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The Differences between County, County-level City and Municipal District in the System of Administrative Divisions in China

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ABSTRACT

Administrative division is an important means of political power reorganization and management, resource integration and optimal allocation, which profoundly shapes the spatial layout of urban development in China. To clarify and compare differences between counties, county-level cities and municipal districts is the primary premise for the study of administrative division and urban development. This paper analyzes the institutional differences between counties and county-level cities, as well as counties, county-level cities and municipal districts, from the aspects of organizational structure, urban construction planning, land management, finance, taxation and public services. The research shows that the establishment of counties, county-level cities and municipal districts adapt to different levels and stages of economic and social development, and the conversion from county to county-level city and the conversion from county (or county-level city) to municipal district are both important transformation ways to change their administrative systems, which has different management system and operation pattern. At the same time, the transformation of county-level administrative region is also a “double-edged sword”, we should think about the administrative system as a whole to decide whether it should be adjusted, and effectively respond to the actual needs of local economic and social development.

1. Introduction

As a country with the largest population and the second-largest economy in the world, China’s urbanization has a profound impact on the world’s political and economic pattern. However, the current understanding of the regularity of urbanization in China

is relatively insufficient, especially the understanding of the key role of administrative divisions in the process of urbanization in China is still limited. Administrative division is an important part of the construction of state power in China and the basic institutional framework of the CPC’s governance. The scientific and reasonable

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establishment of administrative region is closely related to economic development and social stability, and is very meaningful to China's transformation and development. County is the basic unit of national management structure, a key link between the high level administrative regions and grass-roots management, is an important basis for developing economy, ensuring people's livelihood, maintaining stability and promoting the country's long-term stability^[1]. Since the reform and opening up in 1978, the administrative division adjustments such as conversion from county to county-level city, conversion from county (or county-level city) to municipal district, and the merger of municipal districts and counties have been very frequent. The number of municipal districts increased from 408 to 970, the number of county-level cities increased from 92 to 375, but the number of counties decreased from 2011 to 1335 from 1978 to 2018. However, the research on the system differences of counties, county-level cities and municipal districts is still insufficient. Many people are not know the differences among them. Therefore, it is of great significance to strengthen the research on the system differences of county-level administrative regions, which help to understand China's urbanization process and the changes of administrative management system.

There are great differences between Chinese and foreign administrative systems. In western countries with highly mature market economy, administrative regions are mostly formed naturally with economic and social development, and rarely adjusted by administrative forces. There are few theoretical and practical studies on the adjustment of administrative divisions abroad. As the urbanization level has reached 63.89% in 2020, the issue of administrative division in metropolitan areas has become the focus of relevant research^[2-4] and local government management has also attracted attention^[5,6]. However, due to the strong economic and planning authority of governments at all levels in China, administrative division has become an important force to promote regional economic development, which is directly related to the improvement of administrative management efficiency and urbanization quality, and has a profound institutional constraint on urban spatial structure. The research of administrative division started relatively late in China, but the related research has been deepened and carried out in the exploration of different disciplines, and gradually become the hot spot of current research. The research mainly focuses on the institutional change of administrative regions, administrative division adjustment effect, reform programme, and the relationship between adjustment of administrative division and urbanization,

regional economic development, and administrative system reform^[7-16]. China implements a hierarchical city management system, including municipalities directly under the central government, cities with municipal districts and county-level cities, with higher-level cities getting more resources easily. The jurisdiction of the city is wide, including both built-up areas and surrounding rural areas. Deepening the understanding of the differences between county-level administrative regions is an urgent need to master the internal logic of urbanization in China.

There are great differences between Chinese and foreign administrative management systems. There is a lack of practical and theoretical research on the adjustment of administrative division abroad, and there are relatively few studies on the differences between counties, county-level cities and municipal districts. The research on the institutional differences between counties, county-level cities and municipal districts is relatively weak in China. Therefore, on the basis of a large number of literature and field investigation, this study discusses the system differences between counties, county-level cities and municipal districts, which are the most basic in the study of administrative division, and provides reference for further theoretical and practical research.

2. Basic Connotation of Counties, County-level Cities and Municipal Districts

2.1 The Basic Concept

County has a long history in China. Shire and County System is a system of local administration which took shape during the Spring and Autumn Period and the Qin Dynasty^[17]. The county system has been used until now and is still a grass-roots administrative region in China. It was used to be the residence of the ancient emperor originally, namely "Wang Ji" (it means capital), known as "red county"^[18]. In the late Spring and Autumn period, counties became local administrative units, which were directly under the direct jurisdiction of the central government. Their governors can be replaced at any time or at regular intervals, and their management scope is usually artificially delimited, with sub-county organizations such as townships^[19]. Adapted to the rural socioeconomic conditions, counties are the crucial institutional unit to manage rural regions. It is the "longest-lived" form of regime organization in China and is known as the most successful system design of China's grassroots regime^[18].

The county-level city is a hybrid institutional system

between city and county, which combines urban management with rural management ^[20], not only emphasizing city construction and management but also taking villages into account at the same time. In 1921, the law of “System of Municipal Autonomy,” the nationwide legislation on the institution of the city, was promulgated by the central government for the first time, thereby marking the official birth of the China’s urban system. Nevertheless, the designation of the county-level city did not appear until 1983. At the beginning of the People’s Republic of China, the local city was administered by the subprovincial administrative region at first, which was converted into prefecture in 1970. Eventually, the name was changed into a county-level city in 1983 when the reform of the prefecture-level administrative region was executed. County-level cities are the products of the fast growth of township industries, rapid advancement of urbanization, quick changes of the industrial structure, and speedy transition of the residential space. The county-level city is a small city normally, which is a hybrid administrative region integrating the functions of regional administrative region and urban administrative region.

Municipal district refers to urbanized area under the jurisdiction of prefecture-level cities. The administrative level of a municipal district is usually equivalent to a county, mainly to share the urban management function of a prefecture-level city government. In another case, the level of municipal district is higher if it is under the jurisdiction of a municipality, which is equivalent to an autonomous prefecture or prefecture-level city ^[21]. The establishment of municipal districts is the inevitable outcome of the development of modern cities and urbanization to a certain scale. At this time, the complexity of urban internal organizations will increase exponentially, causing great pressure on the central urban areas, therefore, urban management can be better strengthened by establishing several municipal districts. However, the municipal district was not legally established to be a form of the local administrative institution until 1954 when the Constitution of the People’s Republic of China released the statement that “municipalities and larger cities should be divided into several municipal districts.” Obviously, compared with county system and city system, municipal district system appeared the latest. In the same year, the Organizational Law of National People’s Congress and People’s Government of PRC at Various Levels stipulated that “the people’s government of municipal districts and cities without districts, at the approval of higher-level government, has the power to set up a certain number of sub district offices as its agencies when necessary.” This demonstrates that the municipal district is the agency of

the municipal government and a kind of administrative unit of the urban administrative district. The efficiency of urban management can be improved through establishing several sub district office, which is the basic administrative region and agency of the local government such as municipal district or city. It includes several community residents committee or a few administrative villages. Municipal district has a comparatively strong dependence on cities, in fact, it is an important part of the city. Municipal districts directly handle social public affairs, which is related to the supply of public services and urban operation efficiency, which directly affects the improvement of urbanization quality.

2.2 The Differences in Approval Authority for Different County-level Administrative Region

In terms of the authority of establishing municipal districts, counties and county-level cities are mostly directly determined by the central government. “Any addition, cancellation of administrative region name , change of administrative region name and boundary of administrative region at or above the county level, such as counties, county-level cities, shall be implemented with the approval of the Central People’s Government ^{①②}.” In comparison, since the founding of the People’s Republic of China, the power of approving for the establishment of municipal districts has been transferred from prefecture level cities’ government first to provincial government and then upward to the central government. In the early period of the founding of the People’s Republic of China, the number and size of municipal districts in large and medium-sized cities were decided by each city without the approval of the central government, which led to the large difference in the number and size of municipal districts in different cities. In 1955, the law of the Decision of the State Council on the Establishment of Cities and Towns was enacted, stating that “the suburb of cities should not be too big,” and that “the establishment of municipal districts should be controlled within a proper number” and also “the establishment and alteration of the institution of municipal districts or towns are decided by the Provincial People’s Council.” Since then, provincial government has become the subject of approving the establishment of municipal districts. After the reform and opening up, the power to approve the adjustment of administrative divisions at or above the county level was delivered

① Provisions of Ministry of Internal Affairs on the Authority over the Unified Change of Administrative Division.

② Instructions of Ministry of Internal Affairs on the Change of Administrative Units above County Level to be Submitted to the Central Government for Review and Approval.

to the State Council. For the sake of the conservation of cultivated lands, in 1997, the Central Committee of the Chinese Communist Party, in conjunction with the State Council, issued the law of “Notification on Further Strengthening of Land Management and Cultivated Land Protection,” which required that “the review and approval of conversion from county to county-level city is suspended since the promulgation of this law”, and the establishment of county level city entered the stage of strict control. Since the policy of conversion from county to county-level city has been suspended for a long time, local governments have mostly shifted the focus to transforming counties (county-level cities) into districts. In 2002, The State Council decided to suspend the establishment of municipal districts for a period of time in order to control the excessive and chaotic situation in a few regions. Since 2013, with the continuous improvement of urbanization level, the work of conversion from county (or county-level city) to municipal district gets resumed successively.

In recent years, along with the reform of Enhancing Jurisdiction and Strengthening County, the actual administrative power of certain counties and county-level cities is reinforced in some regions, which is the same trend for municipal districts. In many regions, the power of municipal districts has been continuously strengthened with the socioeconomic development, and the difference between county, county-level city and municipal district has been very not very clear^[22]. In the era of planned economy, relatively small power was granted to municipal districts and of weak independence, with its economic management and the handling of economic business of subdistricts been in full charge of the city departments. Existing as the working agencies, municipal districts undertake part of urban management functions and play a pivotal role in organization and coordination. However, after the reform and opening-up, cities like Nanjing, Guangzhou, Xi’an, Lanzhou, Taiyuan, Harbin and other prefecture level cities took the lead to delegate power to the municipal districts, initiating the exploration of the reform of municipal districts. There were five aspects to decentralization, including the financial power, the construction right of commercial and service industries, certain power of city development and construction, the management authority such as sanitation and greening and other management power, such as the decentralization of middle school management, urban personnel cadres, the establishment of institutions.

3. Institutional Differences between Counties and County-level Cities

In China, the role of urban planning is to understand

the future of the city, while the role of the administrative division is to understand the reality of one region. Administrative division adjustment has a profound impact on urban development, which is primarily displayed in land development policy, urban and rural planning, urban construction system, financial system, household registration system, real estate policy, education and medical facilities. Therefore, this study mainly compares the institutional differences of county-level administrative regions from five aspects: organizational system, urban construction planning system, land management system, fiscal and tax financial system and public service system. The five aspects are elaborated as follows.

3.1 Organizational Structure System

There are obvious differences in the organizational structure among county-level administrative regions. Compared with counties, county-level cities are entitled to establish more institutions and arrange more leading posts and personnel. Usually, the candidates for the Secretary of Communist Party Committee of county-level cities are easier to become a leader at a higher-level administrative rank compared with their counterparts of counties. A lot of them can be admitted into the Standing Committee to enjoy political treatment at the vice-prefecture level, which also makes it easier to get close to higher levels of government and promotion. In terms of personnel appointment and removal, some provincial (autonomous region) governments have direct supervision and control over the personnel of county-level cities, and county-level cities can set and replenish the number of public security and judicial personnel. The county-level city can set up sub district offices, which can bring the residents in the rural-urban fringe into the urban community management, effectively resolving the contradiction caused by the coexistence of county government and township government. Moreover, county-level cities were also chosen as the main areas for institutional reform.

3.2 Urban Planning System

In terms of urban construction, county-level cities have more independent space than counties. The overall urban plan of a county must be implemented only after the approval of the prefecture-level city (prefecture or autonomous prefecture) government, while the overall urban plan of a county-level city can be approved by the provincial (autonomous region) people’s government. Besides, county-level cities are offered more support from higher-level governments for urban construction, such as the urban reconstruction and management, electricity

quota distribution, and construction of electric power facilities. In contrast, the support for counties is more of poverty alleviation and agricultural subsidies. For example, in 2016, the subsidies in Zhanyi County of Yunnan province mainly included subsidies for converting farmland to forest, central agricultural protection support subsidies, grassland ecological protection subsidies, animal husbandry and high-quality seed subsidies, agricultural machinery purchase subsidies and forest ecological benefits subsidies. Compared with counties and municipal districts, county-level cities can usually enjoy more favorable national policies. Take Wenshan County in Yunnan province as an example. As far as the project establishment of economic construction was concerned, Wenshan County can only examine and approve construction projects of less than 1 million dollars. However, when Wenshan county was converted to a county-level city, the grant increased to 30 million dollars, that is, 30 times more than the county, which shows the great difference between county and county-level city. County-level cities shall be given priority when applying for superior fund supporting projects and important urban infrastructure construction projects. Furthermore, the implementation of national relaxed policies typically starts with county-level-cities and later extends to counties. When assigning certain projects, the province (or autonomous prefecture) only considers county-level cities. For example, county-level cities can participate in and strive for the title of “National Sanitary City”, and the evaluation criteria clearly state that “this standard is applicable to all cities and districts of municipalities”, with counties being outside of consideration.

3.3 Land Management System

The third difference between county and county-level city lies in land management system. Compared with counties, county-level cities have more independent power and easier access to preferential policies and financial support in construction project approval and infrastructure investment. Besides, the allocation of land use for construction and the permission of transforming agricultural land to non-agricultural land are more than those of counties. Moreover, they can independently determine the collection and tax rate of urban construction and maintenance tax, and have the right to approve large areas of land. For example, before the establishment of Puning city in Guangdong Province in 1993, an average of 0.51 km² of non-agricultural construction land was examined and approved annually during 1989-1992. However, after the establishment of Puning city in 1993, an average of 1.05 km² of construction land was

requisitioned and approved annually during 1993-1998. The number of land indicators increased greatly. Another example is Handan City (prefecture-level city). In 2016, among all its newly increased land, the annual average figure for county-level cities was 0.76 km², counties 0.40 km², and the municipal districts 0.19 km², indicating that the land index of county-level city is obviously higher. At present, land transfer income and transfer payment have become the main financial sources of most county-level governments. More construction land indicators mean more land income. The lack of construction land indicators not only affects land transfer income, but also has a great impact on the landing of investment items and land mortgage loans.

3.4 Fiscal, Taxation and Financial System

The fourth difference between county and county-level city lies in the fiscal and financial system. County-level cities have more advantages in provincial finance sharing and can obtain more financial working capital, while the provincial financial appropriation of counties is prone to be intercepted by prefecture-level cities. In addition, conversion from county to county-level city would raise the urban maintenance and construction tax from 5% to 7%, putting more pressure on local enterprises. Concomitantly, the proportion of financial rebates will increase, but transfer payments and special support funds of counties can only be used in agriculture-related fields, while county-level cities can be used in urban construction fields. After the conversion from county to county-level city, the increase in the number of institution establishment and the cost of urban construction will exacerbate the financial pressure to varying degrees. The financial business of counties concentrates on credit business, with rural finance accounting for a relatively large proportion. Finance, customs and other vertical management departments are very important to the development of county economy, but the administrative authority of this part is still mainly concentrated in the superior cities. On the other hand, county-level cities have obvious mixed characteristics of urban and rural finance and wider business scope. They have obvious advantages in setting up financial institutions and credit approval authority. They can have certain foreign exchange quotas and allow the establishment of bank branches, so they can act as investment guaranty or issue loans with large quotas. In addition, county-level cities can also set up customs to handle entry and exit procedures and directly manage the approval and issuance of license plates and driving certificates.

3.5 Public Service System

The fifth difference between county and county-level city lies in the public service system. Compared with counties, county-level cities have strengthened their power in the field of public services, paying more attention to urban road, communication and other infrastructure construction, and can set up high-grade hospitals. Moreover, county-level cities can gain more industrial projects, land allocation, and water resources. They can also directly apply for subsidies of sewage disposal plants and waste treatment plants from the higher-level governments and can be granted more capital and quotas for low-income housing. However, after the county is converted to county-level city, the corresponding educational funds will be reduced and the local finance should be bear more.

4. Institutional Differences among Counties, County-level Cities and Municipal Districts

In China’s county-level administrative region system, counties and county-level cities have relatively complete and independent administrative management structure, which manage political, economic and social affairs within their jurisdiction. In contrast, municipal districts are an organic component of prefecture-level cities, and their management is highly centralized, which are quite different from counties and county-level cities. In other words, municipal districts are incomplete governments, which are under the unified management and regulation of prefecture level cities in many aspects. Tables 1 and 2 elaborate on the specific differences.

4.1 Organizational Structure System

Regarding the organizational structure system, the distinction is demonstrated as follows (Table 1).

(1) The first aspect is related to the correlation with prefecture-level cities. Under the system that cities take charge of counties, prefecture-level cities are the higher-level authority of both counties and municipal districts. According to the Constitution, prefecture-level cities are not permitted to establish county-level cities, and the legitimate higher-level authority of county-level cities is the government of the province or autonomous regions. Prefecture-level cities administer counties and municipal districts, but act as the representing government of county-level cities.

(2) For the administrative level, after conversion to municipal districts, counties and county-level cities in

prefecture-level cities are still of the division-head level^③. Counties in municipalities will rise from the deputy-bureau-director level to the bureau-director level.

Table 1. The institutional difference among counties, county-level cities and municipal districts

Items	County	County-level city	Municipal district
Administrative level (prefecture-level cities)	division level	division level	division level
Administrative level (sub-provincial-level cities)	division level	division level	deputy-bureau-director level
Administrative level (municipalities)	deputy-bureau-director level	not included	bureau-director level
Authority to govern subdistricts	generally not	yes	yes
Independence of functional departments	relatively strong	strong	weak
Regional economic development	give priorities to villages and take cities into account as well (primary industry)	give priorities to cities and take villages into account as well (secondary industry)	give priorities to cities and take villages into account as well (tertiary industry)
Finance and tax	relatively independent	independent	not independent
Proportion of finance and tax	relatively low	low	high
Proportion of transfer payment from higher-level governments	relatively high	high	low
Department of public security and fire prevention	independent	independent	not independent
Court and procuratorate	independent	independent	independent
Urban construction planning	relatively independent	independent	not independent
Land management	relatively independent	independent	not independent
Social security	relatively independent	independent	not independent

(3) Regarding organization establishment, counties and county-level cities have a relatively complete responsibility system. In contrast, departments of municipal districts related to finance, foreign exchange, customs, taxation, and national security are administered by the central government, whereas other organs pertaining to fiscal service, planning, national territory, urban management, municipal administration, public security, procuratorates, and courts are all agencies of corresponding departments,

^③ Opinions on some problems of sub provincial cities.

thus are under direct administration of prefecture-level cities. Moreover, departments related to industry and commerce administration, environment conservation, quality inspection, food and drug administration are also under the direct charge of prefecture-level cities. All vertical departments are accountable to those at higher-level in a systematic manner, where governments of prefecture-level cities have no rights to administer and find it hard to coordinate. In comparison with municipal districts, counties and county-level cities possess greater independent administrative power with a relatively complete responsibility system and establish many agriculture-related departments based on the elaborate division of work. Taking Ruyang County in Central China as an example, There are a considerable number of agricultural regulation departments, including the Bureau of Agriculture, Bureau of Animal Husbandry, Forestry Administration, Bureau of Water Resources, Administration of Grain, Agriculture Comprehensive Development Office, Economic Forest Office, Immigration Office, Poverty Alleviation and Development Office, Agricultural Machinery General Station and other agriculture-related management departments. Most of the departments directly managed by municipal districts are usually service-oriented functional departments. After the transformation of counties (county-level city) into municipal districts, the power of land, finance, planning and construction will be concentrated in prefecture-level cities. Generally speaking, the total number of institutions will be appropriately increased after the transformation of counties (county-level city) in cities above the deputy provincial level. Taking Wenjiang County of Chengdu as an example, following the transformation, the number of departments comprising the committee increased from 6 to 7, and the number of those comprising the government increased from 19 to 23.

(4) The fourth is regarding personnel quota distribution. The organization of counties (cities) under the jurisdiction of prefecture-level cities and sub-provincial cities shall be independently approved by the central government. Nonetheless, when these counties (county-level cities) are converted into municipal districts, the organizational establishment and personnel quota is decided by their higher-level authority. Therefore, the quota shortage can be addressed through internal adjustment of the city. The changes of quotas for certain urban administration or agricultural departments are permitted, but the total amount is generally unchanged. Compared with the county (county-level city), the institutional setting of municipal districts is generally tight, and the number of personnel is also far behind the county (county-level city). Counties

(county-level cities) administered by municipalities are granted more quotas of certain organizations when transformed into municipal districts to increase the establishment of municipal departments dispatched agencies. The functions and authority of municipal districts lack clear legal provisions, and are mostly decided by the prefecture-level municipal governments themselves, often based on the views and understanding of the main leaders of prefecture-level cities, showing different characteristics and distinct personal styles in different periods. Moreover, as municipal districts and cities divided into municipal districts are geographically overlapped, the overlapping of responsibility is also prevalent.

(5) Based on the existing laws, counties cannot set up sub district offices, while county-level cities and municipal districts can do it, resulting in low administrative efficiency due to overlapping between vertical county departments and town government agencies in many towns where the county government is located.

4.2 Urban Planning System

Regarding urban construction planning, the following aspects reflect the differences between counties (county-level cities) and municipal districts. First, the county government has the power to formulate the county seat planning and common towns planning. The government of county-level cities has the power to formulate the urban planning for the whole region. In contrast, the government of municipal districts has no authority in this respect. Article 3 of the Law on Urban Planning stipulates that “cities mentioned in this law refer to municipalities, cities or towns established by the State according to administrative institution.” Besides, Article 12 stipulates that “the city government is responsible to organize and formulate urban planning. Planning of the town where the county government is located is in the charge of the county government.” However, the planning authority of municipal districts is uniformly performed by the Bureau of Planning of the city. Meanwhile, power concerning urban road planning, fire prevention and control, water resources management, greenery coverage, and environment protection are carried out by the city government as well. Second, counties and county-level cities are generally responsible for the compilation and approval of urban and rural planning, and urban construction funds are mostly self-raised. However, the urban planning of municipal districts is generally carried out uniformly by the prefecture level city, and the relevant departments of the municipal district only play a coordinating role. As stipulated in Article 18 of the

Table 2. the distinction of economic and social administrative authority between counties (county-level cities) and municipal districts ^[10]

	Items	District government under municipalities	District government under municipalities	County-level governments
Economic development	policies and planning formulation	√		√
	development zones	√	√	√
	state-owned enterprises			√
Public security	public security		√	√
	fire prevention			√
	rescue and disaster prevention		√	√
Health care	The first-level, second-level and third-level health care	√	√	√
	ambulance service	√		√
Education	elementary education	√	√	√
	secondary education	√	√	√
	higher education			
Social security	old-age pension	√		√
	Unemployment insurance	√		√
	work-related injury insurance	√		√
	medical insurance	√		√
Social welfare	Institutional rescue	√		√
	Pension for parents supported by a single child	√		√
	Pension for soldier's family	√	√	√
Social rescue	job training	√	√	√
	basic welfare	√	√	√
	low-rent housing	√	√	√
Cultural and entertainment facilities		√	√	√
Electricity and gas supply	electricity generation			√
	electricity supply			√
	gas supply			√
Transport facilities	roads and bridges			√
	urban roads and bridges	√	√	√
	parking facility	√	√	√
	roadway lighting	√	√	√
	public transport service	√		√
	traffic regulation	√		√
	airport			
port and harbor			√	
Communication facilities	postal service	√		
	telecommunication			√
	broadcasting television			√
Environment infrastructure	tap water production			√
	tap water supply			√
	sewage collection			√
	sewage treatment			√
	drainage and flood control			√
	water conservancy			√
	solid waste collection	√	√	√
	solid waste disposal			√
road cleaning	√	√	√	
Environment protection	environment planning			√
	environment implementation	√	√	√
	pollution detection		√	√

Urban Planning Law, “large and medium-sized cities, on the basis of overall planning, have the right to carry out planning by municipal districts so as to further control and confirm the purpose, boundary, and capacity of different land lots as well as to coordinate the construction of basic and public facilities.” Similarly, Article 21 stipulates that “municipal district planning is reviewed and approved by people’s government of the prefecture level city.” Specifically, the staging plan may be jointly prepared by prefecture-level city and the municipal district, but reviewed and approved by the prefecture-level city government. In addition, regulatory plan and site plan is typically drafted by the municipal district, then reported to the Bureau of Planning of the prefecture-level city for recording and filing, and it is finally implemented by the municipal district government. Under the supervision of both the Bureau of Planning and the district government, the regulatory plan of bordering areas is made through negotiation between the city and municipal district^[23].

4.3 Land Management System

As far as the land management system is concerned, the distinctions are illustrated as follows. First, the Bureau of Planning of municipal districts is the agency led by the prefecture level city so that city government controls the power of land expropriation, supply, and approval. While, the people’s governments of cities and counties are in a principal position in terms of land supply^④, they are independently responsible for land acquisition, supply and approval of counties and county-level cities. Second, the allocation of land use for the construction of both counties and municipal districts is determined by the city divided into districts, but the compensation standard of construction land requisition of municipal district is often higher than that of county. Third, compared with municipal districts, county-level cities and counties also have obvious advantages in land approval and credit support. Forth, in comparison with municipal districts, counties and county-level cities have the noticeable advantage in land use approval and credit support, as it is stated in the existing law that “the sale of land-use rights is conducted by people’s government of cities and counties in accordance with plans and procedures”^⑤, and that “the approval power of existing land use for

construction within allowed areas belongs to people’s governments of cities and counties, so does the land returns”^⑥. This indicates that the power of municipal districts to approve the sale of state land-use rights and the power of construction and planning are both transferred to the city government; therefore, it is obligatory to uphold the unified regulation over land by the prefecture level city government. As is stated in the law, “the land used to establish approved industrial parks, science parks, and development zones in municipal districts must be incorporated into the unified regulation and supply of the city.”^⑦

4.4 Fiscal, Taxation and Financial System

Regarding the fiscal and financial system, differences are demonstrated in the following aspects. First, counties and county-level cities are mostly first-level financial institutions with independent accounts. Financial fund settlement and dispatching can be directly conducted in the province, while municipal districts generally do not have independent financial accounts (except for some newly established municipal districts). Accordingly, the finance cannot be connected directly to the province, instead the finances are connected to the prefecture level city and then to the province. Therefore, counties and county-level cities but not municipal districts are entitled to receive the transfer payment from higher-level authorities. Second, based on the division of budgetary level of revenue according to the location of enterprises, cities (municipalities excluded) implement a financial system based on “the division of increased revenue” in counties (county-level cities), but “the proportional sharing” in municipal districts. Conversely, a low proportion of financial-sharing affects the increase in public service in municipal districts, which is predominantly evident in cities with small-scale finance in the central and western part of China. Third, the incentive for gaining extra revenue and mechanism for the transfer payment are also different between counties (county-level cities) and municipal districts. Fourth, the statistical criteria are also different. The general budgetary revenue of counties (county-level cities) comprises taxes turned over to the state, fixed revenue, shared revenue with the city, and the portion of special shared revenue. In

④ Notification of the Ministry of Land and Resources on the Serious Implementation of ‘Opinions of the State Council on Solving Housing Difficulties of Urban Low-income Families’ and Further Strengthening Regulations of Land Supply.

⑤ Law of the People’s Republic of China on the Administration of Urban Real Estate.

⑥ Opinions of the Ministry of Land and Resources on Some Problems of the Implementation of ‘Administrative Law of the People’s Republic of China’ and ‘the Regulations on the Implementation of the Land Administration Law of the People’s Republic of China’.

⑦ Notification of the State Council on Strengthening the Management of State - owned Land Assets.

comparison, the general budgetary revenue of municipal districts comprises taxes turned over to the state, shared revenue from prefecture level city, fixed revenue from municipal districts, shared revenue from municipal districts, and special funds allocation.

4.5 Public Service System

Regarding the public service system, the differences are illustrated in the following aspects. First, the social security criteria of municipal districts are typically higher than that of counties and county-level cities. Second, the threshold for the free migration of household registration between municipal districts is lower. Besides, most counties and county-level cities tend to be more independent and have their own television station, broadcasting station, and comprehensive newspapers, whereas the broadcasting television signals of municipal districts are uniformly covered by prefecture level city and their cultural and sporting facilities are more attached to prefecture level cities. With respect to the teaching staff and expenditure guarantee, municipal districts are generally stronger than counties and county-level cities. In municipal districts, high schools are uniformly managed by the city, whereas middle and primary schools are managed by the Education Bureau of the municipal districts. Nevertheless, middle and high schools are regulated on their own in counties and county-level cities while the central school of the town regulates the ordinary rural primary schools. Moreover, the Public Security Bureau in counties and county-level cities has the power and duty of traffic regulation but the Public Security Sub-Bureau in municipal districts does not. Finally, the price set under the government's guidance can be designated by counties and county-level cities for local areas, as is stated by Article 20 of the Pricing Law of the People's Republic of China, "based on the authorization of the people's government of the provinces, autonomous regions and municipalities, the people's government of cities and counties has the power to determine the price set by the government or set under its guidance in accordance with the pricing authority and specific applicable scope prescribed in the local pricing catalogue."

5. The Logic Analysis and Thought on Advantages and Disadvantages Underlying Conversion from Counties to County-level Cities and Counties (County-level Cities) into Municipal Districts

Through the above analysis, we can see that counties prioritize rural management, which is more favorable for

the development of the primary industry. China was in an agricultural society for a long time until 100 years ago. This is also the main reason why county has remained for more than 2000 years. County-level cities have emerged with industrialization and urbanization, and they have only a hundred years of history in China. They emphasize more on urban construction and management and, at the same time, take rural work into account, thereby creating more beneficial conditions for the development of the secondary industry. Municipal cities emerged after the founding of the people's Republic of China in order to facilitate urban management, they mainly focus on urban management, public service and social construction, and have more advantages in serving the development of tertiary industry. In a word, counties are more prominent in agricultural management, whereas county-level cities are more remarkable in economic management primarily because of the reinforced power in planning and construction, land development, and fiscal management. Alternatively, municipal districts have a more salient role in social administration because of strong regional connectivity and weaker independence compared with county and county-level cities.

5.1 The Power Change after the Change from County or County-level City to Municipal District

Generally speaking, counties and county-level cities have the following advantages of administrative authority in addition to the economic and social administrative authority of municipal districts. In terms of economic development and public security, county (county-level city) governments can independently decide on economic development policies and plans, formulate environmental protection plans and manage state-owned enterprises, and directly take charge of fire safety and ambulance services. With regard to coal power and communication facilities, governments of counties and county-level cities has direct control over the supply of electricity and gas, as well as basic communication facilities like telecommunication and broadcasting televisions. Regarding personnel resources and social security, the professional ranks and titles are decided by counties and county-level cities themselves; for municipal districts, however, it is up to the prefecture-level cities and difficult to be conferred. Furthermore, governments of counties and county-level cities directly handle work about unemployment insurance, work-related injury insurance, old-age pension, and support for old people who are supported by a single-child and institutional subsidies and rescue. Regarding transport infrastructure, governments of counties and county-level cities are accountable for the construction, regulation,

and service of roads, bridges, public transports, ports, and harbors. Both the municipal districts and counties (county-level cities) have their own independent public transport system in that urban public transport and coal power facilities are typically trans-regional, which require unified planning and regulation of the city. Following the conversion from counties to county-level cities, the power in urban construction and planning, land development, taxation, and finance will be reinforced considerably, which is more advantageous to urban planning, construction, and management, and easier to improve the popularity of the city and quality of urbanization. Hence, more investment will be attracted and the urban function, governance capability, and public service functions will also be enhanced. Thus, counties are more willing to be a county-level city.

Most central cities are keen on embrace the conversion from counties (county-level cities) to municipal districts, as it expands the urban financial power and land reserves, but counties (county-level cities) have an opposite attitude. Part reason is that counties and county-level cities can obtain funds and policy support from both the provincial government and prefecture level city government, whereas municipal districts can rarely obtain provincial level assistance and support, as it is dependent on the urban financial capability. Conversely, after the administrative division adjustment, the investment attraction, industrial distribution, and infrastructure construction will be considered comprehensively by the prefecture level city. Besides, the public service and welfare benefits of the government will be upgraded from the previous county level to the prefecture-city level and. However, as far as the financial system is concerned, after the administrative division adjustment, the municipal district faces some variations like a higher proportion of fiscal revenue turned over but 50% lower provincial transfer payment and the cancellation of general transfer payment. To add to this, remuneration and welfare expenses have to keep up with the level of the central city, thereby leading to decreased fiscal revenues but increased expenditures for some municipal districts. Consequently, the mismatching between financial ability and administration responsibility typically emerges in the newly established municipal districts owing to the declining fiscal capability, deprived special subsidies, but mounting social administration affairs. For instance, as the previous Public Security Bureau of the county (county-level city) is shifted into the Public Security Sub-Bureau of the district, the urban Public Security Bureau and Commission of Headcount Management will decide the personnel quota, but the district assumes the remuneration. For another example,

the planning and approving the power of petrol stations belongs to departments directly under the city government, but the safety responsibility of the workplace is assigned to the district. Moreover, because of the weak economic base, some municipal districts in underdeveloped areas of the central and western part of China have a much weaker practical administrative power compared with counties, despite the same level. A disparity of political status between leading officials working in municipal districts and counties (county-level cities) also exists; the former generally feel less appreciated, harder to get promoted, and unable to match their counterparts in terms of power.

After transformation, previous finance will be lowered from independent first-tier level down to the financial branch of the central city, relying heavily on the urban support. If the urban finance is relatively weak to meet the local expense, it will limit the expansion of its population and curb the normal development of the newly-established district to a varying extent, as in transport, electrical power, public facilities, education, culture, sanitation, etc. On the contrary, if the central city has a strong power, the new district will be granted more support of funds, policies and projects so as to promote its medical care and education, social security and employment as well as transport to the urban level. Meanwhile, the central city will also set out to free up the district from multiple restrictions and insufficient development space. Before the administrative division adjustment, people from counties can't use their health insurance card in hospitals of urban centers. Instead, they pay in cash and reimburse expenses when back to the county. However, the reimbursed proportion is relatively low. After the administrative division adjustment, public services like the medical care, education or public transport could be shared throughout the city. Students from previous counties can also apply for high schools of the urban center; uniform planning will be conducive to the landing of more investment projects in the new district, cultivate more advanced business areas and propel the further development of modern manufacturing and service industries. Take Yongnian County of Handan as an example. Since the conversion from county to municipal district in 2016, new opportunities emerge despite a diminished independent power. Firstly, its development space is widened since the whole region is incorporated into the main urban area of Handan, which means all its land will become conditional construction land, effectively addressing the bottlenecks of land use. Secondly, it is able to share the investment platform of the city and enjoy urban preferential policies, generating great benefits for project construction and industrial upgrading. Thirdly, the development of regional

construction and economy is accelerated, as the whole area of Yongnian has been encompassed into the framework of urban planning so as to speed up the improvement in roads, water supply and drainage, squares, green fields and communication. Fourthly, the standard of social security is significantly increased, with urban subsistence allowance raised from prior 450 yuan per person every month to 560 yuan and the rural subsistence allowance from 2820 yuan to 3072 yuan. In addition, the norms for medical care and social security will be in conformity with that of the citizens, and the remuneration for leading officials is also lifted to the urban level. Fifthly, bottlenecks of the land use for construction in central areas of Handan are removed. For example, the previous Hanshan District was particularly constrained by land and space after years of development as a result of nearly exhausted land resources. Nevertheless, the adjustment of administrative division provides spatial backup for its industrial restructuring and urban upgrading.

5.2 The Adjustment Costs of County-level Administrative District

Although the transformation of county (county-level city) into municipal district has multiple advantages, such as expanding urban space, optimizing resource allocation and industrial layout, there are also huge adjustment costs. Take the conversion of Kaifeng County to Xiangfu District of Kaifeng City in 2014 as an example^⑧, demonstrating mainly from changes in finance and taxation. After the administrative division adjustment, the government responsibilities remain unchanged; preferential policies from the state, province and city are still effective; regulation on land and planning together with the remuneration of leading officials and workers is adjusted accordingly. To be specific, the fiscal and tax system are kept unchanged temporarily, but financial pressures are intensified significantly. To begin with, part of the preferential policies from the state and province are cancelled. Previous financial subsidies, transfer payment and initiatives to benefit the people were reduced or abolished gradually, influencing every aspect of the economy and society. For example, previous training for new teachers at special posts in rural schools, the National Cultivation Plan, the basic equipment project for common high schools and the improvement plan of incompetent schools are outside of the support from higher-level authorities. Educational support funds from the nation are cut down by almost 10 million yuan

each year which amounted to 18 million yuan by 2017. Beyond that, despite the significance of previous Kaifeng County as one of the main suppliers of live pigs, the corresponding bonus was reduced annually and large-scale standardized live pig breeding project was halted. The reduced supporting funds has totaled 7.8 million yuan with an annual reduction of 2.6 million yuan on average. Moreover, the annual subsidy of 3 million yuan to reform public hospitals at county level was cancelled as well and the cancellation reached 12 million yuan by 2017. Apart from the above, after the administrative division adjustment, the nation ceased the disbursement of funds of 15 million yuan each year to the Public Security Bureau used for transfer payment and equipment. In a word, the deprived transfer payment for all four sectors above added up to 82.8 million yuan during the period from 2014 to 2017, which was rather striking compared with the local revenue of 719 million in 2014.

Apart from the costs discussed above, converting counties into municipal districts also drastically ramps up financial expenditures. Firstly, lifting the remuneration of leading officials and workers to the urban level^⑨ aggravates the financial burden of the new district. The current allowance for remuneration is 14,400 yuan per year in Xiangfu District and 22,800 in other districts. If the former keeps up with the later, there will be an increased expense of total 160 million yuan each year for workers on the job and the retirees. It means, under the policy of remuneration adjustment by the State Council, the whole district has to bear a burden of another 160 million yuan, a fiscal gap of almost 320 million yuan. Secondly, funds for regulation on urban construction also rise due to higher criteria for infrastructures. After the administrative division adjustment, as Xiangfu District speeded up its connection to the urban centers, spending on urban construction continuously climbed from 61.02 million yuan in 2015 to 90.11 million yuan in 2016 and then to 131.43 million yuan in 2017. Money spent on the maintenance and purchase of environmental sanitation machinery, harmless disposal of wastes and improvement of public toilets goes rapidly. Next, better social security policies also boost the financial expenses. For instance, according to the new rural cooperative medical insurance system, the payment from residents rose from 60 yuan every year to 120 yuan from 2014 to 2016, and in 2017 when the previous rural insurance system was integrated with that of non-working urban residents the figure jumped to 150 yuan per year. Similarly, the old-age

^⑧ The relevant data is provided by relevant departments of the government of Kaifeng City.

^⑨ Opinions of the Municipal Party Committee and the Municipal Government on the Implementation of Adjusting Some Administrative Divisions.

pension of Xiangfu District remained 60 yuan per person each month before July 2014, but rose to 78 yuan soon afterwards and then went up to 80 yuan in 2017.

The third drawback of converting counties(county-level cities) to municipal districts lies in the fact that it is hard to assume dual responsibilities of both counties and districts. By 2014, the total population of Kaifeng County was 757,600 but the urbanization rate remained only 31.28%^⑩ with the majority coming from villages. Consequently, the municipal district has to shoulder the heavy responsibilities of both urban management and agricultural regulation. For this reason, Xiangfu District keeps the original number of 24 departments, 8 more than other districts, but that also leads to a relatively large number of people supported by the district finance or by self-supported organizations. After administrative division adjustment, the municipal district is expected to not only accomplish the county's task of poverty alleviation and construction of better villages, but also assume the district's responsibilities to build 'National Civilized City' and consolidate the achievement as 'National Sanitary City'. The dual challenges increase both the workload and the difficulty.

6. Conclusions and Discussion

In summary, counties, county-level cities and municipal districts are three distinctive county-level administrative regions, which adapt to different stages of economic and social development respectively. The conversion from counties to county-level cities and counties (county-level cities) to municipal districts is an important embodiment of the transformation from traditional regional administrative area to urban administrative area and an important approach to the modernization of county level management system. The majority of residents are more likely to accept the establishment of county-level cities, but there are many different views on the establishment of county-level cities. The long-term suspending of transformation work results in increasing phenomenon such as expanding the county to reinforce its power, province directly governing counties, and the emergence of development zones and new areas. The resulting adverse influence on economic development begins to emerge and existing researches concerned are relatively scanty. Therefore, the study on the institutional differences among counties, county-level cities and municipal districts as well as the conversion mechanism possess critical importance. The conversion from counties

to county-level cities and from counties (county-level cities) to municipal districts are both "double-edged swords". We should consider the problem as a whole and respond effectively to the actual needs of local economic and social development, especially keeping cautious to the conversion of counties (county-level cities) which have a large population but a low level of urbanization. In actual economic development, the unnecessary or overdue adjustment of administrative division can incur contradiction between the system and reality. The adjustment of administrative division should be regarded as an important resource and a means of optimizing the allocation of resources to resolve the contradictions and substantially promote the supply-side reform in administrative division field.

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^⑩ The data comes from 'the Statistical Yearbook of Henan Province in 2015.

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