I. LEGAL BASIS


China is a unitary multi-national state. According to China’s Constitution, the state organs apply the principle of democratic centralism.

China practices the regional ethnic autonomy system in areas where people of minority nationalities live in concentrated communities; in these areas organs of self-government are established to exercise the power of autonomy.

2. Main Legislative Texts concerning Local Government

China’s National People’s Congress, In accordance with China’s Constitution, has adopted such laws as Election Law of the National People’s Congress and Local People’s Congresses at Various Levels, Organic Law of the Local People’s Congresses and Local Governments at Various Levels, Law on Regional Ethnic
II. STRUCTURE OF LOCAL GOVERNMENTS

1. Main Administrative Divisions

(1) The country is divided into provinces, autonomous regions and municipalities directly under the Central Government;

(2) Provinces and autonomous regions are divided into autonomous prefectures, counties, autonomous counties, and cities;

(3) Counties and autonomous counties are divided into townships, nationality townships and towns. Municipalities directly under the Central Government and other large cities are divided into districts and counties. Autonomous prefectures are divided into counties, autonomous counties and cities.

As of 31, Dec. 2011, China has a total number of 22 provinces, 4 municipalities, 5 autonomous regions, 283 cities, 30 autonomous prefectures, 120 autonomous counties and about 34 thousand townships or towns.

2. Major Kinds of Local Government in China
Under the guidance of the Constitution, China, in line with local conditions and actual needs, has created the distinctive complex local government systems: The general local government system under the democratic centralism, Regional ethnic autonomy system practiced in autonomous ethnic areas and high degree autonomy implemented in the special administrative regions.

All autonomous regions, autonomous prefectures and autonomous counties are autonomous ethnic areas.

China has established Hong Kong Special Administrative Region and Macao Special Administrative Region in accordance with the provisions of Article 31 of the Constitution, after China’s respective resumption of the exercise of sovereignty over Hong Kong and Macao in 1997 and 1999.
III. DIVISION OF POWERS & FUNCTIONS

1. Principle governing the Division of Power

According to China’s Constitution, the division of functions and powers between the central and local state organs is guided by the principle of giving full scope to the initiative and enthusiasm of the local authorities under the unified leadership of the central authorities.

Although China has reformed the relations between Central Government and local governments, China is well-known for its highly centralized political system.

2. Division of Power

China’s local governments are the executive organs of the local people’s congresses as well as the local organs of state administration.

Local governments at various levels shall be responsible and report on their work to the people’s congresses or its standing committees at the corresponding levels and to the state administrative organs at the next higher level. Local governments at various levels are state administrative organs under the unified leadership of the State Council and are subordinate to it.
The State Council, namely the Central Government, exercises unified leadership over the work of local governments at different levels, and formulates the detailed division of functions and powers between the Central Government and the local governments at provincial level.

Local governments at and above the county level, within the limits of their authority, conduct the administrative work concerning the economy, urban and rural development and finance in their respective administrative areas.

IV. LOCAL GOVERNMENT REFORMS IN CHINA

1. Reform of the Past

Since reform and opening up, China’s Central Government has devolved many powers to local governments, which changes the excessive concentration of power, mobilizing local initiative and promoting economic development.

China’s Constitution (1982), provides that the people’s congresses of provinces and municipalities directly under the Central Government and their standing committees may adopt local regulations, which must not contravene the Constitution and the law and administrative rules and regulations, and they shall
report such local regulations to the Standing Committee of the National People’s Congress for the record.

To correctly handle the financial relationship between central and local governments, the tax sharing system was introduced in 1994, according to division of power of the central and local governments, the scope of government expenditure at all levels shall be reasonably determined, the taxes shall be divided into central taxes, local taxes and central-local shared tax, transfer payments system has been established.

To reasonably divide planning or investment powers between the Central Government and local governments, Dalian, Qingdao, Ningbo, Xiamen and Shenzhen was listed separately as cities with an independent plan.

The Central Government is responsible for investment management relating to the national economic lifeline or significant impact and fulfills the responsibilities of investor on behalf of the State for the large state-invested enterprises, critical infrastructure and important natural resources; Local governments are responsible for investment management of other projects or enterprises on behalf of the State.
China has carried out the Western Development Strategy, Northeast Revitalization Plan and Central China Development Plan from 1999 respectively.

The State Council approved Shanghai Pudong New District, Tianjin Binhai New District and Chongqing Liangjiang New District as the reform pilot areas in 2005, 2006 and 2009 respectively.

The National Main Functional Areas Plan was implemented in 2010.

2. Further Reform in the Future

Along with the marketization, urbanization, industrialization and internationalization of development, local economy has rapidly developed, great changes has taken place in the economic system and social structure, the relationship between the central and local governments has entered the key time.

China is a geographically large and populous country, how to reform the relationship between the central and local governments is one of the major issues in the reform and opening up and modernization.

According to the 12th Five-Year Plan for National Economy and Social Development (2011-2015), China shall optimize the structure of government, the administrative level and functional responsibilities so as to meet the needs of economic development.
1) **The scientific division of powers and functions between the central and local governments**

Main functions of government in China include the economic regulation, market supervision, social management and public services.

Rational division of functions between central and local government is a foundation and premise to straighten out the vertical governmental relations. However, the rational division of functions and powers between the Central Government and local governments remains unsolved. Constitution and Legislation Law divide only the legislative function between the central and local governments, the government affairs are administrated in accordance with principle of “unified leadership under the Central Government and management by the governments at different levels”, the governments at the higher levels exercise the same functions with the governments at the lower levels. Therefore, the functions and functions between the central and local governments shall be rationally divided.

Currently, policies and administrative regulations of the Central Government are mainly implemented by departments of the Central Government and local governments. China shall, during the transition period in particular, strengthen central authorization.
The Central Government shall strengthen macro-management of the economic and social affairs and pay more attention to strategic planning, policies and regulations.

The local governments shall ensure the effective implementation of the central policies and state laws and regulations strengthen the coordination of local economic and social affairs.

**Division of Functions and Powers of China's Central and Local Government**

<table>
<thead>
<tr>
<th>functions and powers:</th>
<th>government</th>
<th>local government at and above county level</th>
<th>town or township government</th>
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<tr>
<td>Foreign affairs</td>
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<td>National defense</td>
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<td>Economy</td>
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<td>Environment and natural resources</td>
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<td>Finance</td>
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<td>Auditing</td>
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<td>Implementation of the plan for national economic and social development</td>
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<td>★</td>
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<tr>
<td>Implementation of the budget</td>
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<tr>
<td>Administrative regulations</td>
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<td>★ (provincial level &amp; larger cities)</td>
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<td>Rules</td>
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<td>Physical culture</td>
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<td>Family planning</td>
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<td>Civil affairs</td>
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<td>Judicial administration supervision</td>
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<td>Nationality affairs</td>
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<tr>
<td>Decide on entering the state of emergency in parts of provinces, autonomous regions, and municipalities directly under the Central Government</td>
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Sources: China's Constitution, Organic Law of the Local People's Congresses and Local Governments
2) To rationalize central and local fiscal revenue and expenditure relationship

Generally speaking, the allocation of responsibility or functions shall weigh up the extent and nature of the task and requirements of efficiency and economy. To meet the increasing requirements of economic development, financial resources shall be commensurate with the powers and functions of local governments.

The financial resources of local governments shall derive from local taxes and charges within the limits of law. The proportion of general transfer payments shall be expanded. The competence of county government to provide basic public services shall be strengthened.

3) Institutionalization of relationship between the central and local governments

In accordance with requirements of the CPC’s 13th National Congress, Public affairs shall generally be decided and administrated by those governments which are closest to the citizen. During the transition period, the Central Government shall devolve more powers to local governments and enable them to decide and administrate local affairs according to laws and macro-economic policy.
China has a long history of central-local relations without legal basis, which is not only caused by history and culture, but also the constitutional system itself.

Historically, Chinese traditional culture has resulted in the ambiguity of power and functions between the central and local governments; many powers of the central and local governments are not clearly divided in accordance with Constitution, changes of central and local relationship lack legal binding. In view of this, China shall gradually divide powers and functions between the central and local governments by the Constitution or laws.

In the long run, China's Constitution shall provide the basic principle of local self-government.