the country is divided into provinces, autonomous regions, and municipality directly under the Central Government, provinces and autonomous regions are divided into autonomous prefectures, counties, autonomous counties, and cities, and counties and autonomous counties are divided into townships, ethnic townships, and towns. municipality and larger cities are divided into districts and counties (Guan, 2013).

However, most areas in China currently implement a four-level system of province-city-county-township, which has one more level than the constitution stipulates - city

and prefecture level. Regarding this view, CGO3 said, “The law does not give prefecture-level cities the management authority as a quasi-first-level government”.

Regarding the lack of constitutional support for city and county administration, university witness UOS3 also mentioned:

“Once the functions and powers of a regional administrative office are expanded beyond the status of a supervisory agency and dispatched agency given to it by law, it will be inconsistent with our country's constitution and laws.” (Inf. UOS3).

At the same time, the Constitution only provides clear provisions for municipality and larger cities and counties. There is no provision on whether general and numerous prefecture-level cities can lead counties. As shown in Figure 5.7, some respondents mentioned that city governments lack constitutional support and that the status currently enjoyed by city governments is not confirmed by the Constitution. Some people may say that prefecture-level cities can lead counties based on larger cities. However, there are currently a large number of prefecture-level cities that are not considered 'larger cities' in terms of urban area, population, or economic strength. Therefore, the city-governed county system lacks legal support, and the implementation of the reform of PDMC is a return to the Constitution. Confirming this view is UOS5, thus:

“There are no specific provisions in the law for city-level governments. The earliest city-level agencies were dispatched agencies, originally called regional joint agencies, and the top leader at that time was the administrative commissioner. After a long period of development, the current city has emerged. The

current implementation of direct provincial administration of counties is a return to the constitution ” (Inf. UOS5).



Figure 5.7 Opinion of city Governments Lack the Support of the Constitution and Laws

5.10 Challenges and Problems in Implementation of PDMC

The reform of the system of PDMC is currently experiencing some difficulties. These difficulties have been present for an extended period and have not been resolved with the advancement of the reform. There is no comprehensive description of the issues with single-line fiscal transfers, such as the inadequate transfer of funds by the provincial government. The questions presented in this section are primarily designed to elicit responses that will inform the development of research question 1. However, they also address the majority of the current challenges facing counties PDMC. These challenges were also confirmed by the respondents in Figure 5.8.

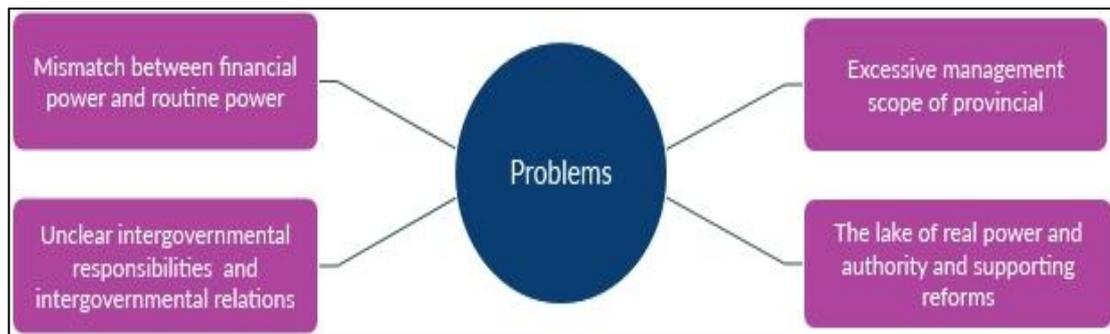


Figure 5.8 Problems for the reform of PDMC in China

5.10.1 Mismatch between Financial Power and Routine Power

The TSS of 1994 redefined the scope of routine powers and financial powers between the central and local governments. However, there were no unified provisions on the division of routine powers and financial powers between local governments at the provincial and sub-provincial levels.

When various localities implemented the tax-sharing system, they did not implement substantial reforms in this area. In other words, only the tax revenue was allocated, and the correspondence between local financial power and routine power was not clearly defined. This resulted in problems with the transfer of routine power and the collection of financial powers, which in turn led to widespread financial difficulties at the grassroots level. Interviewee BOF1 confirmed this, stating, “The TSS reform in 1994 only solved the problem of unclear financial rights, but did not coordinate the division and coordination of routine power”. Additionally, DRC1 expressed a similar perspective, stating:

“After my country promoted the system of provinces and counties, it adjusted the relationship between provinces, cities and counties to a certain extent, but it did not fundamentally adjust the

allocation of routine power. There has always been a mismatch between routine power and financial power ” (Inf. DRC1).

At the city level, the routine power of each functional department at the city level covers the entire city's administrative region, but the financial power held by the city level is limited to the city district, resulting in an asymmetry between routine power and financial power (Pang, 2020). Some cities no longer control the county ' s economic funds, but are responsible for county public services and other matters, which will also lead to increased pressure on the city. As deputy director of the Finance Bureau, BOF1 provided confirmation for this view:

“ After the fiscal reform of PDMC, the provincial government directly allocated donations to counties, avoiding the problem of fiscal withholding by prefecture-level cities from counties. Although the county government has greater financial support, some routine power is still in the hands of the city government, which can easily cause conflicts in the administrative and financial relations between the city and the county ” (Inf. BOF1).

From a county perspective, after county-level PDMC in fiscal sector, financial resources and funds are settled and allocated by the province, but other administrative systems, such as personnel appointment and removal rights, are under the jurisdiction of the city. This inevitably means that the county level must not only seek financial resources, funds, projects, and policies from the provincial government and provincial finance, but also report work to the city government and strive for understanding and support (Shi, 2010). This also allows some cities in disguise to ask the county government to undertake more affairs that even exceed the county's own financial level. The systemic friction between mismatched finances and routine

power leaves county-level governments at a loss as to what to do. For instance, Informant COG3 elaborated that:

“Nowadays, many cities will transfer their power downwards in order not to assume corresponding responsibilities. This leaves counties with underdeveloped economies to free up funds to undertake corresponding affairs. Some of them are even beyond their own capabilities, so they can only piece together things here and there ” (Inf. COG3).

This is consistent with what the theory of government functional allocation emphasizes. Improve government accountability and transparency through clear functional allocation. When the responsibilities of each government department are clearly divided, it is easier for the relevant departments to be held accountable for their decisions and actions (Constant, 2022). This not only improves management efficiency, but also makes the delivery of public services more targeted and reduces delays and misunderstandings caused by unclear functions. At the same time, the mismatch between financial power and routine power was also confirmed by many respondents, who mentioned that this problem exists in the current PDMC reform system as shown in Figure 5.9.

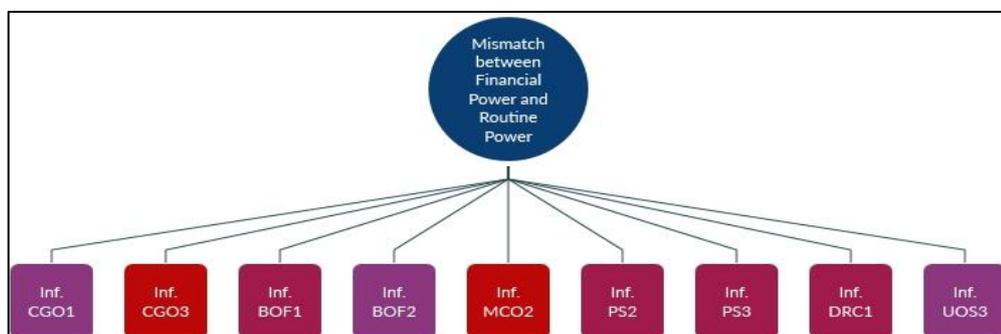


Figure 5.9 Opinions on Mismatch between Financial Power and Routine Power

5.10.2 Excessive Management Scope of Provincial Governments

Excessive Management Scope of Provincial Governments Leads to Out-of-control Power in the process of PDMC, which is a prominent problem, resulting in low efficiency. The reform of provincial administration of counties has not achieved the transformation of the government hierarchy from a formal flattening to a substantive flattening (Bai, 2013). The provincial level bypasses prefecture-level cities and directly manages counties, which means reducing management levels and expanding management scope in terms of management system. In theory, this will help speed up communication, improve the authenticity of information, reduce management costs, and improve work efficiency. However, the actual effect depends on the size of the management span. As policy reform office's officer PRO3 provided the information:

“Before the reform, a province only had to deal with relations with several subordinate prefecture-level cities. Although prefecture-level cities also compete and bargain for projects and financial support, it is relatively easy to coordinate due to the small number of prefecture-level cities. After the reform, the number of competitors at the county level increased and they directly participated in the competition for related resources. This means that provincial governments have to bargain with dozens of lower-level units at the same time, which not only consumes a lot of administrative costs, but also easily aggravates conflicts between lower-level governments and between superior and lower-level governments” (Inf. PRO3).

This problem is also very prominent in Jiangxi Province. Zhang Feng (2016) mentioned, under the background of PDMC reform in the fiscal sector, the provincial finance needs to re-examine the financial management and financial situation of each county, and establish a larger-scale and wider fiscal operation system, which has

increased the pressure on provincial fiscal management. If the Jiangxi provincial government cannot properly supervise and manage the county's economic behavior and fiscal revenue and expenditure, it is very easy to induce opportunism or other short-term behavior in the county.

For county governments, excessive management scope will also increase administrative costs, and excessive management scope may affect the timeliness and quality of government services. Due to cumbersome decision-making procedures, local governments may be limited by time and resources when executing affairs, and are unable to provide high-quality services to the people in a timely and effective manner. Irregular use of power and corruption may even occur, which will have a serious negative impact on local economic and social development. UOS3 from a university in Shandong agrees with this view:

“Before the province directly administered counties, there was an intermediate prefecture-level city level between provinces and counties, which could help the provincial government share some of its supervisory functions over counties. After the province directly administered counties, There are great management difficulties in terms of the number and distance of counties, as well as the familiarity and control of county economic development and personnel ” (Inf. UOS3).

BOF1, deputy director of the Finance Bureau, who has the same view, thus:

“The provincial government has the problem that some of the problems it can manage cannot be seen, and some of the problems that can be seen cannot be managed. Problems such as being 'out

of reach' will inevitably emerge, and the risk of a 'vacuum' in power supervision will increase” (Inf. BOF1).

Span of control and level of control are the key points of management hierarchy theory. Management hierarchy theory has been demonstrated in the process of China's PDMC reform. Only when span of control and level of control match can the efficiency of effective management be brought into play. Therefore, if all counties are directly managed by the province at present, the problem of too large a management span will arise, which will affect the improvement of management efficiency. Additionally, the issue of provincial governments having an excessively expansive scope of management was corroborated by a considerable number of respondents, as illustrated in Figure 5.9.

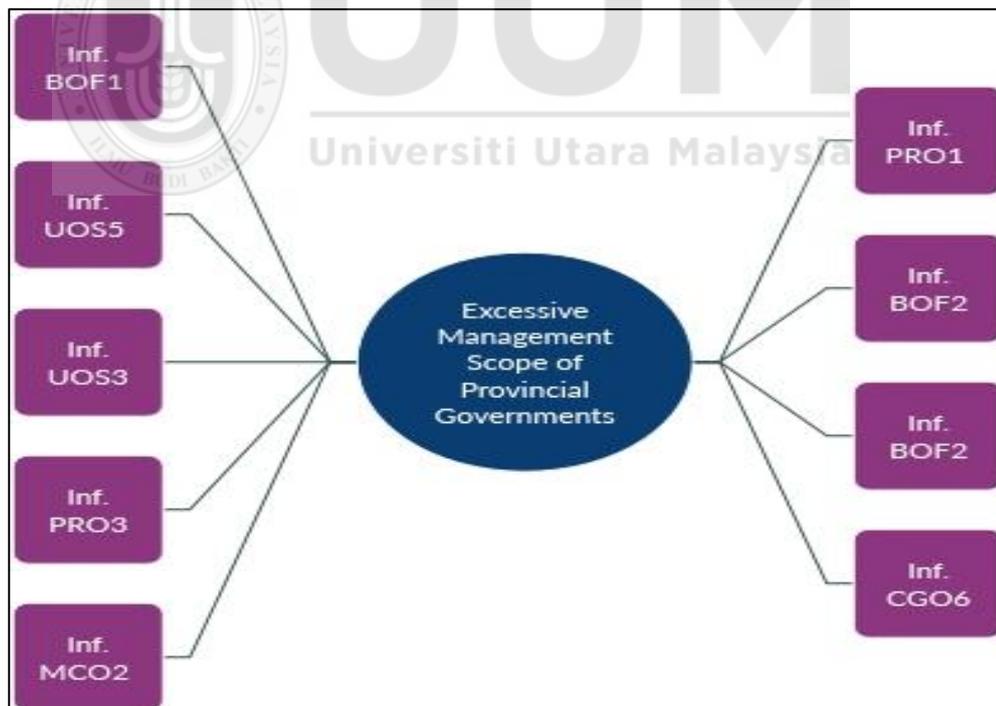


Figure 5.10 Opinions on Excessive Management Scope of Provincial Governments

5.10.3 Unclear Intergovernmental Responsibilities

One of the current problems with PDMC is the change in intergovernmental relations, which has also led to unclear intergovernmental relations. For a long time, China's intergovernmental relations have suffered from the chronic problem that governments at all levels share power, share responsibilities, and have vague definitions of authority. Governments at the central, provincial, city, county, and township levels jointly manage a wide range of social affairs, so there is a lack of clear definition of intergovernmental relationships in the reform of PDMC. Affected and restricted by the lack of clear division of powers between governments at all levels, the issues of power, expenditure responsibilities, division of financial powers and allocation of financial resources between governments at various levels have not been properly resolved (Yu, 2022).

Cui Chentao and Wang Aijuan (2023) mentioned, according to the provincial sharing ratio of Henan Province in 2022 and the general public budget revenue base in 2019, the provincial ratio is not high, while Shenqiu County's fiscal sharing ratio is 50%, and Shenqiu County has insufficient financial resources and bears more power expenditures. Moreover, after the adjustment of the provincial and city and county fiscal systems, although the provincial government divides subsidies according to power and expenditure responsibilities, due to the large number of additional assessment items or historical livelihood projects clearly defined by local governments or industry departments, the power borne by the county is far higher than the provincial project expenditure needs (Cui & Wang, 2023). This is because the relationship between cities and counties is unclear, and the county government bears too much responsibility for the city government's financial expenditures.

In the implementation of reforms, the problem of unclear government relations is prominent. Regarding this point UOS5 mentioned:

“During the reform process, the powers shared by provincial and city governments, as well as city and county governments, are not clearly defined. Which governments should be in charge of what, what powers they should have, and the magnitude of these powers have not been clearly regulated in many areas and in many cases. This makes the relationship between provincial, city and county governments blurred” (Inf. UOS5).

This can also lead to tensions in intergovernmental relations. Some prefecture-level cities have decentralized part of their economic and social management authority during the reform, but the authority of some key interest departments has been tightly controlled (Meng, 2015). In the process of provincial administration of counties, there is also disharmony in the relationship between cities and counties to a certain extent. Because in this process, the city government is unwilling to delegate powers involving core interests. UOS4 said:

“County-level governments are grassroots governments. If the top level does not change, the bottom level cannot. In fact, the functional configuration of county-level governments has not changed much compared to before reform” (Inf. UOS4).

The positioning of the county government in the reform process is not clear, and the nominal equality between cities and counties after the reform is also illusory. BOF1, who serves as deputy director of the Finance Bureau, also confirmed this view:

“After the implementation of the PDMC, in theory, the position of counties in the province is almost equal to that of city governments. There will be less exchanges between city and county governments, and it is difficult to obtain guidance from city governments in some aspects. Moreover, counties need to compete with city-level governments for limited resources. Counties are often at a disadvantage and cannot compete with city-level units most of the time. Because many powerful counties are in the city, counties do not dare to fall out with the city. Without coordination from the province, directly managed counties often fail to seize opportunities and receive much-needed resources. As a result, the relationship between the city and the county has become increasingly tense” (Inf. BOF1).

The intergovernmental relations in the theory of fiscal decentralization is a good response to this theme. How to achieve good intergovernmental relations is the key to this theme. In China, under the background of PDMC, only by changing the original city-county relationship to a level one can a relatively perfect cooperative government relationship be achieved. Because in the context of the PDMC reform in the fiscal sector, the city government controls most of the administrative power of the county government, so even if the county government has some autonomy in finance, it will also be "oppressed" by the city government. As a result, it will bear more affairs and responsibilities. This is not conducive to the development of the county government and the provision of public services to the people. As illustrated in Figure 5.11, several interviewees have identified a current deficiency in clarity regarding intergovernmental relations and a lack of clarity regarding intergovernmental responsibilities in the process of PDMC.

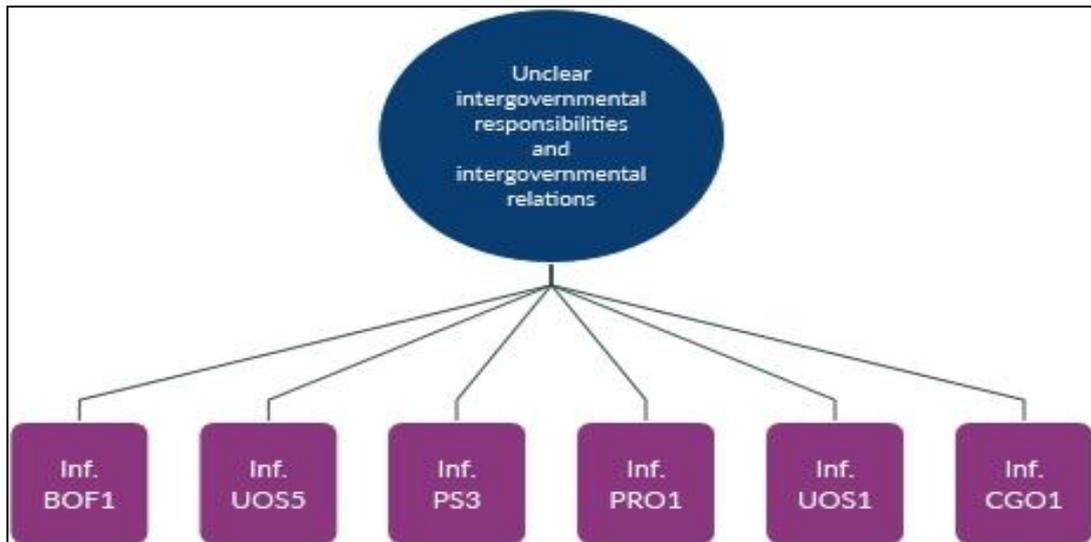


Figure 5.11 Opinions on Unclear intergovernmental responsibilities and intergovernmental relations

5.10.4 Power Allocation and Reform Support

The current PDMC reform system in China is beset with issues, including the county's real power and authority are unfairly allocated, and supporting reforms are not followed up properly. In the execution of specific affairs, local governments are limited by the approval and guidance of superior departments and lack independent decision-making power and management authority. These powers have not been decentralized to counties along with fiscal-related supporting powers, so counties still need to obtain provincial or city approval in many processes of implementing powers (Li, Kong & Yan, 2019).

In the absence of independent decision-making authority, local governments are compelled to await approval and direction from higher-level departments prior to the execution of affairs. This situation consumes a lot of time and energy on layer-by-layer approvals, making it difficult to flexibly adjust management measures when dealing with local practical problems, affecting the flexibility and effectiveness of

decision-making. This situation has caused local governments to face many difficulties in the administrative management process.

For a variety of reasons, some cities are reluctant to transfer genuine authority and power, which intensifies the power game between cities and counties, causing county departments to fail to implement all the authority granted by provincial departments and creating difficulties in connecting (Song, 2018). The witness who confirmed this, Deputy Director of the Development and Reform Bureau PRO1, mentioned, “The city controls power but does not delegate real power, which has become the biggest difficulty in the reform of the county system directly managed by the province”.

Many genuine powers, such as driving licenses, permits, qualification certificates, overall payment, investment project approval, and public security powers, have not been delegated to directly managed counties. The deputy director of the city Party Committee Office MCO1, emphasized this point of view:

“The delegation of non-critical powers to the county is actually dispensable and does not play a key role” (Inf. MCO1).

The major administrative affairs, personnel management, environmental protection and production safety, poverty alleviation petitions and other powers of counties under the direct jurisdiction of the province are still managed by the provincial municipality. Most of the central vertical departments in provincial and municipality, such as telecommunications, taxation, finance, etc., refuse to delegate power for various reasons or delegate power to the small but not to the larger, and to the fictitious but not the real. DRC1, deputy director of the National Development and Reform Commission, mentioned:

“Many powers related to economic development in the county are basically very small, and they still need to go through the city's approval ” (Inf. DRC1).

In terms of personnel management, the Bureau of Human Resources and Social Security 's civil servant registration and approval, recruitment and registration, written examination recruitment, intermediate professional title application and review authority have not yet been delegated to the counties directly under the jurisdiction. Online training for civil servants is still conducted through the online training academy of the provincial city bureau committee.

Therefore, there is currently an unfair distribution of real power in PDMC, and the original intention of the reform is gradually unclear. CGO3, who proposed this point of view, said:

“ The province has clarified that the target management and comprehensive assessment of pilot county governments will be temporarily entrusted to the municipality. For the city, the finance of the pilot counties is directly led by the provincial government, and the city does not have control over the county's fiscal transfer situation. For the pilot counties, the assessment is still carried out by the city, and it has no real power. The development of various tasks in the county is bound to be controlled by the city, and it is unable to fully exercise supporting powers ” (Inf. CGO3).

At the same time, on this basis, there is still a lack of policy and supporting reform support, such as the provincial government formulating relevant policies that will help counties grasp real power. CGO6 mentioned in this regard:

“At present, the provincial supporting policy reforms in terms of policy support, tax incentives, etc. for counties under direct administration are not clear enough, which undoubtedly affects the effect of the reform ” (Inf. CGO6).

The county government finds itself in a challenging position. It lacks the authority to match the fiscal transfer, which allows the county to assume a passive role during the reform process. Figure 5.12 revealed that one-third of the respondents agree that the current county governments lack real power and financial support.

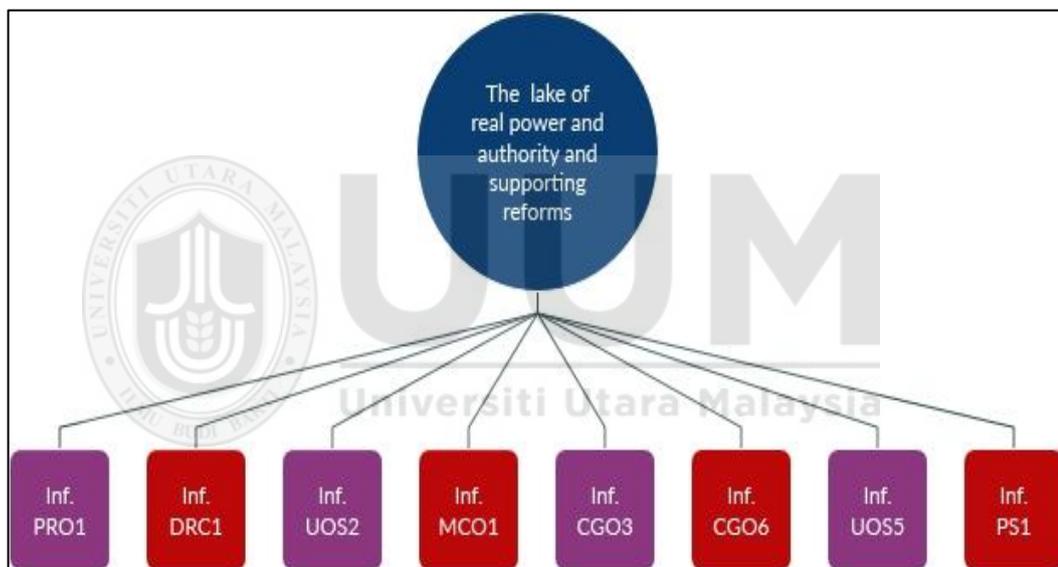


Figure 5.12 Opinions on The lake of real power and supporting reforms

5.11 The Necessity of Implementing PDMC in Administrative System

At present, China's implementation of the reform of the system of counties directly under the jurisdiction of provinces starts with finance, and it is initially planned to advance to the administrative reform of counties directly under the jurisdiction of provinces after the finance province has direct jurisdiction over counties. This makes many problems more and more prominent.

Currently, many of the problems existing in counties directly under provincial administration are related to the failure to promote administrative counties directly under provincial administration. If the PDMC in administrative system can be reasonably promoted, these problems can be alleviated or initially solved. There is no need to waste too much energy on solving superficial problems, because the current problems in PDMC should be solved at the stage of not implementing the administrative stage of PDMC. It is more about solving current or superficial problems. As illustrated in Figure 5.13, the primary concerns identified by respondents with regard to the PDMC reform system pertain to the lack of implementation of the PDMC within the administrative system.

These problems have not fundamentally been alleviated, so a vicious cycle of reform may be formed, in which time and effort are spent on solving current superficial problems, while at the same time creating more problems. Therefore, it is necessary to implement the PDMC in administrative system.



Figure 5.13 Opinions on The Necessity of PDMC in Administrative System

5.11.1 The Asymmetry between Financial and Routine Power

In the reform of the PDMC, the asymmetry between financial and routine power is an important issue. The asymmetry between financial and routine power is related to

the lack of implementation of PDMC in administrative system. County governments directly under the provincial government have received fiscal transfer funds to a certain extent but cannot use them efficiently. Some county governments also need to assume some responsibilities that originally belonged to the city government, resulting in passive economic development in the county. This view was confirmed by BOF2, thus:

“The county wants to use the funds rationally, but the city does not want to bear the corresponding responsibilities, so it will turn a blind eye to the county's application. This leads to a situation where there is money but cannot be used independently ” (Inf. BOF2).

Regarding this, PS2 said, 'The county is in a passive state during the reform process, and the power of the county is now asymmetric.' In this case, the local government may not be able to effectively use financial resources, affecting management efficiency and service quality. PS2 once again confirmed this view:

“To solve the problem of asymmetry between financial power and routine power, we need to have sufficient fiscal budgets and at the same time ensure that local governments have corresponding routine power. In this way, routine power will naturally be matched and financial balance will be achieved ” (Inf. PS2).

Therefore, while promoting the PDMC in fiscal sector, we should reasonably promote the reform of PDMC in administrative system, provide corresponding powers to county governments, and ensure financial matching. When local pilot counties have funds, they also have the administrative power involved in using the

funds and the process of using them. In this way, the authority will naturally be clear.

University professor US3 mentioned:

“The current reform of the PDMC is actually relatively fiscal-oriented, with very few administrative reforms. Based on reform experience, this is unreasonable. Of course, the original intention is good and we want to proceed step by step, but some problems in the reform process still need to be supported by supporting administrative reforms ” (Inf. US3).

Regarding the view that there is a connection between the mismatch between financial power and routine power and the failure to implement administrative reform, PS3, a researcher at the Party School, stated that:

“The reform of the administrative management system needs to be synchronized with the fiscal reform, otherwise it will aggravate the inconsistency between financial power and routine power, and financial power and administrative management power at all levels of government. If the pilot counties are given too many or too few affairs, it may affect the effectiveness of the provincial direct-administered county reform ” (Inf. PS3).

The county government is responsible for managing transfer payments and corresponding financial powers in accordance with the directives of the provincial government. However, the utilisation process of the provincial government's financial support and the related administrative powers remain consistent with the previous process. Such a process is unable to facilitate the optimal utilisation of financial resources. The views of the respondents revealed in Figure 5.14 prove that they generally believe that the mismatch between financial power and routine power

is related to the non-implementation of PDMC In administrative system. In other words, they believe that the implementation of PDMC In administrative system can fundamentally solve this problem.

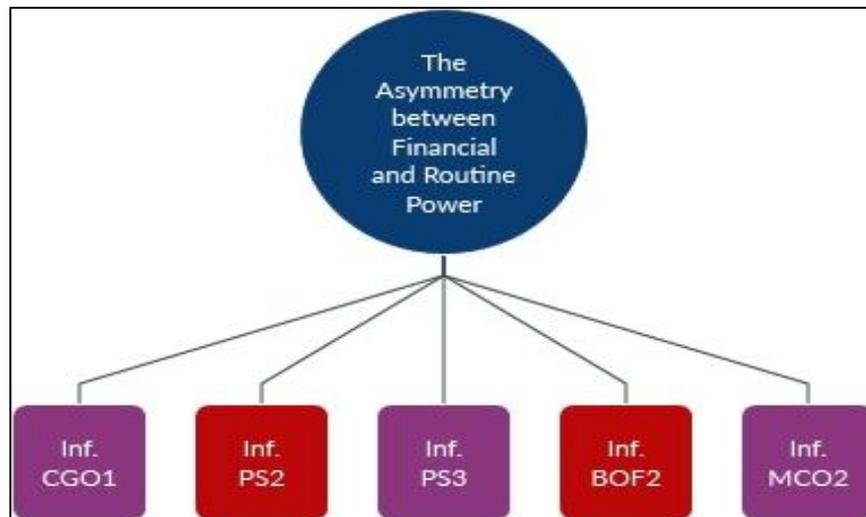


Figure 5.14 Opinions on The Asymmetry between Financial and Routine Power is Related to the Lack of Reform in Administrative System

5.11.2 Excessive Scope of Provincial Government Management

Presently, PDMC is confronted with the challenge of an extensive managerial scope at the provincial level, which has resulted in a lack of accountability and control. This issue can be attributed to the ineffective implementation of the PDMC in administrative system. Counties under provincial direct management will have the problem of excessive provincial government management at present and in the future if they only continue to implement PDMC in fiscal sector in a single line. Under the background that the PDMC in fiscal sector, county funds are transferred from the province, but the use needs to be reported to the province or city, which invisibly increases the management pressure of the province. Deputy Director of the Finance Bureau BOF1 said:

“Even if the county government receives funds from the provincial government, how to use it to a certain extent still needs to be informed by the provincial government or communicated to the province through the city government. Therefore, the county government has to communicate with the provincial government many times to obtain approval from the provincial government ” (Inf. BOF1).

To a certain extent, the rational implementation of PDMC in administrative system can alleviate this pressure, as UOS5 emphasized:

“If the reform of PDMC in administrative system is implemented, reasonable management, decentralization and services can be achieved. This is no longer complete control, which virtually reduces the pressure on provincial departments and the scope of management ” (Inf. UOS5).

As shown in Figure 5.15, the respondents agreed that in the process of promoting the current PDMC reform system, provincial governments have the problem of excessive management span, and this problem is related to the failure to implement PDMC in administrative system. When the PDMC in administrative system reform is promoted, it will eventually be possible to give counties the greatest autonomy, and the provincial government will only need to set up supervision. This will not only give county governments the autonomy to develop the economy and provide public services, but also reduce the management burden of the provincial government.

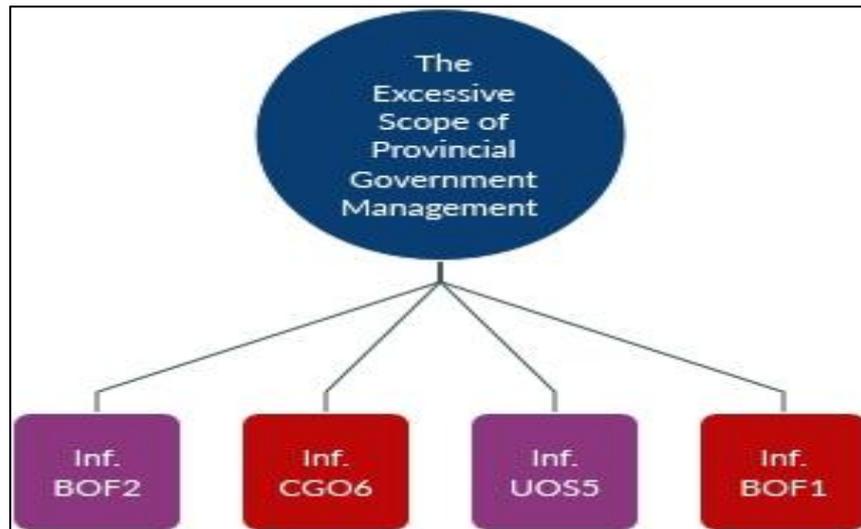


Figure 5.15 Opinions on The Excessive Scope of Provincial Government Management is Related to the Lack of Reform in Administrative System

5.11.3 Unclear Inter-governmental Relations

Unclear inter-governmental relations are related to the lack of implementation of PDMC in administrative system. Since the implementation of the reform of PDMC, the relationship between provincial, city and county governments has gradually changed. According to the interviewees' views, the current relationship with PDMC is different from the previous time when the city administered counties. As the PS3 said:

“Nowadays, the county government of the county under the direct control of the province seems to have two 'mother-in-law', one is in charge of money and power, and the other is in charge of power only” (Inf. PS3).

The relationship between governments is no longer like when cities governed counties. The city-governed county is a complete superior-subordinate relationship

between cities and counties, which is somewhat unclear now. BOF2 who proposed this point of view, thus:

“ Now the city no longer cares about the money, but some corresponding use rights are still in the city, which makes the county government's identity very embarrassing ” (Inf. BOF2).

In many cases, counties cannot handle fund transfers very well, because the current fund transfers of the city government and counties after the reform come from the provincial government, which turns the originally relatively harmonious city-county relationship into a competitive relationship. In this view, BOF2 emphasized that:

“ After the reform, the city government and the county government began to compete for funds. The city government has more right of speech in obtaining funds than the county government ” (Inf. BOF2).

MCO3, chief of the secretary section of the county government office who also supports this view, stated:

“ Out of the motive of maximizing their own interests, city have greatly weakened their support for counties. In terms of policy funds that need to be matched, they often refuse to provide funds on the grounds that 'counties are governed by the province'. Cities and counties compete with counties for profits and even engage in unhealthy competition on issues related to economic development, such as investment promotion ” (Inf. MCO3).

Under the background of the PDMC in fiscal sector, the city government's control over county finances has declined, and there is a certain competition in the transfer

payments allocated by the provincial government, which has led to tensions between the city and county governments. This has promoted the situation where the city government uses its own administrative power to oppress the county government. As shown in Figure 5.16, the respondents agreed that the unclear intergovernmental relationship in the PDMC reform process is related to the failure to implement the PDMC in administrative system.

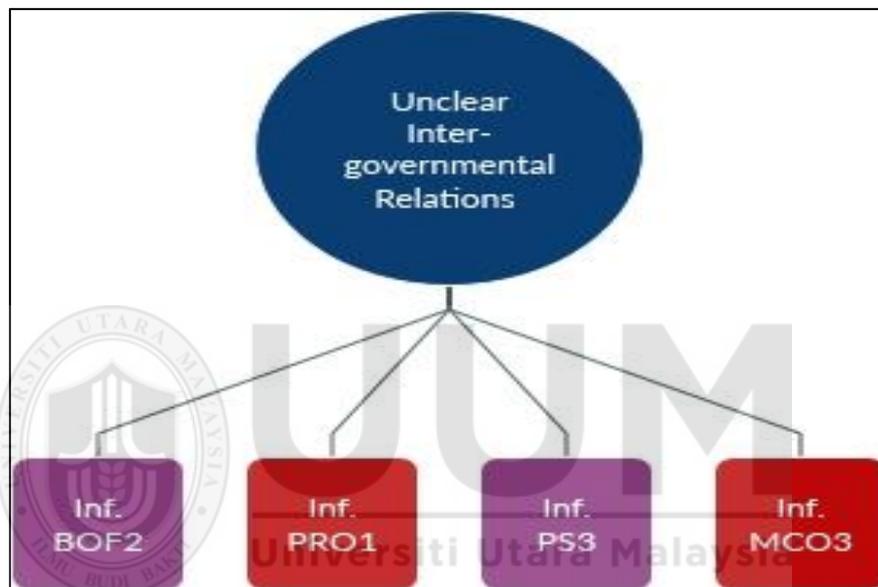


Figure 5.16 Opinions on Unclear Inter-governmental Relations is Related to the Lack of Reform in Administrative System

5.11.4 Unfair Distribution of Power and Authority

The necessity to implement PDMC in administrative system is also related to unfair distribution of real power and authority in counties. Under the current background of PDMC, county governments lack supporting administrative authority and supporting administrative reforms in many aspects. As DRC1 said:

“First of all, many power departments such as land, finance, industry and commerce that are related to county economic and

social development have implemented vertical management, and each of them has a top-down administrative system and management system ” (Inf. DRC1).

Without the implementation of PDMC in administrative system, and without corresponding supporting reforms, it will be difficult for counties to obtain some administrative authority paired with fiscal power. Even if the province issues relevant power expansion policies, there is nothing that can be done in the face of this established facts, and many power expansion projects cannot be effectively implemented. MCO1 elaboration that put forward relevant ideas:

“There are currently no supporting reforms. The province wants to implement the decentralization policy, and the city will only delegate some non-critical powers ” (Inf. MCO1).

In the current implementation process of PDMC, the province has not bypassed city governments and directly connected with counties, which makes the reform of PDMC passive (Meng, 2015). As UOS2, a lecturer at Agricultural University, explained:

“ The provincial power expansion reform has not completely bypassed the prefectural and city levels. Some economic and social management rights must first be reviewed at the city level and then approved by the province ” (Inf. UOS2).

Another interviewee who is Informant PS1, the Vice President of the Party School, echoes the words that described the situation thus:

“In some counties and cities, the power of personnel management is mainly concentrated in the city. For example, deputy county-level cadres in the county are appointed by the city. Once contradictions and conflicts arise at work, the county and city dare not offend, and the result is that the city will return to the old way of managing the county ” (Inf. PS1).

The problem of the county government's power not being satisfied is becoming more and more obvious. This is because in the process of PDMC in fiscal sector, the decentralization of power is limited. In other words, whether more reasonable actual power is decentralized depends to a certain extent on the city government. Figure 5.17 revealed that some respondents agree that unfair distribution of real power and authority in counties is related to PDMC in administrative system is unimplemented.

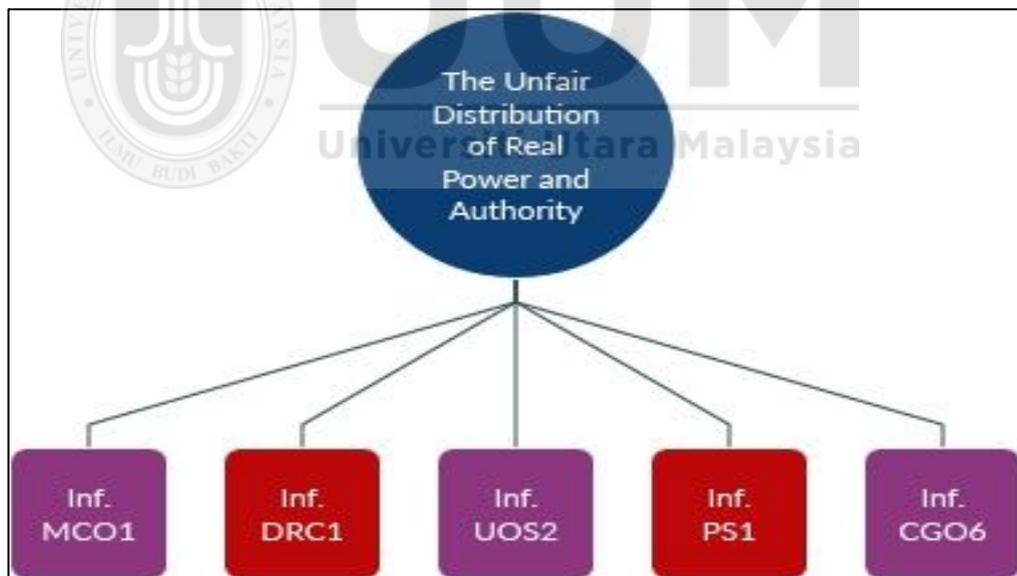


Figure 5.17 Opinions on The Unfair Distribution of Real Power and Authority in Counties is Related to the Lack of Reform in Administrative System

5.12 Possible Challenges of PDMC in Administrative System

At present, China's reform of the system of PDMC has been in the exploratory stage, but the single-line implementation of fiscal reforms can no longer meet the needs of the reform. In the stage of PDMC in fiscal sector, the rational implementation of PDMC in administrative system adapts to the needs of the times. Based on the information provided by the interviewees which was shown in figure 5.18, this chapter aims to explore the challenges that the departments may face if they work together to promote administrative reforms.



Figure 5.18 Opinions on Possible Challenges Faced by the Implementation of PDMC in Administrative System

5.12.1 Unclear Intergovernmental Responsibilities and Change in Intergovernmental Relations

In the promotion of PDMC in administrative system, counties are the groups that have gained the most power and benefits, while 'prefecture-level cities' are the groups with a net outflow of vested interests. For this reason, the attitudes of these two groups towards the reform are completely opposite. MCO1, deputy director of the city Party Committee Office, mentioned: 'How to accelerate the self-awareness of the identity and role of the city government is a key step.' CGO4, deputy chief of the administrative section of the city government office, emphasized:

“ The city government may gradually lose its original administrative status in the process of implementing PDMC in administrative system. This is an issue that the city government needs to gradually confront ” (Inf. CGO4).

UOS5, an Associate Professor at a university in Shandong who has the same view, explained:

“ The prefecture-level city government will no longer lead the county government. It will be on the same level as the county government. It's like leaders have become ordinary people, which can easily cause disharmony among city and county governments, which requires the provincial government to do something to alleviate ” (Inf. UOS5).

County governments should also begin to centrally position themselves and enhance their management capabilities after the reform begins. PS1, deputy principal of the Party School, mentioned:

“The county government must also adapt to the direct leadership of the provincial government and improve its own management level ” (Inf. PS1).

With the transformation of functions, there will be problems of unclear responsibilities during the reform process. In the early stage of the reform of PDMC in administrative system, it is inevitable that there will be unclear powers and responsibilities, because the reform of the system of PDMC in administrative system is a process of decentralization, management and service by the provincial government. UOS1, an Associate Professor at Shandong Agricultural University,

emphasized that, “Provincial governments will assume more responsibilities and powers”. This cannot be done in one step, and unclear responsibilities will gradually appear during this process. As PS3 of the Party School Research Institute stated:

“Unclear responsibilities are an inevitable problem whether it is PDMC in fiscal sector or PDMC in administrative system. But according to my opinion, this problem will be solved after the implementation of the implementation of PDMC in administrative system. However, in the early stage, we still need to pay attention or issue documents on responsibility relationships to speed up the solution ” (Inf. PS3).

The changes in intergovernmental relations in this topic are different from the problems in the implementation of PDMC in fiscal sector. The changes in intergovernmental relations here mainly come from the fact that after the provincial government delegated administrative power to the county government, the city government lost its original administrative status and resources. This will lead to competition between the city government and the county government, especially for resources that contribute to economic development. This requires the mediation of the provincial government, aiming to appease the city government more quickly and achieve the most effective writing of the city and county governments. Figure 5.19 revealed that more than one-third of the respondents believe that unclear intergovernmental relations and changes in intergovernmental relations are problems that may be faced at the beginning and during the implementation of PDMC in administrative system.

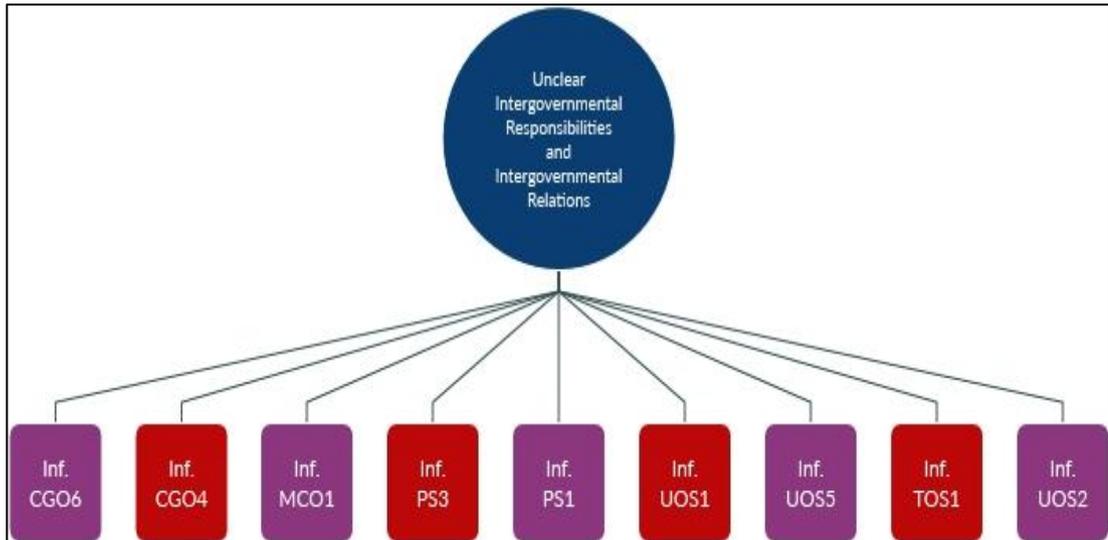


Figure 5.19 Opinions on Unclear Intergovernmental Responsibilities and Changes in Intergovernmental Relations

5.12.2 County Cadre Promotion Pathways Affected

The subjective initiative of cadres is crucial in the reform process (Li, 2023). In the process of promoting the reform of PDMC in administrative system, some personnel appointments will be transferred to the provincial government. The principal positions of party and government cadres at the county level are generally directly assigned by the provincial government. However, but for other deputy positions, if you want to get promoted, you can only compete with city cadres for provincial positions. MCO1, who is the deputy director of the city Party Committee Office, expressed that:

“ Under the long-term city-governed county system, the work ability and level of cadres of the city government are generally higher than those of county cadres. In this way, it is difficult for county government cadres to compete with city cadres for competitive positions, and it is difficult for county government cadres to be promoted ” (Inf. MCO1).

DRC1, Deputy Director of the National Development and Reform Commission, has a similar view on cadre promotion that:

“Under the city governing counties, the promotion path for most county cadres is to work in the city, and only a few can go to the province” (Inf. DRC1).

In this case, county government cadres may lack a way to be promoted under the reform of PDMC in administrative system. This affects the enthusiasm of cadres. As shown in Figure 5.20, the respondents believe that the affected path of cadre promotion is one of the problems in promoting PDMC in administrative system. Regarding this point of view, TSO1, the mayor of a township affiliated with Dezhou City, emphasized:

“The promotion paths for cadres are basically the same now. For township cadres, they are promoted to the county team, and for county cadres, they are promoted to city departments or promoted to the city team. Without the city as a way to advance, it would be too difficult for cadres to directly enter the province to work” (Inf. TSO1).

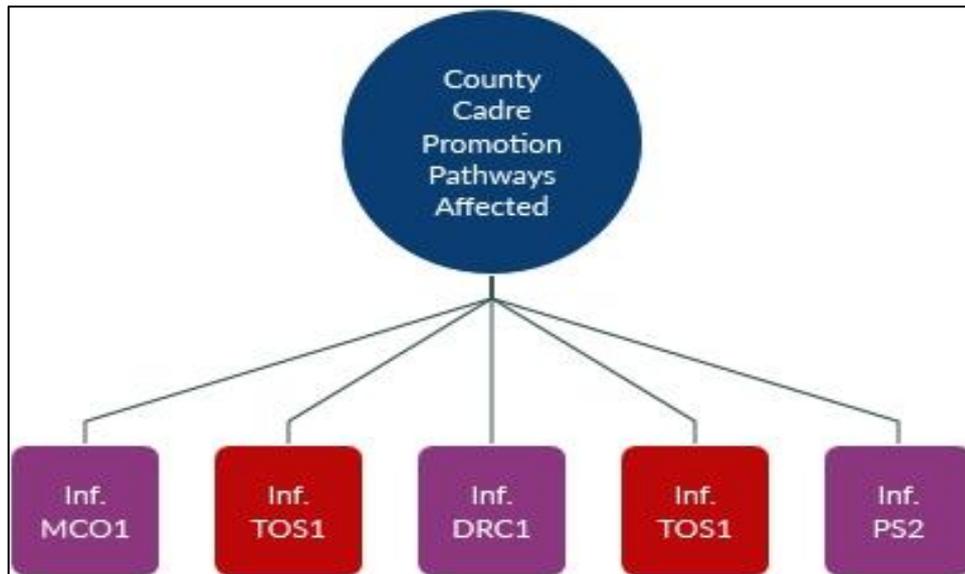


Figure 5.20 Opinions on County Cadre Promotion Pathways Affected

5.12.3 Cadres' Ability and Talent

Apart from path of promotion, cadres' ability and lack of talents in the county also contribute to this reform. The city-governed county system has been in place for a long time, and the process of promoting PDMC in fiscal sector has rarely or never involved the reform of PDMC in administrative system. Therefore, the institutional setup in the county is the result of the long-term city-governed county system. This may lead to some problems in the early stages of county agencies and personnel being under PDMC in administrative system. CGO2, chief of the Administrative Section of the County Government Office, expressed:

“Currently, the county ’ s institutions are in line with the city governing counties system. If PDMC in administrative system is implemented, institutional adjustments are essential ” (Inf. CGO2).

Staffing is also a problem. In the early stages of implementing the reform of the system of PDMC in administrative system, there may be a shortage of professional

talents. DRC1, deputy director of the Development and Reform Commission, mentioned:

“The process of reform requires a certain number of people to support it, and the absence of relevant departmental professionals can make the work inefficient ” (Inf. DRC1).

Corroborating this line of views was Informant TSO1, the mayor of a township affiliated with Dezhou City, explained that:

“Many of the county staff are local people who have been working in the county since before the civil service renewal and reform many years ago. One problem with this situation is that college talent from years ago has gone on to higher level positions and current college graduates are planning or going on to provincial and city positions ” (Inf. TSO1).

This has led to a shortage of people in the counties who understand the local situation as well as specialized knowledge. This problem may not have manifested itself as a serious problem during the period when the reform of PDMC in administrative system was not implemented, because under the PDMC in fiscal sector, there was not a lot of pressure on the relevant authority. In the early stage of implementing the PDMC in administrative system, the county may need more specialized talents to support the reform. PRO1, deputy director of the Policy Research Office, has a similar view:

“Talent is a key part of the reform, people who understand the policy in the corresponding position is a guarantee for the reform.

How to attract talents to work in the county is a problem that must be faced in the reform” (Inf. PRO1).

In the context of the city-county system, the city government has great advantages over the county and town governments in terms of resources and job promotion. Therefore, more comprehensive talents and cadres have always preferred to work in the city. This has led to the overall ability of county government cadres being relatively weak compared to city government cadres. After the implementation of PDMC in administrative system, the work of the county government will require more professional skills than before, so as shown in Figure 5.21, many respondents believe that the lack of ability and talent shortage of county cadres will be problems in the promotion of reform.

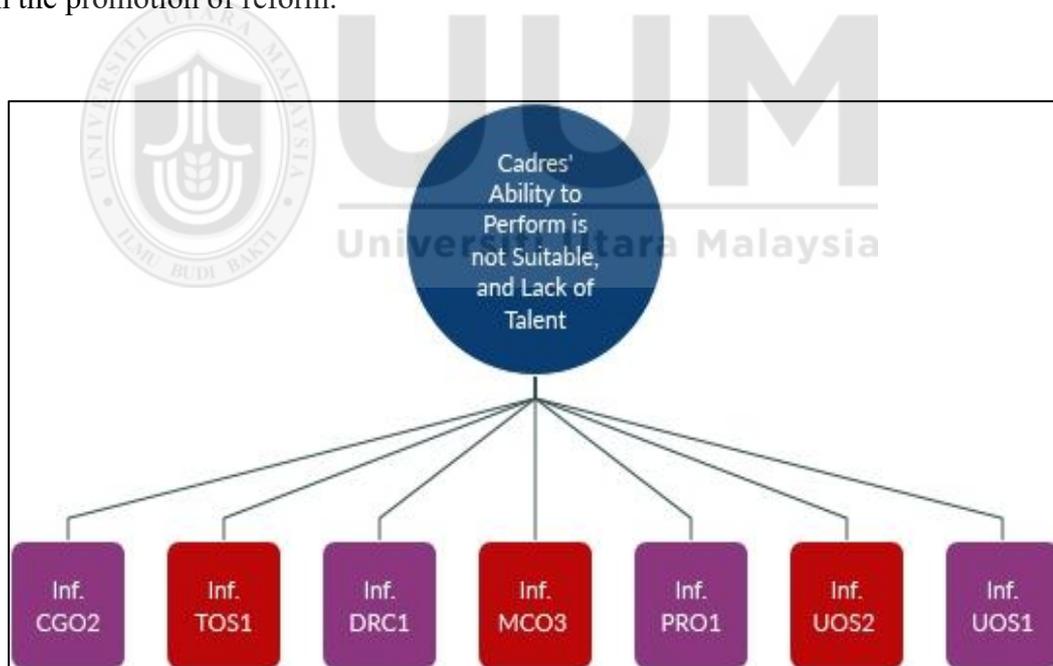


Figure 5.21 Opinions on Cadres' Ability to Perform and Lack of Talent in the County

5.12.4 Loss of Control

The PDMC in administrative system aims to give more power to the county, allowing the county government to autonomously exercise certain powers. However,

the original distribution of real power at the county level is limited, and excessive decentralization may lead to a loss of control over county government powers. In this regard, UOS5 mentioned:

“The lack of supervision and restriction mechanisms in the process of decentralization may lead to out-of-control power” (Inf. UOS5).

UOS4 expressed a similar view, mentioning:

“Power is a double-edged sword. On the one hand, the county has power, which can improve efficiency and develop the economy. However, it cannot be ruled out that some cadres use power blindly for promotion or other reasons” (Inf. UOS4).

PRO2, a staff member of the political research office who has a similar view, emphasized that:

“Greater power in the county means greater power in the county departments. Without a professional supervision mechanism, there will be irregularities in the implementation of power” (Inf. PRO2).

MCO3, a staff member of the city Party Committee Office, said that:

“Some powers may not benefit the people who are supposed to benefit, but are more inclined to enterprises, which may make the use of powers somewhat biased” (Inf. MCO3).

As the county government gains more autonomy, it may also face the risk of losing control of power. In addition, if the promotion space for cadres is blocked, county

leaders will try their best to develop the economy in order to get promoted. In this process, they are likely to attract investment without considering the consequences, which will lead to the power of the county government shifting. Figure 5.22 reveals that some respondents agree that excessive decentralization of power to county governments will lead to a loss of control.

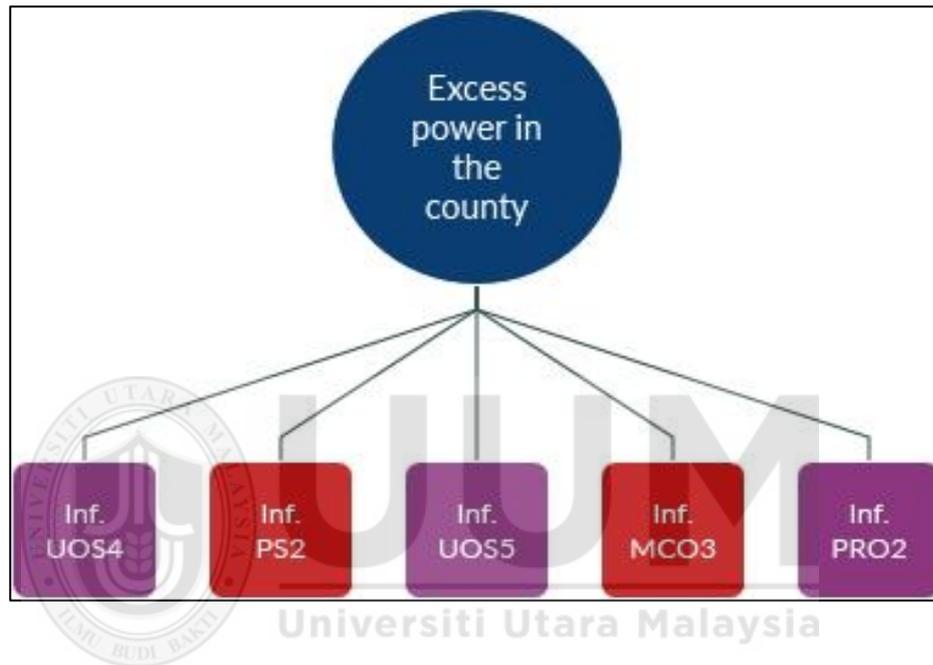


Figure 5.22 Opinions on County Governments Easily Lose Control with Much Power

CHAPTER SIX

DISCUSSION AND CONCLUSIONS

6.0 Introduction

This study explores the reasons for the reform of PDMC system, the existing problems, and the correlation between these existing problems and the failure to implement the PDMC in administrative reform system. This is to explore the necessity of reasonably implementing the administrative direct-administered counties in provincially-administered counties at the current stage in China. At the same time, the challenges and solutions that will be faced if PDMC in administrative reform system is implemented at this stage are discussed. Currently, case analysis and in-depth interviews are incorporated into the relevant parts. This study discuss the reasons for the reform of PDMC in administrative system by reviewing the effects of China 's reform implementation. The challenges of the PDMC in administrative system were also discussed to understand the new reform system. Apart from that, several possible solution and recommendations were given to improve the PDMC in administrative system in th new reform system.

This study started with a case analysis, which led to the research question one. The three research questions were answered mainly through in-depth interviews. Specifically, the research objectives were explored from the perspectives of decentralization of government theory, management hierarchy theory, and government function allocation theory.

The discussion comes from the division of themes and sub-themes and the relationship between them using the qualitative analysis software NVIVO 14. The themes and sub-themes were discussed and analyzed based on the research questions.

The reform of PDMC system in China has a long history, and many of the problems it faces are still stubborn. This study aims to explore the current situation of PDMC in China, and explore ways and methods to further promote PDMC reform system. The discussion is based on the themes from the interview results.

6.1 The Necessity of Implementing PDMC in Administrative System

The implementation of the reform of the PDMC in administrative system is not only the improvement of the reform system, but also the alleviation of the resistance currently encountered in the implementation of the PDMC in fiscal sector. Under the background of China's long-term implementation of PDMC in fiscal sector, administrative reforms are imminent. The current reform should be in the direction of the reform of the PDMC in administrative system. The problems existing in the current reform are partly related to the failure to implement supporting reforms in administrative aspects.

6.1.1 Asymmetry between Financial and Routine Power

In the context of the reform of the PDMC, the asymmetry between financial and routine power represents a significant challenge. The discrepancy between financial and routine power is contingent upon the absence of PDMC implementation within the administrative system. In the reform of the system of PDMC, the asymmetry of financial power and routine power is an important issue that affects the smooth progress of the reform of the county directly under the provincial administration. It

can be divided into two parts. One is that the county government itself has routine power, but the financial budget is insufficient. This is a problem that needs to be continued and solved by the PDMC in fiscal sector.

Second is when the county government directly under the provincial government receives fiscal transfer funds from the provincial government, it cannot decide the use of the transferred funds because it does not have the corresponding power to use them independently. However, in this section, this study focuses on this situation. The authority to use funds is still controlled by the city government, thus causing unclear routine power. In order to shirk responsibility, the city government may impose restrictions on the use of county funds, which puts the county in a passive state in the process of economic construction and development. Or in order to assume less responsibilities, the city government delegates all or part of the affairs that should be undertaken by the city government to the county without financial autonomy. This places an undue burden on the county, particularly given its already fragile economic foundation.

In this case, the county government may not be able to use financial resources in a timely and effective manner to meet the specific needs of the region, affecting the management efficiency and service quality of the local government. Therefore, to solve the problem of asymmetry between financial and routine power, in addition to sufficient fiscal budgets, it is also necessary to ensure that local governments have the corresponding autonomy to determine the use of finances and achieve a balance and matching between financial and routine power. Therefore, while promoting counties directly under the jurisdiction of the Ministry of Finance, we should reasonably promote the reform of the county system directly under the jurisdiction of

the administrative province, so as to provide county governments with corresponding powers in the context of financial fund transfers and ensure that financial power and routine power match. This behavior is also an objective response to the theory of decentralization of government. In the theory of decentralization, the economy and decentralization must be reasonably matched to maximize the functions of power and economy. Craig Johnson (2008) argues that economics without power is pointless. The core issue of contemporary Chinese administrative reform is the repositioning and division of state administrative power.

6.1.2 Excessive Scope of Provincial Government Management

PDMC faces the challenge of extensive managerial responsibilities at the provincial level, leading to a lack of accountability and control, which stems from the ineffective execution of the PDMC in administrative system. The implementation of PDMC aims to eliminate the intermediate level of prefecture and city levels and put counties under the direct jurisdiction of provinces. However, the current situation is an exception for some financial-related management rights and transfers, which are directly connected to some counties. Administrative powers such as land use planning, land expropriation compensation, land use rights transfer and other powers have not yet been reformed and are still controlled by the provincial government or the city government. If the county government wants to use corresponding funds to plan land, it must obtain approval from the city or provincial government. This results in an excessively wide range of provincial management, making management more difficult, increasing management costs, and adding pressure to provincial government management.

For example, if the county government wants to transfer land use rights, it needs to obtain approval from the provincial government first, and usually needs to go through a series of complicated approval procedures, such as preliminary assessment, formulation of transfer plan, submission for approval, provincial government review, approval and public announcement. This not only results in increased time costs, but also places considerable pressure on the provincial government, and may also lead to the irrational allocation of land resources, which in turn affects the development of the local economy. Therefore, even if the county government receives funds from the provincial government, if it wants to use them in some aspects, it still needs to listen to the guidance of the provincial government. Therefore, the county government has to communicate with the provincial government many times at different layers to obtain approval from the provincial government.

In actual situations, if the provincial government completes the reform of PDMC in fiscal sector, it will need to manage an average of more than 70 cities and counties. Therefore, for administrative aspects that have not been reformed, the county-level government still needs to adhere to the arrangements set forth by the provincial government.

Therefore, the pressure on the provincial government has doubled, and it is limited by the work scale of the departments that were originally under city jurisdiction. After the full implementation of the reform of PDMC in fiscal sector, the provincial government will be unable to cope with the large number of counties under direct administration. This results in work efficiency that may not be as good as that of the city-governed county system. Therefore, if we wait until the fiscal reform of the

provincial-governed county system is completely completed before promoting the administrative reform, this situation will gradually bring more difficulties.

Management hierarchy theory can provide support on this issue. The reasonable combination of management span and management level is the basis for ensuring management efficiency. If we want to wait until PDMC in fiscal is completed before promoting PDMC in administrative system, the management span will be too large, which will seriously reduce administrative efficiency. The reasonable promotion of PDMC in administrative system can decentralize the administrative power of the higher-level government, and only need to ensure subsequent supervision. This will make the management span and management level more reasonable.

The reform of PDMC in administrative system is not merely about the provincial government amassing power; it is also about 'decentralization, management, and service.' The term 'decentralization, management, and service' encompasses delegation of authority, management, and service. In terms of decentralization, the provincial government delegates the powers that the county government needs and the powers that match the economy to the county. In terms of management, the provincial government specifies clear goals and effective plans to guide the development direction of the county government. In terms of services, it can be achieved through policy support, relevant training, etc., and relevant coordination and communication in the PDMC process, such as coordinating the relationship between the city and the county, supporting the county government in the reform, and also reasonably comforting and communicating with the city government.

Consequently, in the process of the PDMC in fiscal sector, the administrative province can reasonably promote the PDMC in administrative system, which can reasonably grant the county government autonomy and reduce the management pressure of the provincial government. The provincial government is only required to implement a reasonable supervision mechanism to ensure the rationality of the county government's development. Consequently, in the context of the reform of the PDMC in fiscal sector, it is imperative to implement a reasonable reform of PDMC in administrative system.

6.1.3 Unclear Inter-governmental Relations

The system in which the PDMC in fiscal sector may result in unclear relationships between provincial, city and county governments and unclear division of responsibilities, which may easily increase the difficulty of coordination between government levels and affect the management efficiency and service levels of local governments. The lack of implementation of the PDMC in administrative system is a consequence of the unclear intergovernmental relations that prevail.

Initially, the fiscal relationship is unclear. Under the system where the PDMC, the provincial government directly manages county-level financial affairs, and the county-level government's fiscal revenue and expenditure mainly relies on provincial fiscal appropriations. However, to a certain extent, the provincial government may be more inclined to transfer more funds to city governments that already have corresponding rights, so that the process can be simplified and there will be no need to bear more pressure. This has resulted in some counties with underdeveloped economies receiving less funds and lacking financial support. Consequently, there

will be more competition between the city government and county governments, which may lead to tense relations.

Moreover, the nature of the affiliation is unclear. The city and county governments, which were originally affiliated, have become nominally at the same level. However, some of the powers needed by the county government are still in the city, making it financially dependent on the provincial government and administratively dependent on the city government. Consequently, there is a problem of two parallel vertical superiors appearing in the county at the same time. This leaves the county government at a loss as to what to do.

Consequently, the relationship between the county government and the city government with regard to financial responsibility is unclear. While the county government has the power to undertake the corresponding financial transfer, the city government may still exercise control over the corresponding supporting powers for financial use. This has resulted in a situation where the corresponding responsibilities that should be borne by the city government have become unclear and contentious. In the context of PDMC in fiscal sector, city governments no longer have the power to transfer funds.

Consequently, the city government is reluctant to assume the corresponding responsibilities for this part of the funds. However, some or all of the supporting powers for the use of funds allocated to counties by the provincial government, such as relevant approval powers, are in the hands of the city government without PDMC in administrative system. Consequently, the county government is reluctant to

assume the corresponding responsibilities. This impedes the rational utilisation of these funds.

Moreover, the city government is not entitled to the tax revenue generated by the county government, nor does it receive financial allocations from the provincial government to the county. Consequently, the city government's economy has been affected to a certain extent. In response, the city government has decentralized some original government affairs to the county town and no longer provides financial support to the county town. For instance, in the case of highways built near counties, the city government prefers to allow the local county government to provide funding matching. This undoubtedly increases the financial pressure on the county government and affects the county government's attitude towards the city government. This has led to unclear and unclear relationships between the three levels of government, including provinces, cities, and counties.

In the case of French local government reform, by adjusting and optimizing the multi-level governance structure, has improved the coordination mechanism between local and central governments. The French local government reform clarified the power and responsibilities between local governments and the central government, and decentralized power to local governments, which not only unblocked the power between governments at all levels, but also optimized the relationship between governments at all levels to a certain extent (Cabanis & PĂCEȘILĂ, 2022). This policy of the French government has made reasonable adjustments to the rights of local governments and their superior governments. This is different from the current PDMC in fiscal sector, where the administrative power of county governments is controlled by the city government.

China could learn from France's experience in its implementation of the provincial directly governed counties reform by clarifying the functions and powers between different levels of government. In other words, merely advancing PDMC in fiscal sector is not sufficient to address the issue of overlapping responsibilities among various government levels. China should promote PDMC in administrative system reform within reasonable bounds, aiming to restructure the powers and responsibilities of different levels of government to achieve greater autonomy at the grassroots level.

6.1.4 Unfair Distribution of Real Power and Authority in Counties

The unfair distribution of power is related to the fact that PDMC in administrative system has not yet been implemented. The exercise and reception of power are complex and do not proceed in a linear fashion. However, the direct relationship of PDMC in fiscal sector will, to a certain extent, allow some powers to be reformed individually.

Prior to the implementation of the reform of PDMC, the allocation of power at all levels was comprehensive. The city level has the power to govern the county's fiscal transfer and distribution, and also has supporting administrative authority. The distribution of real power is equitable, and the power mix is reasonable.

Nevertheless, implementing the reform of the PDMC in fiscal sector without concurrently addressing the PDMC in administrative system will gradually result in the county being granted some financial management rights but lacking the requisite administrative authority. This will result in an unfair distribution of real power and authority, which is contrary to the objectives of the PDMC system.

When China first implemented the reform of PDMC, it aimed to implement it step by step. The initial design was to start with PDMC in fiscal sector, and gradually ease the oppression of city governments on county-level governments in the city county system. However, during the implementation process, while solving the shortcomings of city administration of counties, some new problems have gradually emerged. There is no supporting administrative authority, and the unfair allocation of real power and authority in counties directly under the jurisdiction of the province has become increasingly serious.

The reform of PDMC has weakened the financial management power of city governments, and the purpose of the reform is to abolish the city level. During the reform process, the competition between cities and counties has gradually become fiercer, so the city government has a 'stuck' phenomenon with the county government to a certain extent. This also makes the city government even more reluctant to delegate real power to the county. This is also the consequence of not clearly implementing administrative reforms. If the reform of the PDMC in administrative system is properly promoted, this part of the pressure will not exist or deal with, but can be easily solved in the process of implementing administrative reforms.

6.2 Challenges of PDMC in Administrative System

The implementation of the PDMC in administrative system may present certain challenges in the initial stages of the reform. This chapter aims to provide a summary of the potential difficulties that the government may encounter if the PDMC in administrative system is implemented in the context of the current background.

6.2.1 Unclear Intergovernmental Responsibilities

In the process of implementing PDMC in administrative system, there may also be problems such as unclear responsibilities between governments and changes in inter-governmental relations.

The reform of the PDMC in administrative system can reasonably solve the problem of unclear intergovernmental responsibilities that has existed since the PDMC in fiscal sector. However, the problem of unclear responsibilities among provincial, city, and county governments will still exist in the early stages of implementing the reform of PDMC in administrative system. Reform will not happen overnight. In the process of reforming the system of PDMC in administrative system, the implementation of administrative supporting reforms, such as the decentralization of administrative powers, requires a certain process. In this process, there will be problems with unclear responsibilities among governments. For example, the corresponding powers have not yet been delegated, but the county needs to take responsibility.

In addition, during the implementation of the reform of PDMC in administrative system, intergovernmental relations have gradually changed, requiring governments at all levels to adapt to the changes. The purpose of the reform of PDMC is to reduce the hierarchy. Therefore, the city and county governments, which were originally subordinate to each other, became the same level after the reform. city governments were unable to adapt to the new feeling in a short period of time. During the implementation process, the authority of the city government was progressively diminished, which had a significant impact on its interests.

All organizations and their systems are built around specific interests. Interests are the most direct cause of conflicts and frictions among governments. Brazil's environmental protection and land reform provides a clear case in point. When implementing this reform in Brazil, differences in interests between the federal government and local governments often emerge. For example, the federal government may want to strengthen the protection of the Amazon rainforest, while some local governments and farmers may oppose this policy due to their interests in agricultural development. Local governments may take no action when implementing relevant regulations or resist policy implementation, leading to long-term conflicts and slow progress. (Borges de Lima & Buszynski, 2011)

In response to address this lack of cooperation between governments, the Brazilian government established the Fund for Conservation Program. The Fund supports local governments and communities in their efforts in forest conservation, sustainable forest management, and ecological restoration by providing them with funds. These funds come from donations from the international community, including national and private organizations. In addition, the Brazilian government has implemented the Payment for Environmental Services (PES) policy to provide economic incentives for activities to protect forests, wetlands, and other ecosystems. Through these mechanisms, participants (such as farmers and local governments) can receive cash or other forms of compensation in exchange for protecting natural resources and maintaining ecological services (Mota, 2023). In this way, the Brazilian government provides protection for the outflow of benefits, which not only promotes the implementation of reforms but also ensures good relations between governments. Brazil's reform and the policies introduced in the process also provide valuable experience for China's PDMC.

First of all, the reform of PDMC transfers some economic and social powers and administrative powers that originally belonged to prefecture-level cities to county-level governments such as local planning and construction, etc. For the counties, this is a process of decentralization. Second, some of the powers that originally belonged to prefecture-level cities have also been transferred to the provinces, such as the financial and personnel rights that prefecture-level cities have over the counties under their jurisdiction. This is another process of centralization of provincial governments. Whether it is a provincial government or a county-level government, its power has increased significantly compared to the past. The main loss of power is to the prefecture-level city governments, which have been decentralized.

For many municipality, the reduction of jurisdictional scope also reduces their development space and development support, and may even cause them to lose development momentum. In the context of a single line of PDMC in fiscal sector, although the city government does not have financial management of the county.

However, with the cooperation of its own other powers, it can still delegate affairs to a certain extent, which reduces the burden on the city to a certain extent. However, the PDMC in administrative system have isolated prefecture-level cities, causing them to lose jurisdiction over counties. This is undoubtedly a heavy blow to the economic construction of prefecture-level cities. The PDMC in administrative system has re-stripped their powers and responsibilities, and how to divide the benefits and the adjustment of inter-governmental relations will inevitably involve a long period of competition. In the theory of fiscal decentralization, intergovernmental relations are part of the theory. The purpose of decentralization is to build a cooperative government. In the process of reform, for the city government

whose power has been outflowed, whether it can get coordination from the provincial government is the key to reconstructing harmonious intergovernmental relations. On the other hand, the theory of decentralization provides support for reconstructing harmonious intergovernmental relations in the process of promoting reform.

6.2.2 County Cadre Promotion Pathways Affected

The promotion of cadres is of vital importance. It is related to the personal ideals of individual cadres and to the development of local economic and social development. Its role cannot be underestimated. The party and government officials in counties under direct provincial administration may be assigned to the deputy department level, which is higher than the level of counties under city administration. However, other institutions are the same as those under city administration.

If the PDMC in administrative system is implemented, and the counties are directly managed by the province, there will be no broad space for cadre promotion at the city level. This will undoubtedly cause the loss of many opportunities for the majority of cadres. As far as city managed counties are concerned, city units are often the regular space for cadre promotion. Many capable and thoughtful city and county cadres generally have the opportunity to enter the city to display their talents through their continuous efforts.

Cadres in counties under direct provincial administration often rarely have such opportunities. For reformed county cadres, the only way to be promoted is to compete with city-level cadres for provincial positions. This is quite difficult for county cadres, because city cadres are much stronger than them in terms of experience and abilities in all aspects. Therefore, it is difficult for cadres under direct

management to be promoted, which is not conducive to mobilizing the enthusiasm of cadres for work.

6.2.3 Cadres' Ability and Talent

The county government will also face problems in terms of cadres' ability and talent as it promotes reform. The various tasks of the PDMC in administrative reform system will ultimately need to be implemented by the cadres in the pilot counties. For pilot counties, neither the number of teams nor the quality of cadres meets the requirements for performance of duties.

Primarily, there is a shortage of departmental staff. Due to the small number of county-level institutions, after the implementation of administrative reforms, one department may need to correspond to 2-3 departments in the province, and one department may need to correspond to more than ten departments in the province, which greatly increases the workload. If there is no corresponding increase in personnel, the contradiction of many things to do but few will become more prominent.

Subsequently, the ability of cadres to perform their duties needs to be strengthened. Under the reform of administrative provinces directly managing counties, the county's cadre structure may not be reasonable, and there are common problems such as aging personnel, aging knowledge, and insufficient technical strength. Many of the powers of the Environmental Protection Bureau, Work Safety Supervision Bureau, Civil Defense Bureau and other departments involve supporting professional talents, expert teams, institutional qualifications, professional facilities and equipment, etc., which are difficult to achieve in a short period of time.

Ultimately, the enthusiasm of leading cadres must be improved. Due to rank restrictions and regional factors, leading cadres in pilot counties have difficulty communicating with each other, creating a 'ceiling effect'. In the past, there were city channels, which made the movement relatively convenient and the arrangements were reasonable. When the administrative province implements the direct management of counties, there will theoretically be provincial channels, but there are so many talents in the province that it will be difficult for the county level to move to the province. Even if it is arranged in the province, it is difficult to achieve ideal results, which will inevitably affect the enthusiasm of the majority of cadres in the pilot counties.

Regarding the absorption of talents, counties do not have a competitive advantage compared with cities, provinces and cities to a certain extent, especially newly graduated college students or related high-level talents. Compared with county towns, they prefer to go to provincial and city units with higher levels and better development channels, so there is currently a shortage of talents in county towns. This is not conducive to policy promotion and implementation. It is also not conducive to the gradual advancement of the reform of PDMC in administrative system.

6.2.4 County Government Power and Control

The reform of the PDMC in administrative system not only reduces the management level, but also gives county level governments a great deal of power. Once county level governments gain more administrative powers, if they are not well utilized, it will be difficult to achieve reform results. If there is a lack of supervision and

restriction mechanisms in the process of decentralization, it may lead to out-of-control power.

From the perspective of power limitation and supervision, on the one hand, after the county-level government has obtained a large amount of administrative power, how to effectively supervise and limit the behavior of the county-level government has become the key to the success or failure of the PDMC in administrative system reform system.

After decentralization, due to the increase of autonomy and lack of supervision, coupled with the problems described above, county cadres may have difficulties in promotion after the reform. As a result, some county cadres who are eager for promotion after gaining power may blindly promote good-looking but inappropriate projects without considering the county's economic situation. For the sake of political performance, they engage in face-saving projects, blind investment, short-term construction, or repeated construction, which greatly restricts the harmonious development of the local economy.

On the other hand, under the original leadership relationship between cities and counties, city governments can play a supervisory and restrictive role on county-level governments. However, under the reform of the administrative system, provincial governments have yet to adjust to the multiple expansion of their administrative scope. In the short term, it will be difficult to use various means to effectively supervise county governments. This is very prone to the 'sky is high and the emperor is far away' phenomenon, which may lead to a situation where the power of county-level governments is out of control.

6.3 Recommendation to Possible Challenges of PDMC in Administrative System

Challenges will be encountered at the beginning and during the implementation of the reform of PDMC in administrative system. Face these challenges that may arise in the implementation of PDMC in administrative system. This chapter combines the basic situation of the Chinese government and the information provided by the interviewees to provide detailed solutions in five aspects. As shown in Figure 6.1, five aspects of recommendations were drawn based on the information provided by the respondents regarding the challenges that the PDMC in administrative system may face.

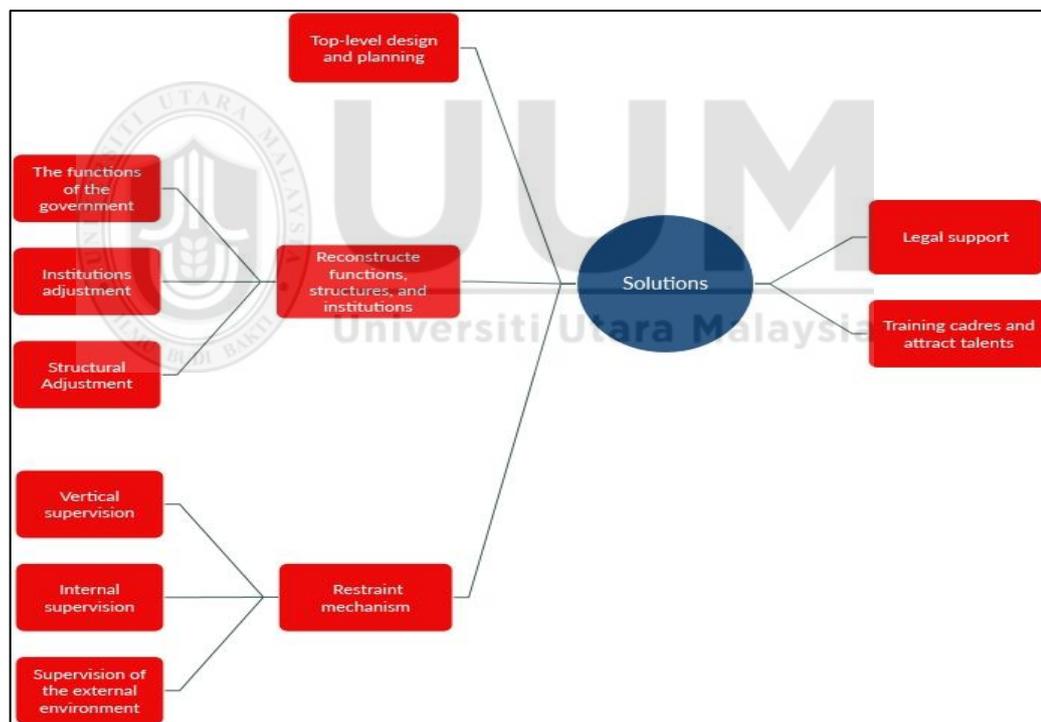


Figure 6.1 Opinions on Solutions to Possible Challenges in the Implementation of the PDMC in Administrative System

6.3.1 Strengthen Top-level Design and Planning

The central government can ensure the smooth implementation of reform by strengthening the top-level design and planning of PDMC in administrative system.

China is a unitary country with power coming from the top down. Many reforms require documents issued by the central government to promote the reform. The guidance from the central government can provide guidance and general direction for the provincial government in the process of implementing PDMC in administrative system, and also adds impetus to the reform of the county system directly under administrative provinces. As UOS2 said:

“Now the PDMC in administrative system need to get guidance from the central government to make steady progress” (Inf. UOS2).

PDMC in administrative system lack top-level design in this part, so they are not strong enough and lack guidance in solving some problems and promoting policies. As PS1, the vice-president of the Party School, emphasized, “On a large scale, there is still a lack of top-level design”. BOF2, a staff member of the Finance Bureau office, also mentioned:

“In the implementation of PDMC in fiscal sector, there are only corresponding policies issued by the Ministry of Finance. This lacks guidance for provinces at the same level. If there is no guidance document for PDMC in administrative system, it may also be rebuffed” (Inf. BOF2).

PRO2, a worker in the political research office expressed similar opinions to the three interviewers:

“Reforms have always lacked specific guidance documents and plans from the central government. China's power is relatively concentrated. For example, if there is a corresponding top-level design for the reform of administrative regional divisions and the

reform of vertical departments, it will be more efficiently transmitted” (Inf. PRO2).

China's PDMC is still in the stage of crossing the river by feeling the stones, and the central government has not given a clear timetable and design. However, for China's national conditions, the most effective way to promote reform is the top-level design of the central government. The central government will give corresponding guidance, and each province will promote it according to its own situation, which will certainly speed up the progress of PDMC. As illustrated in Figure 6.2, several interviewees posited that the reinforcement of top-level design could prove an efficacious strategy for surmounting the potential obstacles that may emerge in the course of PDMC in administrative system.

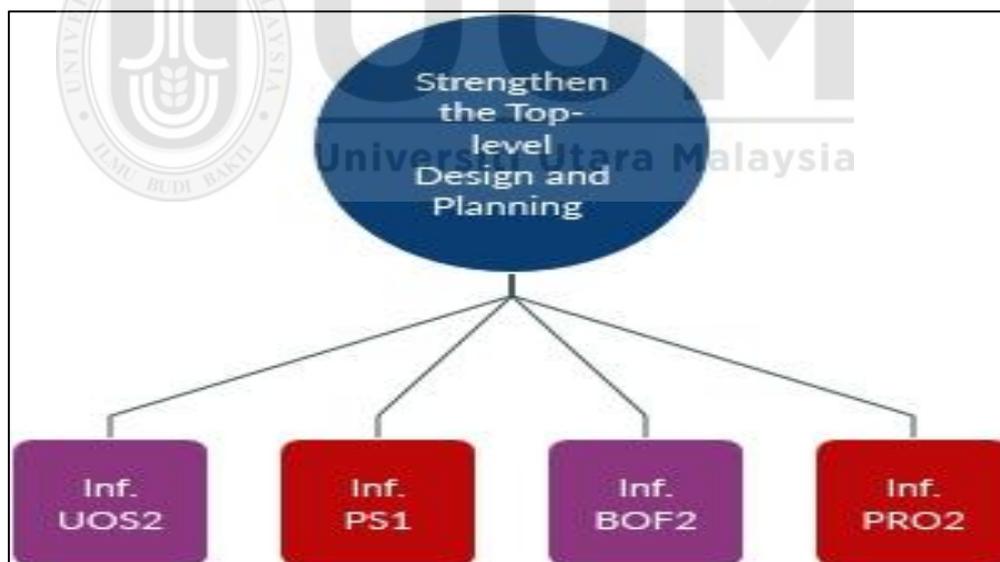


Figure 6.2 Opinions on Strengthen the Top-level Design and Planning

The problems existing in the reform of PDMC in fiscal sector are on the surface that the county has poor connection with the province and city, poor communication, insufficient understanding of power expansion policies, insufficient use and

ineffectiveness. In fact, it lacks top-level design and planning, lacks full authorization from the National People's Congress and its Standing Committee, and the central government, as well as relevant laws, regulations, and policy implementation details.

China's reform of direct provincial management of counties shows a higher degree of centralization. The central government promotes reform through direct decision-making, emphasizing policy unification and rapid implementation. However, for provincial local governments, due to the lack of a clear top-level design, PDMC reform has been in the process of exploration, without a clear timetable (Tan, 2017). In this regard, the experience of local government reform in France provides a reference for China's PDMC in administrative system. Before and after the reform, the responsibilities of governments at all levels in France were relatively clear, which not only provided impetus for the reform but also preserved the autonomous characteristics of local governments, enabling local governments to flexibly adjust policies according to local conditions (Cabanis & PĂCEȘILĂ, 2022).

Compared to China's PDMC reform system, French administrative reform is implemented top-down, with the central government specifying clear reform policies and directions. Despite encountering some issues during the process, the path for reform in France is clear and well-defined. In contrast, the Chinese government, especially the central government, lacks a top-level design, resulting in an absence of a definitive reform plan. This has led to a situation where the scope for exploration within reasonable boundaries is almost non-existent for provincial governments in the current PDMC reform. It is necessary for the central government of China to promptly designate a reform design for PDMC.

Therefore, in the initial stage of implementing PDMC in administrative system, top-level design and planning are essential. If the top-level design and planning is still blank as the reform of PDMC in administration system deepens, the same old problems in PDMC in fiscal sector will arise. In other words, there are not many areas left for local governments to explore on their own, and there are fewer and fewer areas for reform from the bottom up.

Therefore, PDMC in administrative system need to be reformed from top to bottom. For example, dividing the functions of the central government and local governments, carrying out necessary administrative division reforms, reforming the judicial system below the provincial level, and reforming the vertical department leadership system, etc., all require an authoritative road map. The top-level design and planning of the reform of PDMC in administrative system includes the central government 's strategic arrangements, system design, and reform order for this reform. The Chinese central government's designation of top-level design and planning is a response to the theory of government function allocation. The theory of government function allocation posits that governments at all levels should reasonably allocate powers and responsibilities. The responsibility of top-level design is thus a matter for the central government.

6.3.2 Improve Legal System

The government's improvement of the legal system and provision of a legal basis are the guarantee for promoting the smoothness of PDMC in administrative system. Under the long-term city-governed county system, although there is no city level in China's constitution, many management authorities have been recognized by many laws and regulations. As mentioned by UOS2:

“Powers at the city level have been formed for a long time, and now the city is legally implementing the power. Therefore, in the process of decentralizing power, the city has the initiative” (Inf. UOS2).

When implementing the PDMC in administrative system, counties should be given their own powers within the reasonable and legal nature of the powers. CGO5 from the county government office emphasized that:

“As long as there are policies and legal support, many reforms can be implemented with little resistance. Otherwise, like fiscal reform, the reform will slowly lose some of its momentum” (Inf. CGO5).

Therefore, in the absence of a legal system, there is certain resistance to promoting the PDMC in administrative system. UOS2 suggested:

“Relevant laws should be introduced as soon as possible so that reforms will have legal support. Using laws to support the advancement of reforms is an effective and clear path” (Inf. UOS2).

Political Research Office PRO2 has similar views, thus:

“If there is legal support, both policies and reforms can be clearly and clearly promoted, and it will not be easy for governments at all levels to take advantage of loopholes” (Inf. PRO2).



Figure 6.3 Opinions on Improve the Legal System and Provide Legal Basis for Reform

As shown in Figure 6.23, some respondents expressed positive ideas regarding the legal support part of the reform process. They generally believed that providing legal support for PDMC in administrative system was a necessary process for the reform to proceed smoothly.

In terms of legislation, China lacks legal support for the power of county governments, and although the city government does not have a clear position in the Constitution, it has always been in the role of managing the county government. In this regard, the need for legislation in PDMC in administrative reform can also be confirmed in the experience of local government reform in France.

One of the reform that can be compared with the reform in China is the local government reform in France. French reform was achieved through a top-down legislative process involving extensive political consultation and public opinion surveys. A feature of the French reform is the emphasis on local participation and

public discussion, aimed at ensuring that the interests of all parties are balanced and considered (Cabanis & PĂCEȘILĂ, 2022). The reform process with legislation can ensure its smoothness. In the implementation of PDMC in administrative system, legislative support can enable the Chinese government to avoid repeating the previous difficulties in the process of promoting reform.

Improving the legal system can be promoted mainly from two aspects. On the one hand, it regulates the powers of provinces, cities and counties. Although there are no prefecture-level cities in the Chinese Constitution, various related systems have been established for a long time according to the central-provincial-city-county administrative system, so that the management authority of prefecture-level cities has been recognized and reflected in many laws, regulations and policy documents (Zhao, 2023).

Especially since the implementation of the Administrative Licensing Law, some management powers of prefecture-level city government departments have been further clarified, and the decentralization of powers is inconsistent with existing laws and regulations (Zhao, 2023).

To this end, the powers of prefecture-level cities should be regulated. The intergovernmental relations law or the corresponding central-local relations law should be formulated as soon as possible to legally clarify the equal status of cities and counties, both of which are under provincial jurisdiction. City governments should have a single-purpose function and be mainly responsible for administering districts, and no longer responsible for administering county functions.

County-level governments should prioritize their roles in social services, market supervision, public goods provision, environmental management, and social security maintenance (Liu, 2020). This focus aims to reorganize and scientifically divide China's administrative divisions. It is essential to study and introduce new laws and regulations promptly. These laws should clarify the granting and use of administrative powers at all levels, including fiscal power, personnel appointment and dismissal power, and social affairs power. A new institutional structure and operational model among provinces, cities, and counties should be established. This new structure aims to reduce friction and promote smooth implementation of the reforms associated with the PDMC in administrative system.

On the other hand, official guidance documents with a higher level of effectiveness have been issued to increase the pressure on administrative effectiveness to promote the reform of PDMC. A very important reason why various problems arise in the reform of the county system directly under the provincial administration is that currently, there is only one departmental guiding opinion from the Ministry of Finance to promote the fiscal reform of the counties directly under the provincial administration. As an important entity in promoting the direct administration of counties by provinces, provincial governments have the same administrative level as the Ministry of Finance. Therefore, it can be reasonably expected that the administrative effectiveness of the Ministry of Finance's finances will be limited. If counties directly under provincial administration have legal support and have legal support from the central government, the reform process of counties directly under provincial administration will be smoother. Especially in the administrative reform, after being supported by the law, the administrative effectiveness of PDMC in administrative system will be improved. The use of fiscal decentralization theory in

China needs to be matched with China's national conditions. In Western countries, local governments have sufficient power, so with the decentralization of finance, local government autonomy has been greatly improved. However, in China, when considering the theory of fiscal decentralization, other rights of local governments, especially county governments, must be considered. Among them, legal power is an important part. In the government decentralization, legal decentralization is an important component. Ensuring the legitimacy of power can prevent irregular use and decentralization of power. The legal decentralization model has the potential to mitigate the negative consequences of local protectionism by aligning it with the principles of the rule of law. This can result in the positive outcome of fostering an environment conducive to the overall interests of the country. The model provides an inexhaustible driving force and a fair competition environment for local economic development, thereby promoting fair competition and sustainable economic development, and alleviating local protectionism (Qiao, 2017).

6.3.3 Reconstructed Intergovernmental relationship

Intergovernmental relations are the focus of the reform process. How to adjust and adapt to the new government relations after the reform is the key. If the administrative provinces directly manage counties are implemented, the responsibilities between provincial, city and county governments need to be readjusted and divided. Reasonable reconfiguration of intergovernmental functions-structure-institutions relationships can meet the needs of reform and development.

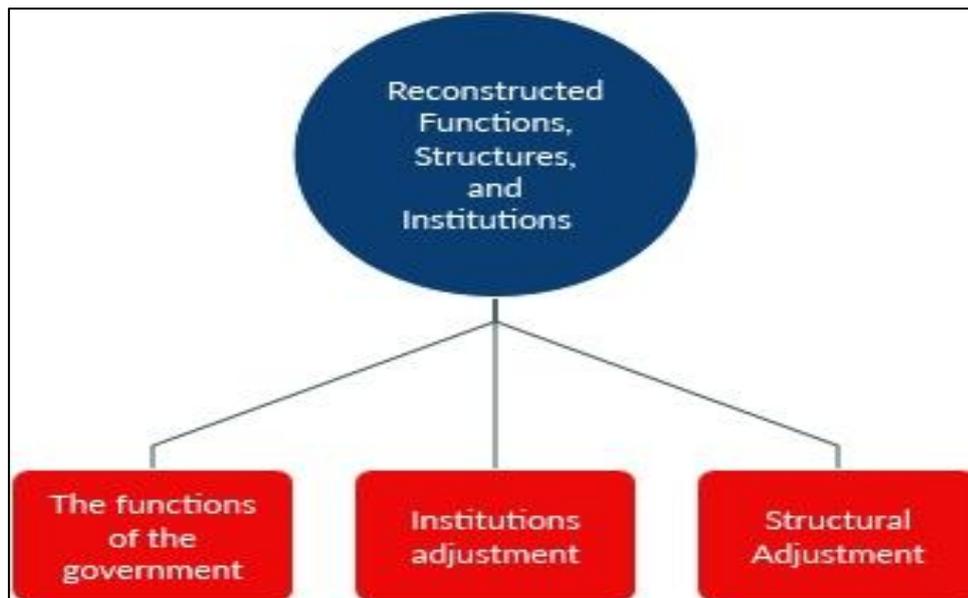


Figure 6.4 Opinions on Reconstructed Intergovernmental Functions, Structures, and Institutions

As shown in Figure 6.4, according to the suggestions provided by the respondents, re-planning the relationship between governments can be carried out mainly in three aspects: government functions, institutional adjustments and structural adjustments.

In administration, functions, structures, and institutions are a unified whole. The reform of counties must be combined with functional settings, institutional reforms, and administrative regions, which will inevitably involve the adjustment of the functional structures and institutions of the three-level governments of provinces, cities, and counties. An institutionalized decentralization system should be built as a whole and from top to bottom to reasonably divide the responsibilities and authorities between governments. Using laws and systems to protect the authority of the central government and the autonomy of local governments at all levels, so that local governments can gradually transform from 'agencies' of the central government and higher-level governments into 'legitimate agents' of local public interests. At the same time, developing and safeguarding local public interests and promote local

social and economic development. Clarify the responsibilities of the central government, provinces, cities and counties.

6.3.3.1 The Functions of the Government

Clarifying the functions of the government is the guarantee for implementation by PDMC in administrative system. Clarifying the functions of governments at all levels is a top priority, both for policy advancement and decentralization of power. University interviewee UOS5 explained:

“The reform of PDMC is about redistributing functions, especially the PDMC in administrative system” (Inf. UOS5).

Regarding how to divide functions, CGO1, deputy director of the county government office, expressed his opinion:

“For the central government, it should conduct reasonable macro-control and introduce top-level designs. For the province, as the highest local government, it should grasp the management functions and regulate the relationship between lower-level governments. For the reformed city and county grassroots governments, they must work together to provide good public services to the people” (Inf. CGO1).

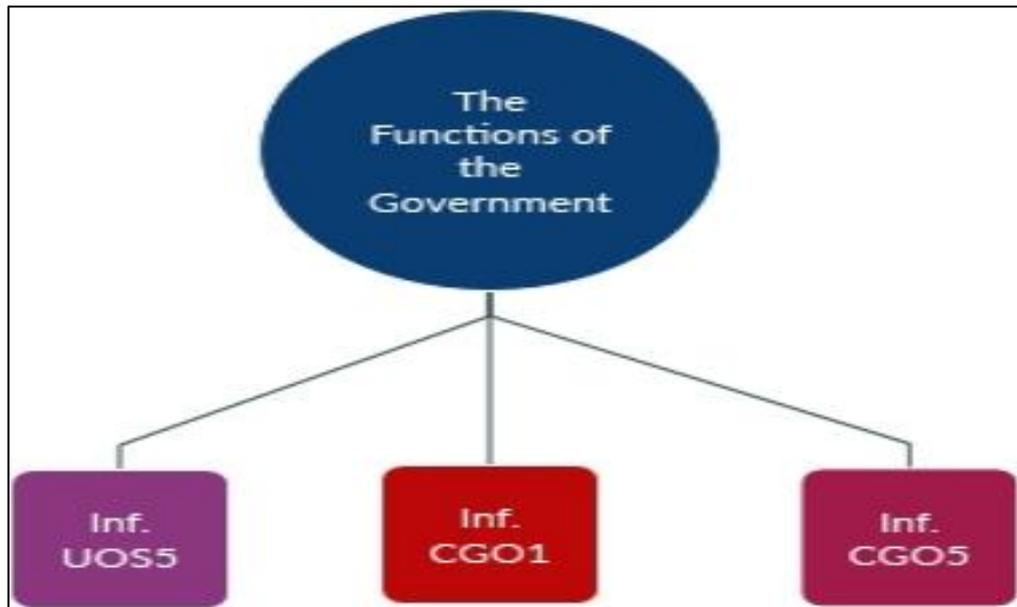


Figure 6.5 Opinions on The Functions of the Government

The vertical configuration of government functions should follow a top-down trend of decreasing levels from macro to micro. The central government mainly focuses on macro-control of national affairs, with political management taking the lead. Provincial governments mainly focus on management functions and are responsible for coordinating intergovernmental relations below the provincial government. The main responsibility of grassroots governments is to provide residents with necessary of public services. Figure 6.5 shows that, based on the information provided by the respondents, three respondents mentioned functions of the government in terms of adjustments to intergovernmental relations.

Provincial, city, and county governments must, based on actual conditions and on the basis of fully performing their duties, highlight the focus of each level of government's performance of duties and their respective responsibilities, and form a functional system that is fully connected and has a reasonable division of labor.

Provincial governments and their affiliated departments should concentrate on fulfilling the responsibilities of planning and development, policy guidance, overall coordination, implementation and law enforcement supervision. The key responsibilities of city and county governments are to implement the policies and regulations formulated by the central and provincial governments, promote the economic and social development of the region, improve the social security system and management system, and strengthen the construction of the public service system.

The rational division of government functions during the reform will not only standardize government behavior, but also avoid the current deterioration of the relationship between cities and counties. The reformed government should be more cooperative than subordinate. This is the embodiment of cooperative government in intergovernmental management theory. In the theory of government function allocation, the functions of governments at all levels should be reasonably allocated. This involves the division of labor within the government in the theory. China's clear allocation of functions between governments and clear division of the relationship between vertical governments are the guidance of the theory of government function allocation for the promotion of China's PDMC in administrative system.

6.3.3.2 Institutions Adjustment

The current institutions in the county government cannot meet the conditions for direct connection with the provincial government. Therefore, in the process of implementing the administrative province to directly manage the county, it is necessary to rationally adjust the institutions. MCO2, deputy section chief of the Secretarial Section of the city Party Committee Office, emphasized:

“The county government must ensure that there are corresponding agencies that can directly connect with the corresponding agencies of the provincial government, and the key point is that the number of personnel must be able to meet daily work needs” (Inf. MCO2).

The city's institutional adjustment is also an important part of the reform process. Regarding the city's institutions, DRC1, Deputy Director of the Development and Reform Commission mentioned:

“ After relieving its affiliation with the county seat, the corresponding institutions in the city will also be reduced” (Inf. DRC1).

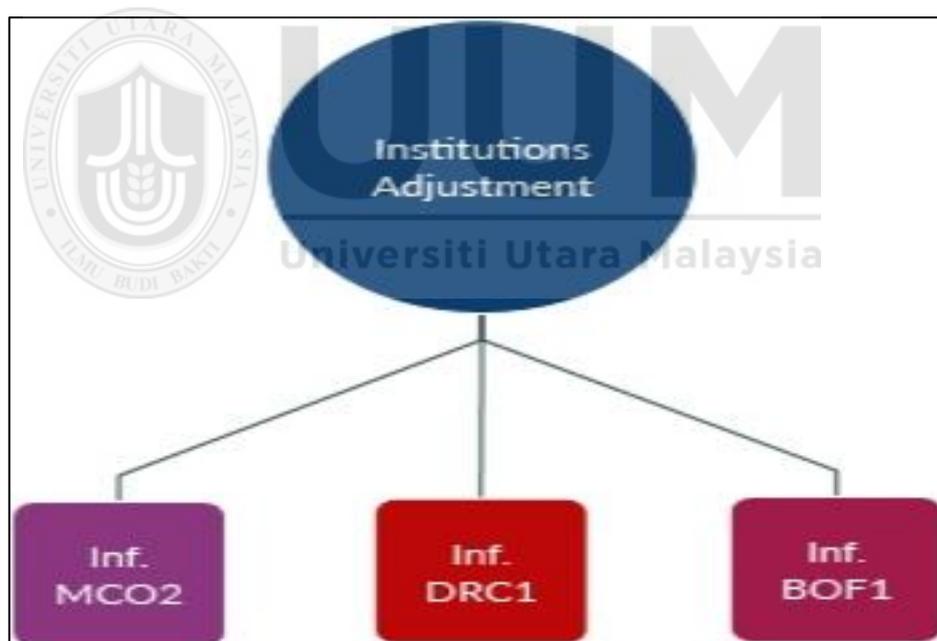


Figure 6.6 Opinions on Institutions Adjustment

Figure 6.6 shows that, based on the information provided by the respondents, three respondents mentioned institutional adjustments in terms of adjustments to intergovernmental relations.

The Chinese government should adjust the existing institutional setup on the basis of clarifying the responsibilities of governments at all levels. Matters that are exclusive to the central government are managed vertically by the central government. The central government establishes corresponding agencies and establishes local agencies. For matters that overlap between the central and local governments, we can consider adhering to the current organizational structure of corresponding top and bottom departments, but it is necessary to make it clear which party has the main leadership to avoid unclear responsibilities and mutual buck-passing.

For matters of a local nature, agencies should be established according to the specific conditions of the locality in question, with no requirement for superiors to set up similar competent agencies. The original method of allocating functions, establishing institutions and determining staffing based on administrative levels should be changed. Based on regional characteristics and development, including the level of economic development, population size and stage of social development, greater autonomy will be given to the allocation of government functions, the scientific establishment of institutions and the determination of the total number of establishments.

It is the responsibility of governments at all levels to establish institutions and determine the total number of establishments within the approved limits. They must also actively adjust the personnel allocation of relevant departments, free up staff and strengthen market supervision, social management and public service departments.

6.3.3.3 Structural Adjustment

Structural adjustment mainly refers to regional readjustment. It means redrawing or adjusting existing administrative regions based on economic, social, geographical and other factors of a country or region to optimize administrative resource allocation, improve administrative efficiency and promote regional economic development. It is a complex process involving politics, economy, society and other aspects. Structural adjustment is related to regional social development and regional governance, among which administrative division adjustment has advantages in facilitating local governance and promoting regional development (Chen, 2020). The supporting reform for PDMC is to rationally adjust the number of administrative divisions. Based on comprehensive considerations of the political environment, economic development level, infrastructure construction and other aspects, small and economically poor counties in the region will be merged when conditions permit, and administrative management levels will be reduced. Interviewee PRO2 from the Political Research Office mentioned:

“Some small counties with poor economies or those bordering economically developed cities and counties can be merged, which can promote their economic development and reduce the pressure on the province” (Inf. PRO2).

PS3, who has the similar view, mentioned:

“To achieve complete PDMC, administrative division adjustment is imperative” (Inf. PS3).

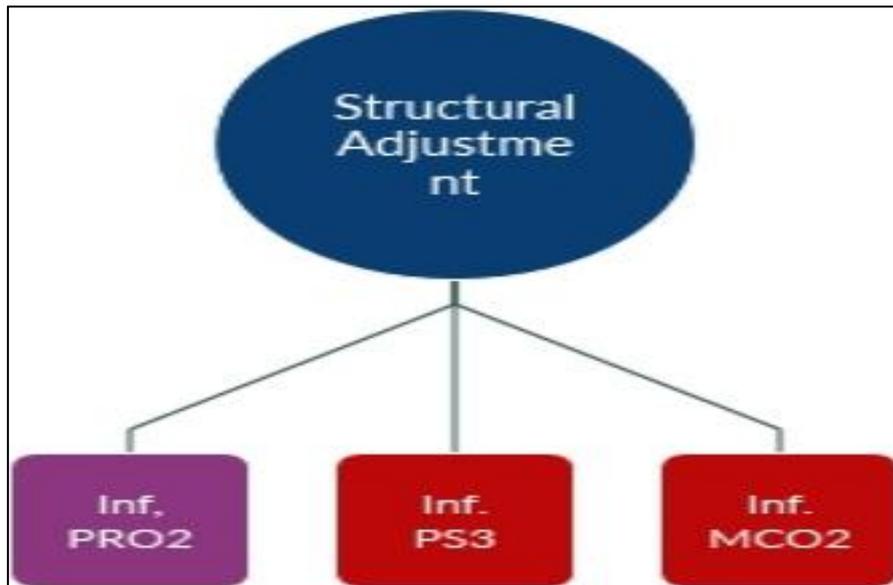


Figure 6.7 Opinions on Structural Adjustment

Figure 6.7 shows that some of the respondents gave information on the structural adjustment of the administrative divisions in the PDMC administrative reform.

The core purpose of PDMC reform is to reduce administrative levels, improve administrative efficiency, and increase government response speed and service quality. The reform aims to narrow regional development disparities, promote the development of economically weaker counties, and promote regional economic balance through more direct management and investment. In this regard, the Chinese government may benefit from a comparative analysis of the French administrative reform experience. France's local administrative reform provides a case study that can inform China's future PDMC reform. The French government's reform approach demonstrates that structural reform is a viable and effective strategy.

The French local administration reform is mainly aimed at addressing the problems of overlapping functions and financial imbalances among local governments. This reform has reduced the number of regions by merging regions, which can reduce administrative expenses and achieve a more reasonable allocation of resources. A major motivation for the French local administration reform is to enhance the financial and administrative capacity of regional governments so that they can respond more effectively to the needs of citizens (Sauviat, 2017).

The implementation of local administrative reform in France has demonstrated that the implementation of reasonable regional adjustments is conducive to the effective management of grassroots governments by higher-level governments. The Chinese government is well-positioned to advance reforms and enhance administrative efficiency through prudent structural adjustments.

In terms of administrative divisions. On the one hand, appropriately adjusting administrative divisions and merging some smaller and adjacent counties will help improve administrative efficiency and enhance regional economic competitiveness. On the other hand, from the perspective of optimizing the layout of regional productivity, incorporating some counties with higher development levels close to central cities into the urban areas of prefecture-level cities will help improve the harmonious development of the economy in the region.

6.3.4 Improving the Abilities of Cadres and Attract Talents

County governments should focus on improving the abilities of cadres and attracting talent, which can ensure the county government's fluency in promoting PDMC in administrative system and the accuracy of its policy interpretation. In counties where

administrative provinces directly manage counties, it is necessary to strengthen the training of natural talents. MCO3 of the city Party Committee Office mentioned, “It is necessary to strengthen the training of cadres in pilot counties. The cadres need to have the quality foundation to implement the reform”. In terms of demand for cadres, associate professor UOS1 of Shandong Agricultural University emphasized that:

“County-level governments also need to have sufficient capabilities and resources to undertake more administrative tasks, and this requires vigorously improving the capabilities and quality of county-level civil servants” (Inf. UOS1).

The quality of cadres is the guarantee and key for the city to promote the PDMC in administrative system, which can ensure that blind investments and face-saving projects are not carried out in the process of county economic and social development.

The introduction of talents should also be paid attention to, and corresponding policies should be vigorously promoted. PRO1, deputy director of the Political Research Office, emphasized that "talent introduction policies should be more biased towards counties or places with relatively backward economies". Township mayor TSO1 agrees with the above point of view:

“ The county's talent introduction policy should be reasonably expanded to ensure the efficiency of daily work after the reform”
(Inf. TSO1).

Regarding the introduction of talents, UOS2, a lecturer at a university in Shandong, proposed:

“Counties should strengthen cooperation with local universities and allow professional researchers with professional knowledge to take up temporary positions in the county” (Inf. UOS2).

The provincial government should also transfer capable and young provincial cadres to the county. This will not only supplement talent for the county, but also facilitate the communication between the provincial government and the county after the cadres are transferred back to the provincial government. It is also necessary to promote the cadre management system and strengthen the reserve of county cadres. CGO1, deputy director of the Government Office, recognized this view and emphasized:

“In the reform, leading cadres at the deputy county level and above can be managed by the Provincial Party Committee entrusted to the Organization Department of the Provincial Party Committee. We also innovate management methods and methods, strengthen cadre exchanges between provinces and pilot counties, and provide greater development space for the selection and appointment of cadres in pilot counties” (Inf. CGO1).

UOS1, an associate professor at a university in Shandong, mentioned when talking about county talents:

“Improve the capabilities of administrative agencies, strengthen training and talent introduction, and improve the management level and comprehensive capabilities of administrative agencies. For example, regular training and exchange activities can be organized to enhance the professionalism and execution capabilities of administrative agencies” (Inf. UOS1).

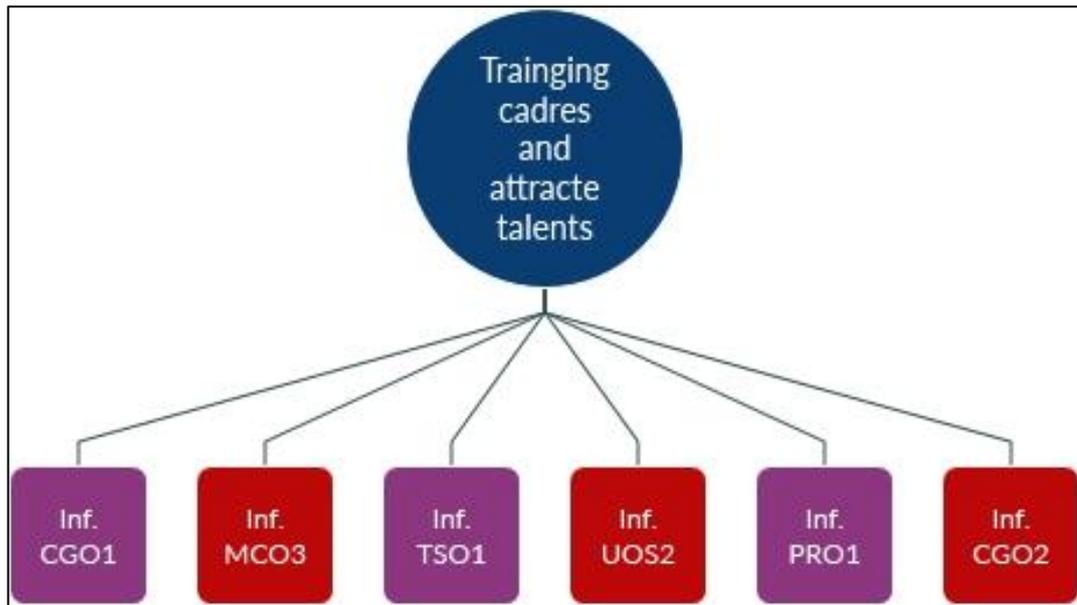


Figure 6.8 Opinions on Training Cadres and Attract Talents

As illustrated in Figure 6.8, the majority of respondents indicated that talent is a crucial element in the reform process. The quality of cadres includes professional quality and moral quality. The development prospects of a place largely depend on the mental outlook and comprehensive quality of local cadres. The quality of cadres, especially the professional quality of cadres, is directly related to the ability to solve administrative affairs. As the construction of a service-oriented government continues to advance, the functions of China's grassroots cadres are also increasing. Facing the people's growing needs in all aspects, the importance of grassroots cadres has become increasingly prominent. It is urgent to strengthen the service capabilities of grassroots cadres, improve service quality, and optimize service attitudes (Li, 2023).

The county must strengthen the construction of the cadre team and improve the quality of cadres in order to make good use of the superior platform of direct county administration. Only in this way can administrative efficiency be improved and

better things done for the people. After the implementation of the pilot project of PDMC in administrative system, the province will build a high-level talent platform for counties to encourage and attract high-level talents to display their talents in the counties directly under the administration.

The county must formulate supporting policies and find ways to retain high-level talents after they come to the local area. It must change the traditional method of providing housing and money to retain talents, and pay more attention to the interests and expertise of high-level talents.

At the same time, counties under direct control should strengthen cooperation with colleges and universities, strive for assistance from think tanks of colleges and universities, and exchange outstanding cadres with colleges and universities for temporary posts. On the one hand, outstanding cadres are further trained, and on the other hand, university elites are used to monitor local development.

6.3.5 Improve the Power Restraint Mechanism

County-level governments occupy a relatively special position in China's administrative system, which determines that they often become the first-level local government with the most sufficient behavioral autonomy. On the one hand, the county-level government is the lowest-level government organization with a one-to-one institutional setup with the upper-level government. The relative integrity of its administrative powers, institutional setup and functional positioning determines that it often becomes a 'reservoir' for various power resources devolved from higher-level governments to lower-level governments. On the other hand, vertically managed functional departments and higher-level governments have become highly dependent

on county-level governments, both in obtaining grassroots information and in realizing their own administrative intentions.

Therefore, the reform of the system of PDMC in administrative system should be carried out simultaneously with power expansion and power restriction. Absolute power corrupts absolutely. Strengthening supervision over county government power is also a reference to and response to the theory of fiscal decentralization, which is to transform the control process into a supervision result in decentralization. The purpose of decentralization is for good governance. The core is to remove unnecessary red tape in the process of handling affairs, simplify complex rules and regulations, shift from emphasizing 'process control' to 'result control', and create sufficient space and autonomy for managers to achieve organizational goals and expectations (Machidori, 2023). The design of the supervision system for county-level governments should include three levels which was shown in Figure 6.9.

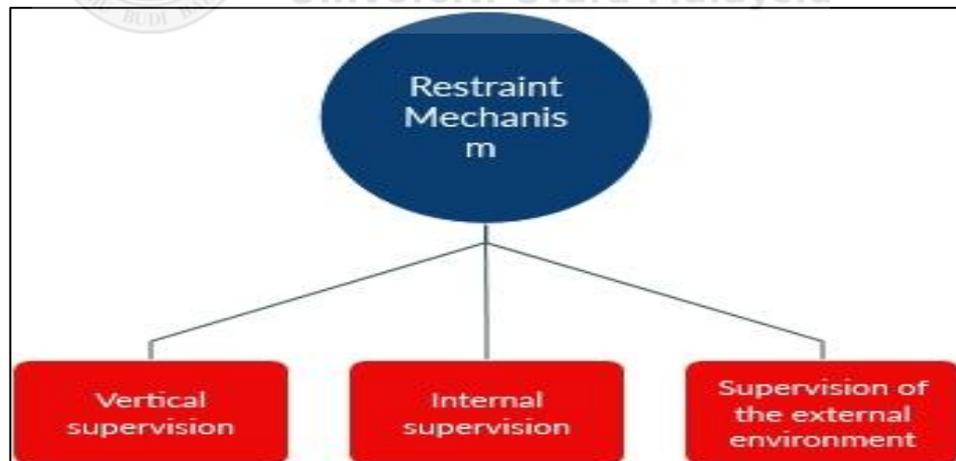


Figure 6.9 Opinions on Restraint Mechanism

6.3.5.1 Vertical supervision from superiors

The first is vertical supervision from superiors. After the implementation of the PDMC in administrative system, the provincial government will gradually decentralize the power of the original cities to the counties, and at the same time, corresponding supervision measures should be established. This is a way to ensure the reasonable use of rights by the county government, and is a deterrent to county governments who want to build high-profile projects. PRO1, deputy director of the Political Research Office, stated this point of view,

“ The provincial government should establish a corresponding supervision system to supervise the power of the county. For example, it can set up an inspection team” (Inf. PRO1).

MCO1, deputy director of the city Party Committee Office, also supports this view:

“ When the county has the power, superiors must specifically supervise it, and county cadres must report their work to the province on a regular basis” (Inf. MCO1).

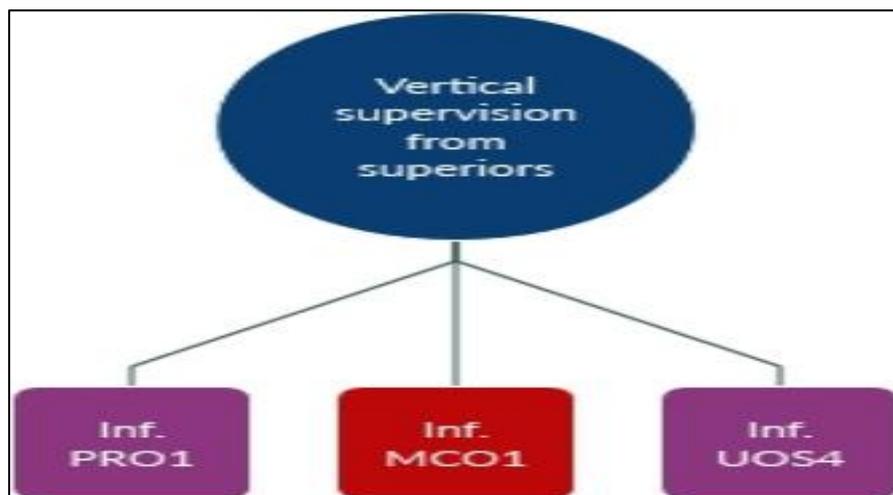


Figure 6.10 Opinions on Vertical Supervision from Superiors

As illustrated in Figure 6.10, with regard to the matter of supervision, some respondents highlighted the significance of supervision by higher-level governments. The higher-level must still retain the responsibility to supervise the operation of these powers while higher-level governments delegate powers to county-level governments. Superiors can regularly or irregularly listen to reports from lower-level government leading cadres on the construction of clean government and ideological work through reports, debriefings, daily exchanges, etc., and keep abreast of the ideological and clean government status of county cadres.

Higher-level governments must also strengthen audit supervision and conduct a special review of lower-level governments every year. When necessary, we can also grasp and understand some practical or deep-seated issues through various inspection methods such as sending commissioners to inspect and conduct public opinion surveys. The higher-level government's supervision method is also a response to the theory of government function allocation. While delegating power, it must also assume corresponding supervisory responsibilities.

6.3.5.2 Internal supervision at the county level

The second is internal supervision at county level. It mainly refers to internal government supervision, that is, the functional supervision and specialized supervision of county-level governments. For example, finance, taxation, planning committee and other departments supervise non-affiliated administrative departments within the scope of their powers.

The county's own departments must implement supervision over departments not affiliated with them. In the interviewees' statements, mutual supervision between

departments within the county was often mentioned. Because there are many intersections in the work between departments, in the project of implementing power, the cooperating departments can supervise the behavior of the cooperating departments more accurately and timely. BOF1, deputy director of the Finance Bureau, emphasized this point of view:

“The Finance Bureau must supervise the use of finances of various departments, and cannot directly give money to some departments when they ask for it. Such supervision can lead to more rational use of financial resources” (Inf. BOF1).

Confirming this point of view, PRO2 from the Political Research Office, who has a similar view, stated:

“Professional supervision and the audit department must firmly grasp the bottom line at this time and supervise the use of administrative power by each department” (Inf. PRO2).

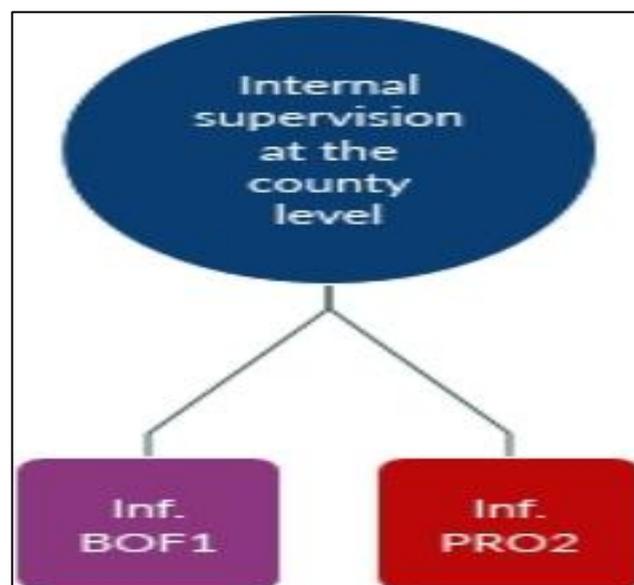


Figure 6.11 Opinions on Internal Supervision at the County Level

While departments with overlapping work supervise each other, the administrative supervision and auditing agencies should implement professional division of labor supervision over the administrative work of all departments of county-level governments. It is also necessary to strengthen the bottom-up supervision of the organization. On the basis of allowing subordinates to have full right to know, superiors should further improve and improve the reporting, exposing, complaining, petitioning and other systems. Ensure smooth channels for reporting problems, so that administrative organizations and party members and cadres at each level can supervise and restrict the power of party and government leading cadres. The respondents recognized the supervision of the Internal environment in the process of PDMC in administrative reform, as shown in Figure 6.11.

6.3.5.3 Supervision of the external environment

Finally, there is the supervision of the external environment. It mainly refers to the supervision of the county party committee, county power agencies, and judicial organs, as well as the supervision of county social organizations, the people, and public opinion.

Supervision of the external environment is a method that is better understood and more accessible to the public. UOS2, a lecturer at Shandong Agricultural University, said:

“ The judiciary must be independent and not limited to local administration. This way it will not be too involved with local interests and can provide fair supervision of the local area” (Inf. UOS2).

For the supervision of the people, the county government office administrative section chief CGO 2 stressed:

“People should have a place to report, regular or major matters to meet, listen to the people's suggestions” (Inf. CGO2).

The staff of the city party committee office, MCO3 expressed a similar view:

“Ensuring the supervision of the people is a more effective way to ensure that the power of the county seat can better serve the people on a large scale” (Inf. MCO3).

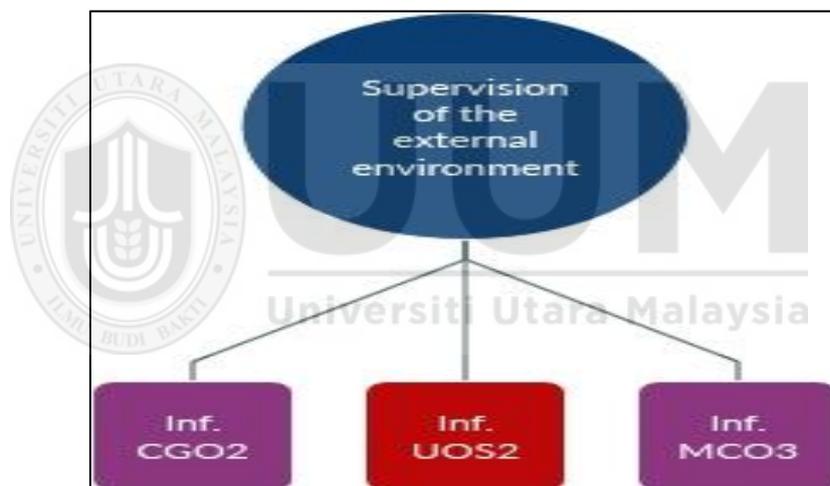


Figure 6.12 Opinions on Supervision of the external environment

The respondents recognized the supervision of the external environment in the process of PDMC in administrative reform, as shown in Figure 6.12. An important point of external environmental supervision is the judiciary must be truly independent of local administration and play a restrictive role in the abuse of power by administrative agencies (Liu, 2022). Citizens can defend their legal property and

legitimate rights through the judiciary. Really absorb public opinions, and the media will supervise projects that do not meet environmental protection requirements.

6.4 Conclusion

China has a long history of implementing reform of the PDMC, but it has not been fully promoted so far. Some problems that have arisen in the process of promoting reform have hindered the advancement of reform. Some of these issues have been addressed accordingly. However, in the process of reform, some problems have not been fundamentally matched with corresponding solutions, which has led to the slowness of reform to a certain extent.

The long-term reform process has revealed that the reform of PDMC has not achieved the anticipated results and has not met the reform goals. This outcome is related to the current reform approach. This study has identified that the current reform of the PDMC cannot be promoted solely from the financial aspect. Therefore, the reform of PDMC in administrative system must be promoted within a reasonable scope. This will facilitate the efficient advancement of PDMC.

6.4.1 Theoretical Contributions

This study provides theoretical value for the reform of PDMC in China. This study identifies the problems existing in the reform of the PDMC and the reasonable path for reform. When answering the previously set research objectives, explore the challenges that may be faced during the reform process and provide reasonable solutions.

This research is driven by three theories in each chapter: theory of decentralization of government, theory of management hierarchy and theory of government function allocation. Driven by these three theories, it provides a comprehensive perspective on the reform of the system of PDMC in China, and explores the next reform approaches and goals for the reform of the system of PDMC.

The concept of government decentralization encompasses four interrelated elements: political decentralization, administrative decentralization, fiscal decentralization, and economic decentralization. Political decentralization is primarily concerned with the decentralization of authority, which is typically achieved through electoral reform, party relationship reform, and reform of the subjects and methods of political participation. Administrative decentralization, on the other hand, refers to the delegation of all or part of functional powers and responsibilities to local governments. With regard to regional governance and local governments. Fiscal decentralization refers to the delegation of authority to local governments to increase legal revenue through the division of tax sources, transfer payments, and other means. Economic decentralization empowers the market to address problems that can be solved by the market (Baltsii, 2023).

This study found that China's current decentralization of PDMC is basically fiscal decentralization based on political centralization. However, in the practice of reforming the system of PDMC, it has been found that simple financial or economic decentralization without administrative decentralization will not meet the conditions for the completion of the reform comprehensively. It is a reasonable path for provinces to directly manage counties by promoting administrative decentralization and supporting powers on the basis of fiscal decentralization.

The concept of intergovernmental relations is of great significance in the context of the decentralization of government (Henderson, 2024). In the 1990s, American scholars began to shift their focus from the study of constitutional norms at a static level to the dynamic level of research on the interactive relationship between the federal government and state governments in the operation of power. American scholar William Anderson (1960) was the first to propose the concept of 'intergovernmental relations' from the perspective of 'interpersonal relationships and human behavior among government officials.' The refinement of intergovernmental relations can be divided into vertical intergovernmental relations, such as the relationship between the central government and local governments. Horizontal relationships are closer to those between equal levels of government and between equal levels of institutions.

This study has demonstrated that the reform of the PDMC has been affected by intergovernmental relations in the process of government decentralization. Ye Jie (2024) believes that the goal of PDMC in fiscal sector is to rebuild the fiscal relationship between provinces, cities and counties. To a certain extent, the ultimate goal of PDMC is to reconstruct the relationship between the three levels of government at the provincial, city, and county levels. This can be achieved by vertically building harmonious relationships between provinces and cities, and between provinces and counties. Additionally, horizontal transformation of the affiliation of cities and counties can be undertaken to reconstruct harmonious relationships at the same level.

Strengthening relevant theoretical research on the issue of PDMC will undoubtedly enrich and improve the theory of fiscal decentralization, and help further deepen the

research on theoretical issues of fiscal decentralization in Chinese academic circles. The implementation of PDMC has underscored the increasing importance of administrative decentralization, thereby introducing an innovative application of fiscal decentralization theory within a centralized governance framework.

Traditionally, fiscal decentralization theory has been primarily applied in Western contexts, where the emphasis is placed on financial autonomy. However, in China, achieving greater fiscal autonomy at the local level necessitates a corresponding delegation of administrative authority. Specifically, for county governments to attain substantive fiscal autonomy, they must not only benefit from intergovernmental transfers and revenue-sharing mechanisms, as outlined in fiscal decentralization theory, but also receive complementary administrative powers, such as approval authority and personnel management, to ensure effective governance.

By examining the institutional framework of PDMC reform, this study contributes to the advancement of fiscal decentralization theory, enriching its conceptual framework and extending its applicability to governance structures within centralized states.

Theory of management hierarchy encompasses two key aspects: management span and management level. These two elements are both independent and related to each other. The central challenge in theoretical research on government levels is to identify a balanced approach between the scope of government management and management levels. In general, within a national government, an excessive scope of management accompanied by a limited number of management levels may result in sub-optimal governance outcomes. Conversely, an insufficient scope of management

accompanied by a high number of management levels may also be problematic (Zoller & Muldoon, 2020).

This study has identified a correlation between the reform of the PDMC and the theory of management hierarchy. PDMC aim to achieve a balance between management scope and management levels among local governments in China. In particular, if the PDMC in administrative reform system, this is an objective response to the theory of management hierarchy. The reform of PDMC in administrative system breaks away from the single-line fiscal reform approach and supports the reform in terms of hierarchical adjustments. In recent years, PDMC have promoted single-line fiscal reforms, which has gradually obscured the original intention of the reforms. Although the level has been lowered in terms of fiscal transfers and other aspects, some aspects of supporting finance are still in the context of the city-governed county system.

Furthermore, the study revealed that there is a positive response to the implementation of the reform of PDMC in administrative system in the theory of management hierarchy. It also identified a need to find a balance point between the scope of management and the management level. It is therefore recommended that the PDMC in administrative system be gradually promoted in accordance with the specific local conditions in China. This is also an exploration of the application of management hierarchy theory in PDMC.

With regard to the theory of government function allocation, the reform of China's PDMC has also been influenced by it. The term 'government function allocation' refers to the determination of the boundaries of the responsibilities and functions that

the government is required to undertake and the distribution of these responsibilities and functions within the government system (Bao, 2022).

The allocation of government functions can be interpreted from two levels: The first level mainly solves the boundary issue between the government and external systems, including the state and society, and the government and the market. The second level mainly solves the problem of functional division of labor within the government system, which can be subdivided into two aspects: namely, the problem of division of labor between horizontal functional departments within the government and the problem of functional division of labor between various levels of government vertically (Bao, 2022).

The performance of the functions of PDMC is the high degree of unity and consistency in the vertical functions, responsibilities and institutional settings of governments at different levels in inter-governmental relations. In layman's terms, under this government management model, each level of government in China manages roughly the same things. Accordingly, the institutional setting is shown as 'matching up and down, and aligning left and right.'

This study found that county government agencies can, to a certain extent, connect with the provincial government after possessing power. However, this is contingent upon the exclusion of the size of the organization and the quality of the personnel. The reform of PDMC is facing the problem of unclear responsibilities. This is related to the fact that the government still firmly controls most of the main powers. Consequently, the reconfiguration of functions is also a challenge that counties directly under the provincial administration must address.

If the PDMC in administrative system are effectively implemented and county governments are granted greater autonomy in administration, the conflict of unclear responsibilities will be mitigated to a certain extent. With regard to the current situation, the county government has already assumed some financial powers, such as the return of tax revenue and the transfer of provincial government funds. In light of the aforementioned considerations, it is reasonable to conclude that matching the approval power, planning power, and other relevant factors in the process of utilizing funds and assigning these functions to the county government is a logical application of the government function allocation theory.

6.4.2 Practical Contributions

The study of PDMC is a topic with strong practical research significance and good application prospects. This study has important implications both in theory and practice. Specifically, this study has some practical guiding significance for the practice of reforming the PDMC.

This study provides theoretical guidance and overall system design for the reform of the PDMC system. As is the case with any important adjustment or reform, the success of the reform of the provincial-level county system requires the guidance of scientific theories. Otherwise, hasty decision-making and fluctuations in the reform process will inevitably lead to subjective arbitrariness and short-lived in reform practice. The 'city governing county' system, which has been in place since the 1980s, provides a case study in the series of institutional surprises that have occurred during its advancement. If the reform is not guided from a theoretical perspective, the PDMC will be like the original 'city governing county,' which will be short-lived and may even become the target of the next reform.

It can be posited that the future success of the reform of the PDMC system will be contingent upon the theoretical community's ability to develop a comprehensive design concept for the reform that can withstand rigorous scrutiny. This study endeavors to make a contribution in this regard.

This study provides a new reform idea for the reform of the PDMC system. At present, most provinces are under the PDMC in fiscal sector, although some scholars have mentioned that it is time to make a fuss about the reform of PDMC in administrative system. However, there is a lack of discussion on the problems that may be faced after the implementation of PDMC in administrative system. In this regard, this study explores the challenges that the Chinese government may face after the implementation of PDMC in administrative system, and explores solutions.

This study seeks to clarify some misunderstandings regarding the current process of promoting the reform of the PDMC. If these misunderstandings are not clarified in a timely manner, they could have a significant negative impact on the reform. For instance, the reform of PDMC in administrative system previously appeared to involve delegating more power to county-level governments. However, there are issues with simply delegating power. While devolving power, it is essential to ensure that the provincial government is able to provide the requisite services and manage the process effectively. This entails a reconstruction of functions, institutions, and responsibilities, as well as the establishment of an effective supervision mechanism.

Furthermore, this study proposes additional requirements for the previous regional divisions. Some scholars have previously proposed that provincial regions can be redivided into smaller regions Or merge some areas, such as Wang wenxuan (2021)

merging some small counties. However, It is feasible for the government to merge small counties, but splitting up provinces undoubtedly involves significant social, economic, and political costs, so in actual operation there will be considerable resistance. In this research, regarding regional division, it is mentioned that counties with poor economies should be reasonably merged based on local economic development and customs.

The current reform path generally recognized by both theoretical and practical domain is to first comprehensively implement the PDMC in fiscal sector system, and then gradually transition to the PDMC in administrative system system. However, after the PDMC in fiscal sector, since the county government is still subjected to prefecture-level cities in terms of personnel and administration, it is impossible for the county level to truly obtain the power of independent development. Therefore, this study emphasizes the necessity of implementing PDMC in administrative system, and discusses possible challenges and solutions.

6.5 Limitation

The case analysis of this study is Shandong Province, which is relatively economically developed, and the interviewees are all from Shandong Province. Although most provinces are at the same stage as Shandong Province in implementing the reform of PDMC. The situation in Shandong and the challenges that may be encountered in implementing PDMC in administrative system are basically similar to those in most provinces, but it is not very representative of some provinces with relatively weak economies. It can only be said that it basically covers most provinces. Shandong's county-level governments enjoy relatively strong fiscal autonomy, and city governments maintain stable administrative influence, which

differs from the fiscal-administrative tensions observed in less developed provinces. While Shandong's reform pathway provides valuable insights for advancing PDMC in administrative system nationwide, its experience is more applicable to provinces with stronger economic foundations and greater fiscal self-sufficiency.

The majority of the interviewees are from provincial, city, and county governments. However, there are fewer options for towns. This limitation, which was unavoidable in order to have the research well bounded and well explored, is believed to be marginal. It's limitation which was unavoidable in order to have the research well bounded and well explored is believed to be marginal. As the core governance units at the grassroots level, township governments directly handle fiscal expenditures, public service provision, and local governance issues. While the core objective of PDMC in administrative system is to streamline governance layers and enhance efficiency, its policy design predominantly focuses on restructuring authority and responsibility between the province and county. However, the alignment between fiscal and administrative power at the township level remains a potential challenge. For instance, would PDMC in administrative system lead to excessive centralization at the county level, restricting township governments' fiscal resources? With the reduction of city authority, would township governments face coordination difficulties, lowering administrative efficiency? Since this study primarily examines province-city-county dynamics, the perspective of township governments has yet to be fully explored. Therefore, the impact of PDMC in administrative system on grassroots governance capacity requires further investigation. This limitation in interviewee selection was a necessary trade-off to maintain the study's depth and scope, yet it is crucial to acknowledge that the adaptability of township governments,

fiscal autonomy implementation, and public service delivery efficiency remain key areas for future research.

6.6 Recommendations for Future Research

This study proposes new goals for the reform of PDMC and discusses potential challenges and solutions during the reform process. However, it is important to note that the study is more specific to the general situation and most areas. One key recommendation is to predict the reform of the PDMC in administrative system in areas with special economic levels and special provincial conditions. These include China's Tibet Autonomous Region and other areas where ethnic minorities gather. The existence of different customs and traditions in these regions may result in the implementation of distinct reform strategies and the emergence of unique challenges.

Another important suggestion is to be more detailed about the problems faced after the implementation of PDMC in administrative system, and to go more in-depth on each individual issue. In this context, other possible problems and possible solutions for implementing the reform may arise. The last one is that after the Chinese government begins to implement the reform of the PDMC in administrative system in each province, more specific problems may follow, which requires other researchers to discuss this.

This study examines the necessity, challenges, and solutions of PDMC in administrative system. Regardless of the breadth of the academic work, future research can still focus on new areas to expand its scope. Therefore, this study suggests that future research could explore this condition more longitudinally.

Regarding the limitations mentioned previously, future research can also conduct research in provinces with special circumstances, as well as conduct more exploration of township workers in townships.

Overall, this study provides important references for promoting administrative PDMC reform in most provinces, particularly in regions with well-established county economies and higher fiscal autonomy. The findings indicate that fiscal decentralization alone is insufficient to fully enhance the governance capacity of county governments. If administrative authority remains concentrated at the city level, county governments may continue to face increased coordination costs and constraints in policy implementation. As administrative PDMC is further advanced in the future, additional challenges will inevitably emerge. This study focuses on analyzing and providing recommendations based on the current stage of reform, recognizing that this is a necessary approach given the present circumstances. As administrative PDMC reform is fully implemented, more specific governance issues will become evident, allowing for further in-depth and targeted research on individual challenges.

6.7 Chapter Summary

This chapter provides a detailed elaboration on the perspectives and contributions of this study, which are consistent with the three theories that have been enumerated. The conclusions that are drawn in this chapter answer the research questions that have been posed in this article. In particular, the necessity, challenges, and solutions for implementing the reform of PDMC in administrative system are addressed.

The operation of PDMC reform has been implemented for a long time, but some problems are still deeply embedded. The connection between these issues and the failure to implement PDMC in administrative system has been previously explored.

Therefore, the connection between these issues is discussed as a sub-topic in this section. After the implementation of PDMC in administrative system, other problems will inevitably arise. This is a reasonable assumption, and the reform will not be without challenges. This section therefore discuss the potential difficulties that may arise after the implementation of PDMC in administrative system as its own theme, analyzing the possible reasons and forms.

This section particularly emphasizes the importance of establishing effective institutional safeguards, accountability mechanisms, and capacity-building measures as key factors in ensuring that PDMC reform genuinely enhances governance efficiency. Furthermore, policymakers need to adopt more flexible governance models to mitigate the potential risks associated with administrative power adjustments and to strengthen the adaptability of local governments.

This chapter also explores future research directions, highlighting the significance of longitudinal studies, empirical evaluations, and cross-regional comparative research in assessing the long-term impact of PDMC reform. Future studies should not only focus on the immediate outcomes of the reform but also further analyze the interaction mechanisms between fiscal and administrative power adjustments, as well as their effects on local governments' policy implementation capacity and public service delivery efficiency. By advancing academic research in this field, a more

systematic theoretical foundation can be provided for China's local governance reform, offering policymakers more scientifically informed decision-making support.

Finally, the solutions to these problems are also discussed as a sub-topic, providing solutions to possible challenges for the Chinese government's subsequent implementation of PDMC in administrative system. On this basis, recommendations for future research are made.



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APPENDICES

Appendix A

Informed Consent for Participation

Dear interviewee:

Thank you for participating in this interview on the reform of the province directly manages counties (PDMC) reform system in China. To ensure the smooth progress of the research and protect your personal rights and interests, we hereby ask you to carefully read and sign the following consent form.

This study aims to explore the background, implementation and impact of the reform of the PDMC reform system in China. The interview results will be used for academic research and policy analysis.

The interview content will include but is not limited to:

- 1.Understanding and recognition of the system of direct provincial administration of counties
- 2.The implementation process and effect of the reform
- 3.The impact of the reform on the relationship between governments at all levels
- 4.The future direction of the reform
- 5.Personal views and suggestions

During the interview, we use real-time transcription technology to collect the information you provide. We may record or videotape with your permission. All recordings and interview content will only be used for this study and will not be used for other purposes. All data will be processed anonymously to ensure the security of your personal information.

You have the right to terminate the interview at any time, and your participation in this study is completely voluntary. You can choose not to answer any questions you think are inappropriate, and you can withdraw your consent after the interview.

Interviewee _____

Date _____

Appendix B

INTERVIEW PROTOCOL QUESTIONS

This study is an academic study to explore the reform of China's PDMC. It aims to explore the future development direction and path of PDMC. Potential informants are guaranteed that all interview information will only be used for this study and will not be disseminated without the consent of the informant.

1. The reasons for the reform of "Province directly manages counties" in China?
2. What challenges does China currently face in implementing the reform of "Province directly manages counties"?
3. How to solve the challenges faced by the reform of "Province directly manages counties"?
4. The impact of the Chinese government's implementation of the reform of "Province directly manages counties" on provincial, city, and county governments?
5. At present, the vast majority of provinces in China have implemented the reform of "Province directly manages counties", starting with the reform of "Province Direct Manages Counties in Fiscal Sector" and plan to complete the reform of "Province Direct Manages Counties in Fiscal Sector" and then advance to the reform of "Province Direct Manages Counties in Administrative system". Is this reasonable? If not reasonable, why?

6. Is the current situation in China suitable for promoting the administrative reform in the system reform of "Province directly manages counties" while the financial reform in the system reform of "Province directly manages counties" has not been completed?

7. If the administrative reforms in the reform of "Province directly manages counties" are carried out at the same time, what impact will it have on the province, city, county governments?

8. What kind of challenges will we face if we implement the administrative reform in the system reform of "Province directly manages counties" at the same time?

9. How to solve the challenges faced by implementing the reform of the administrative aspect of "Province directly manages counties" at the same time?

