

*The Politics of Mandates in Financing Local Government Operations in China: An Administrative or Fiscal Dilemma?**

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Abstract

China has a highly decentralized fiscal system, but its unitary administrative system is centralized. When the higher-level government issues a large number of mandates for which they provide no funding, financial conditions at the local levels deteriorate further. Based on a case study, this article begins by summarizing the administrative structure and financial conditions of Chinese local governments in various provinces. It finds that in the financing of local government operations—including personnel and office-related expenditures—local officials have to adapt various coping strategies. Their financing dilemma is the combined result of China's centralized administrative structure and its decentralized fiscal system.

In 2016, China acknowledged the design defects and unintended consequences of its intergovernmental financial arrangements when the national government began taking formal steps to address those issues.¹ Aiming to establish a well-functioning intergovernmental fiscal system that strengthens public service delivery functions, this latest reform is in

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