



# **Rural Policy Reviews: People's Republic of China**

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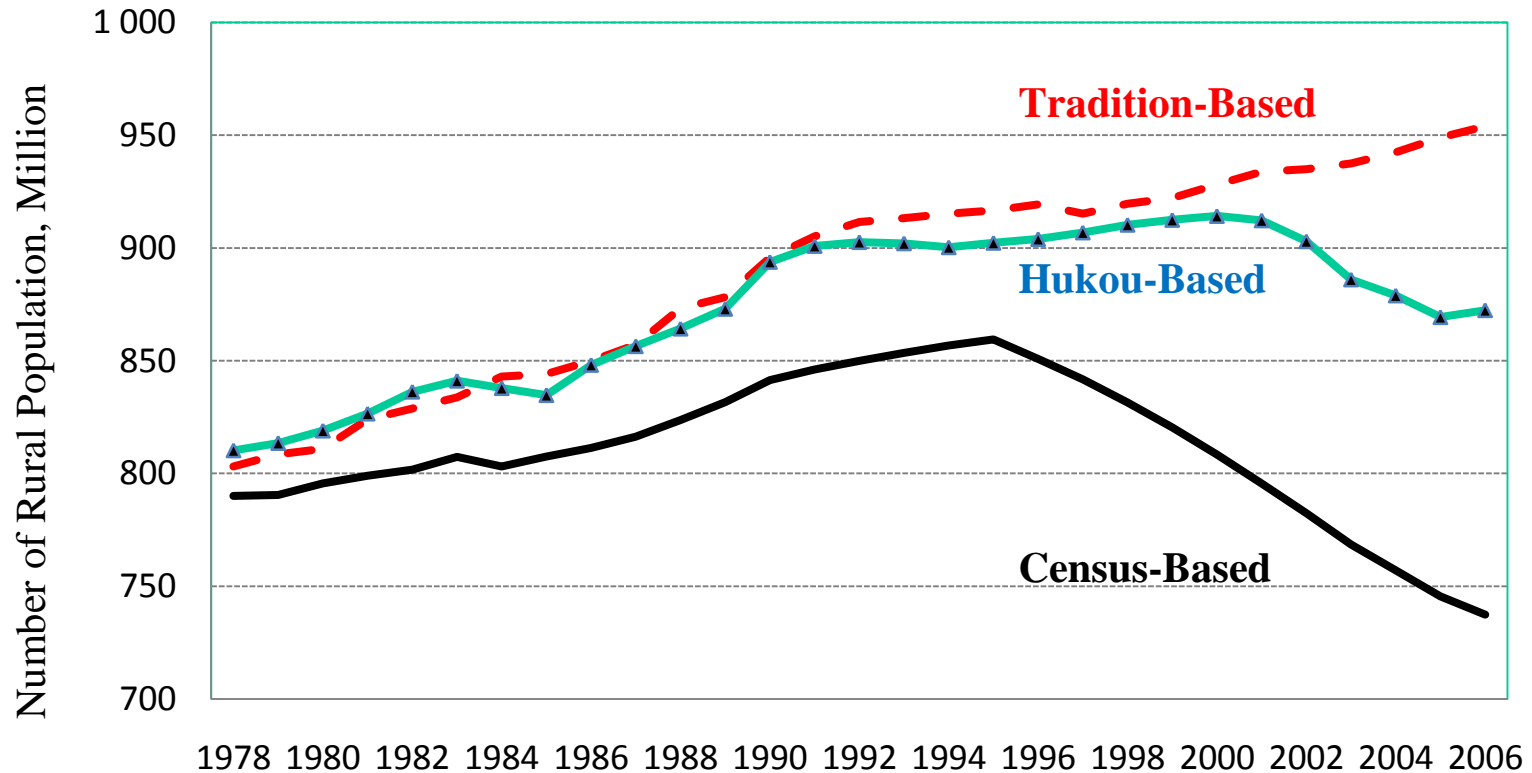
# Outline



- 1. Profile of Rural China**
- 2. Policy Assessment**
- 3. Policy Recommendations**

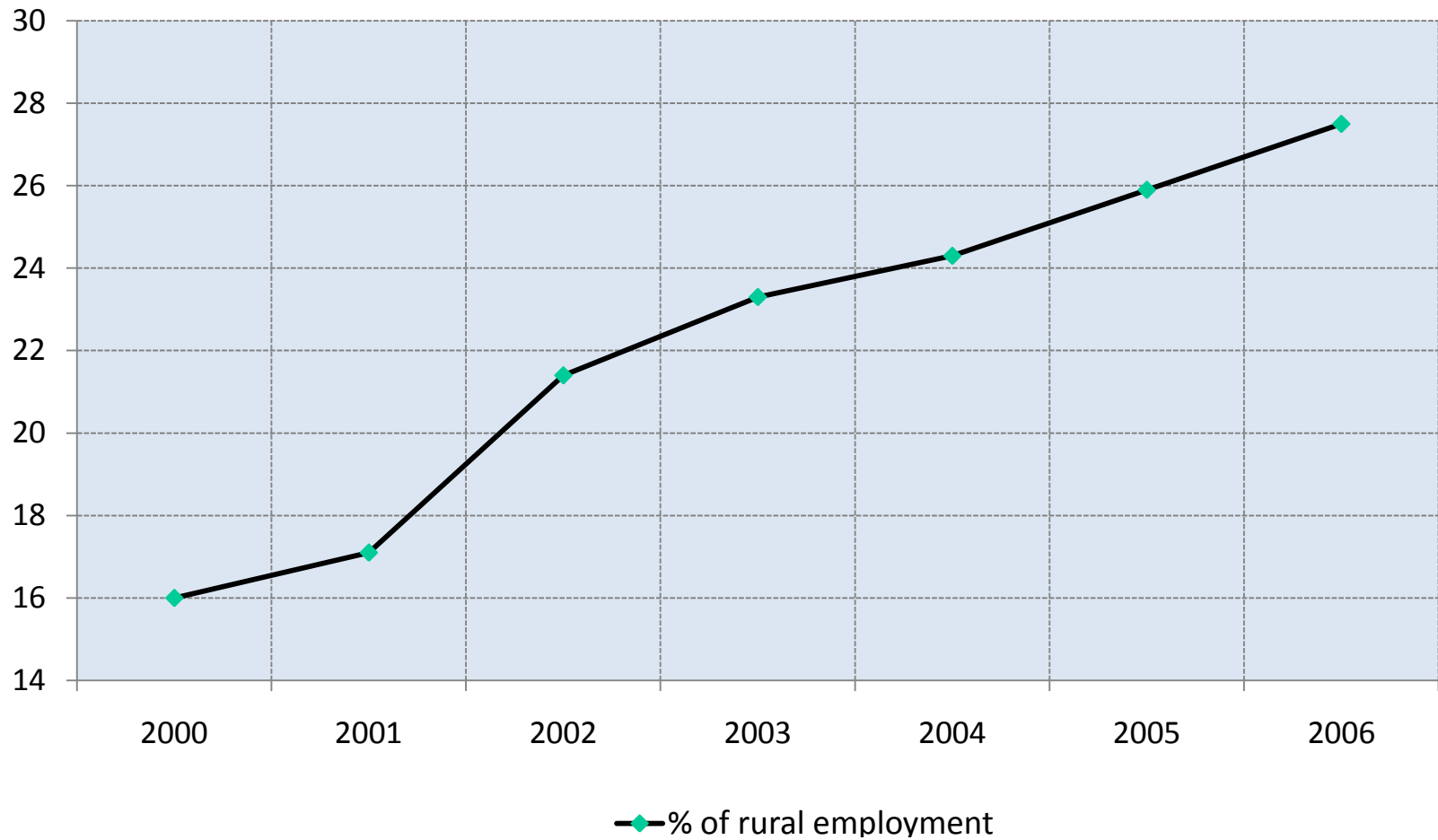


# What is rural in China ?



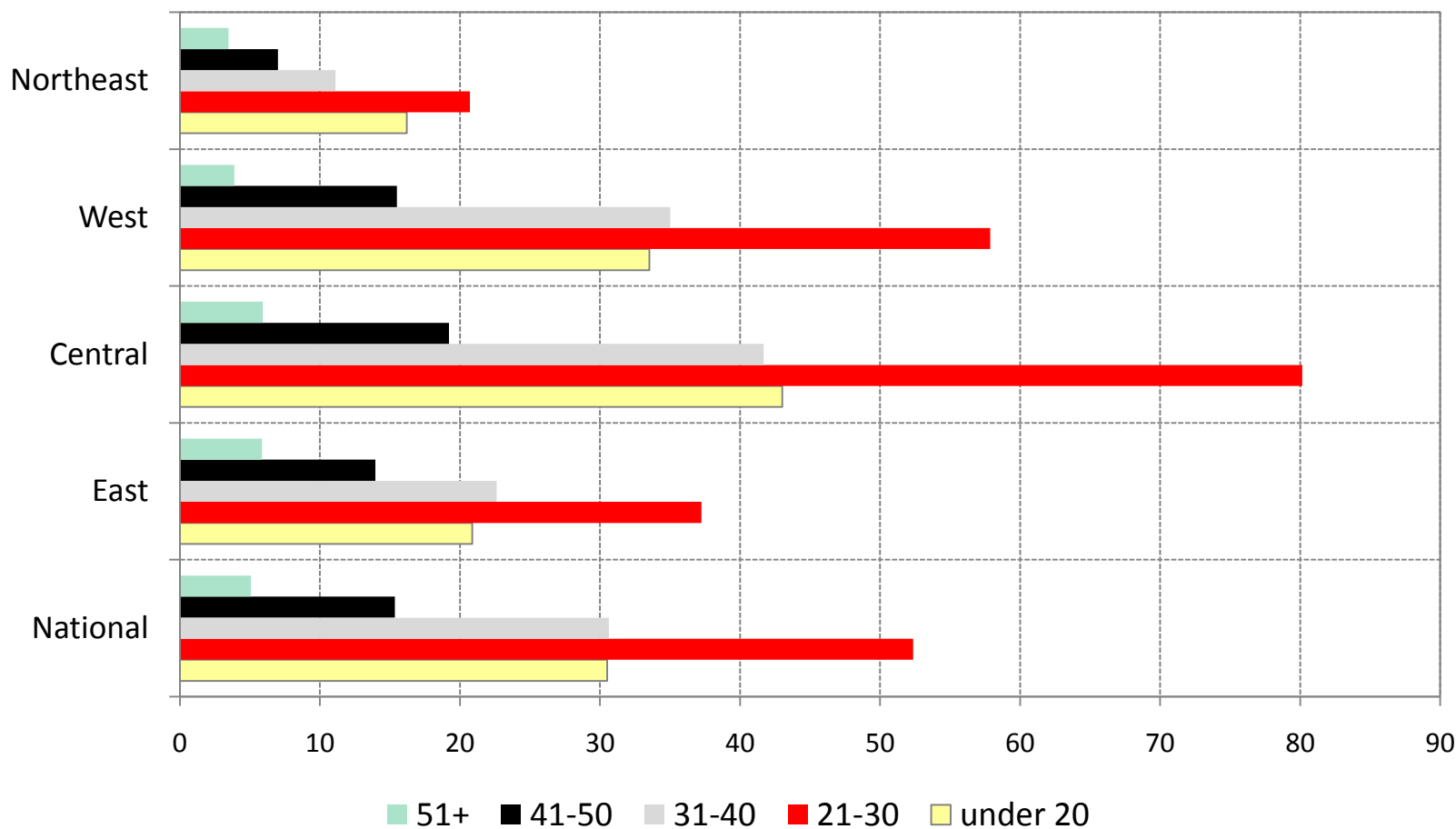


# Ratio of outmigrants to rural workers



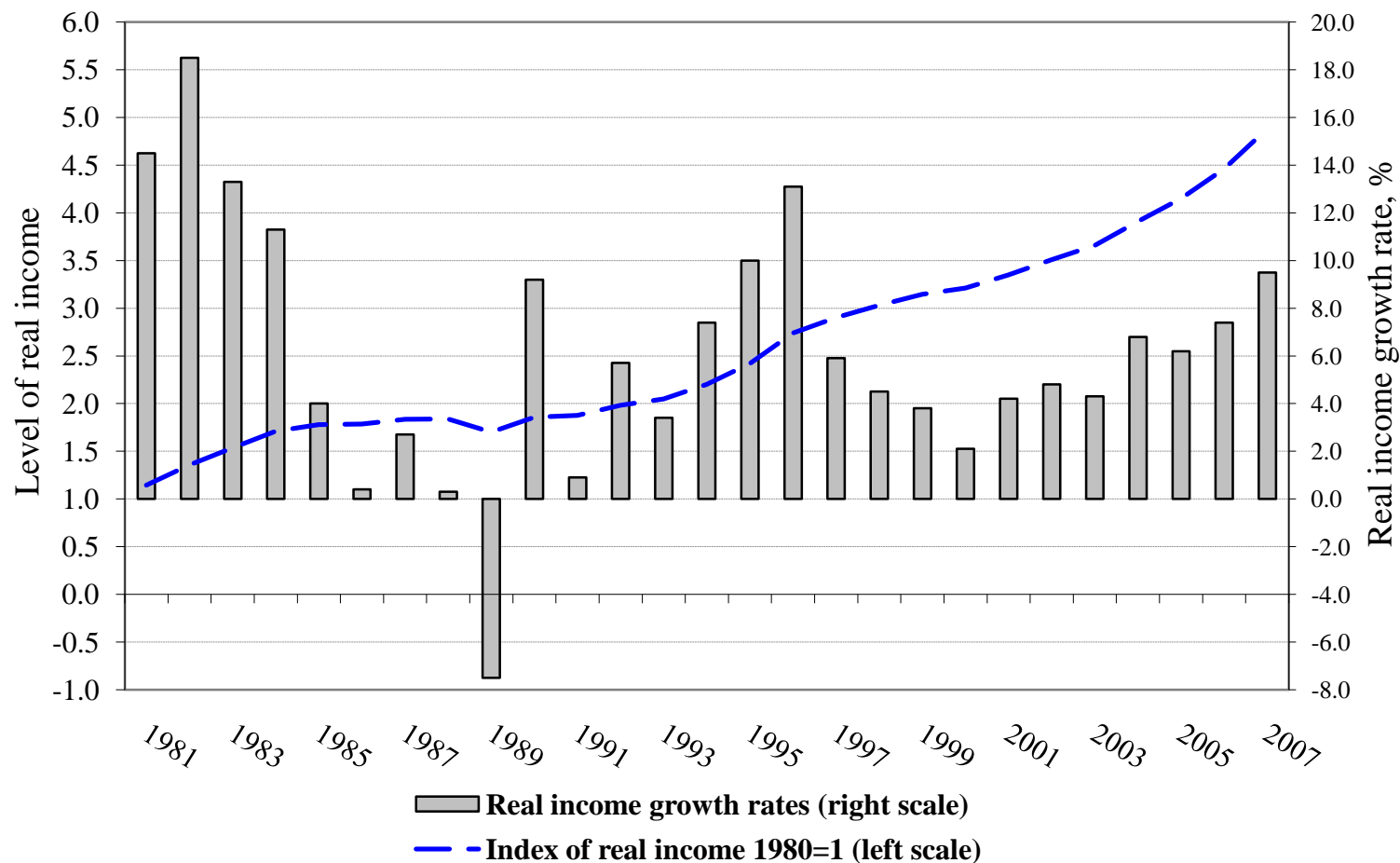


# Ratio of outmigrants to local workers by age



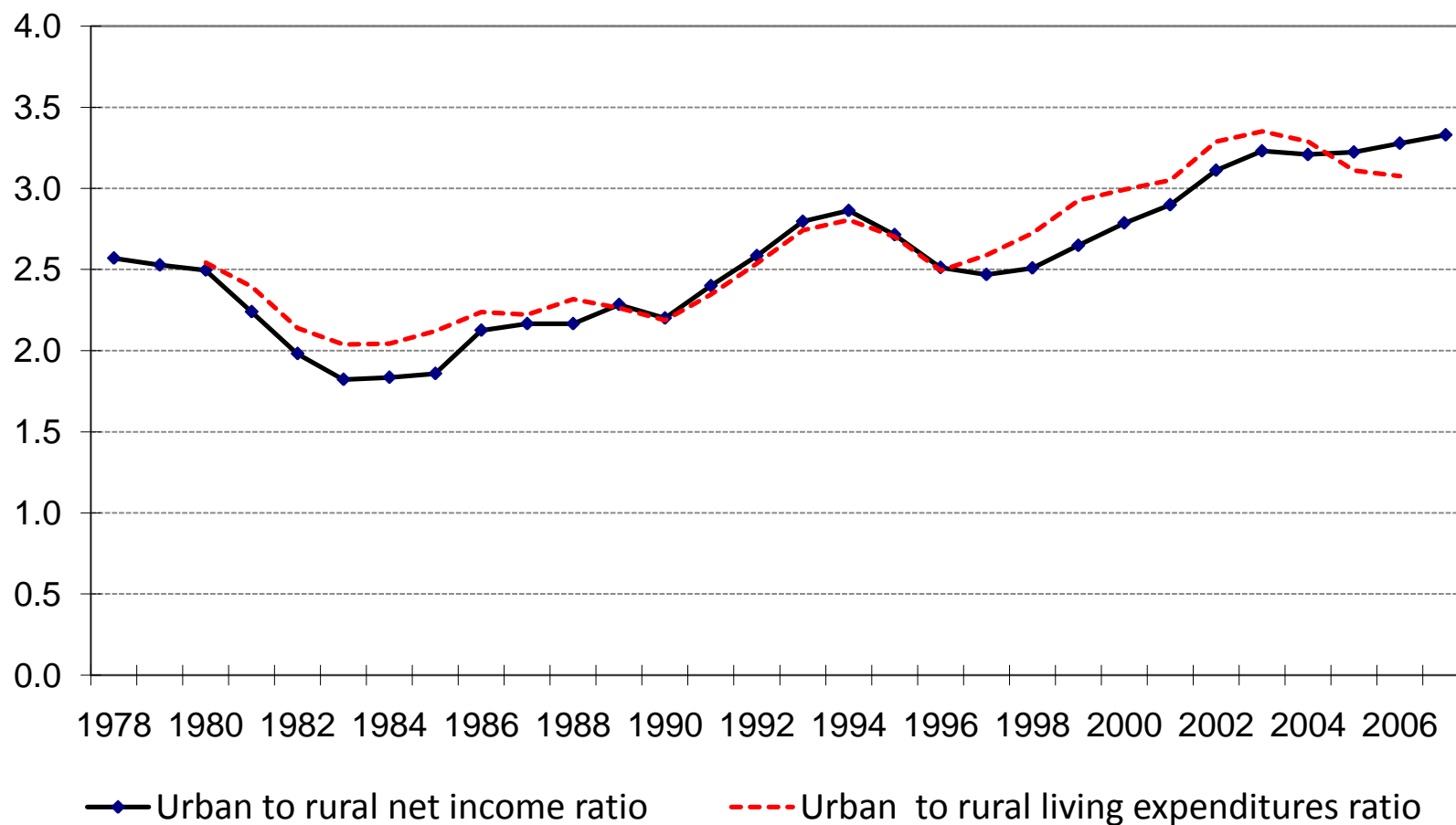


# Rural household income per person in China

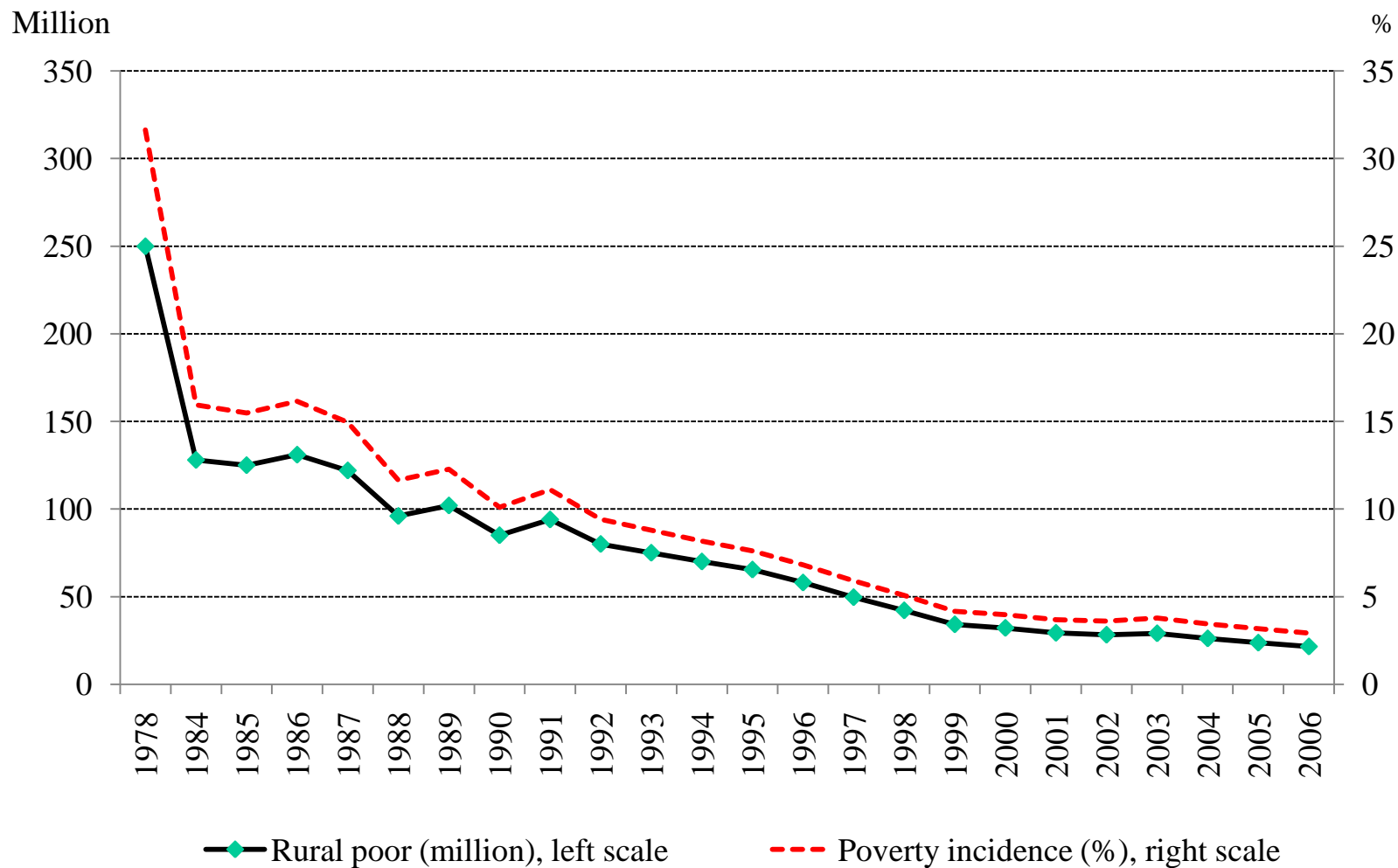




# Urban to rural per capita income gap



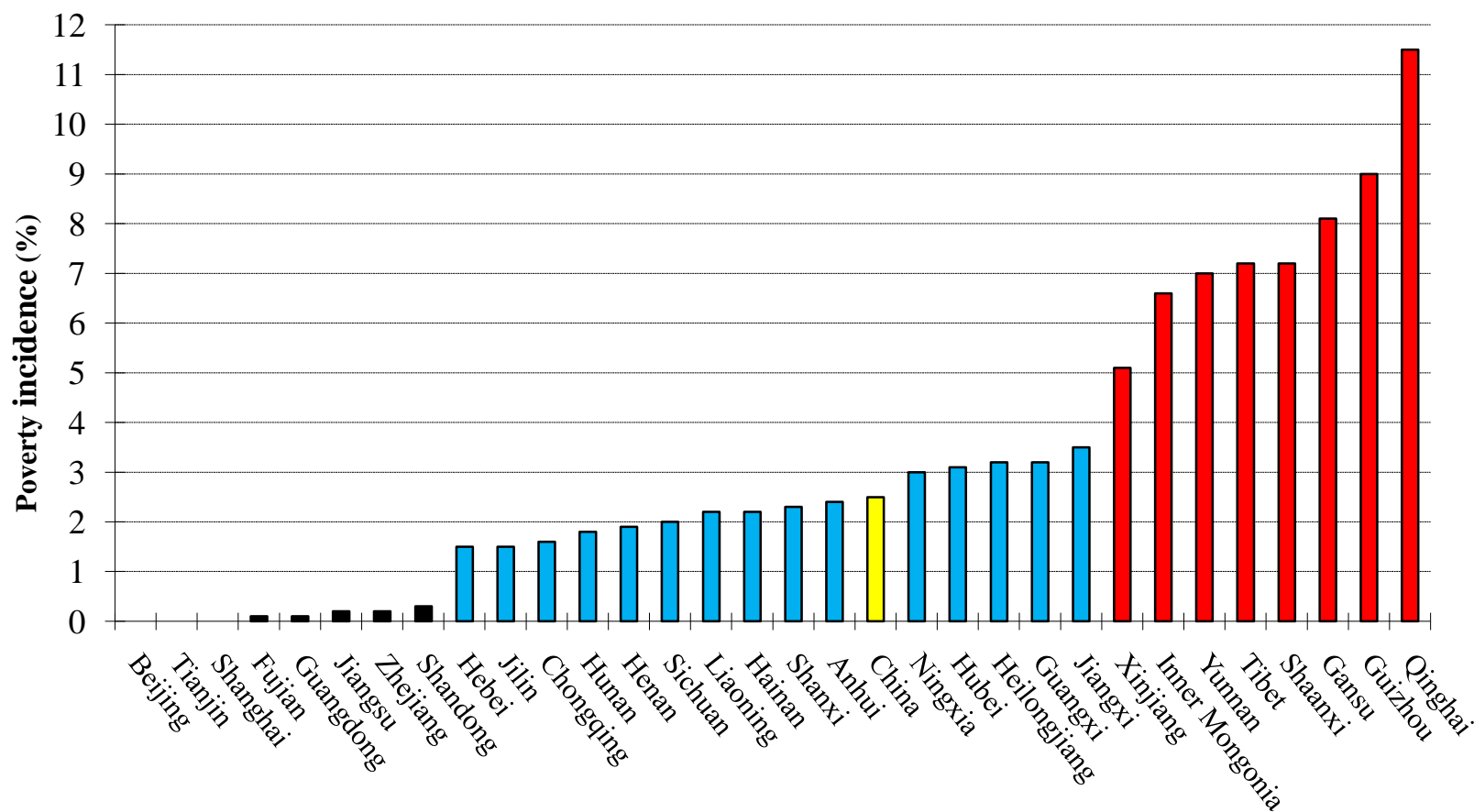
# Rural poverty (Chinese definition)







# Rural poverty incidence across provinces, 2005

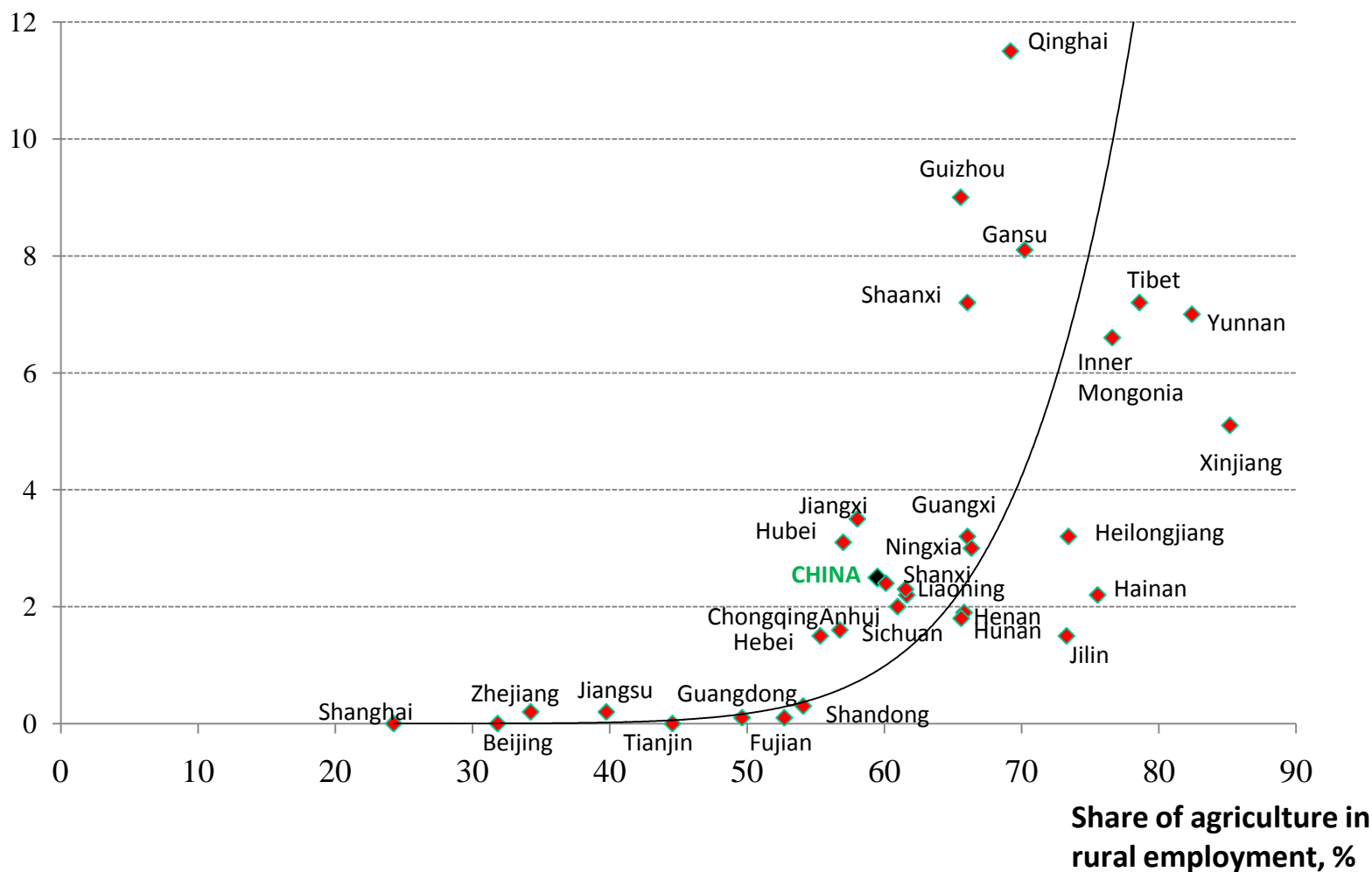




# High poverty incidence correlates with a high share of employment in agriculture



Rural poverty incidence, %

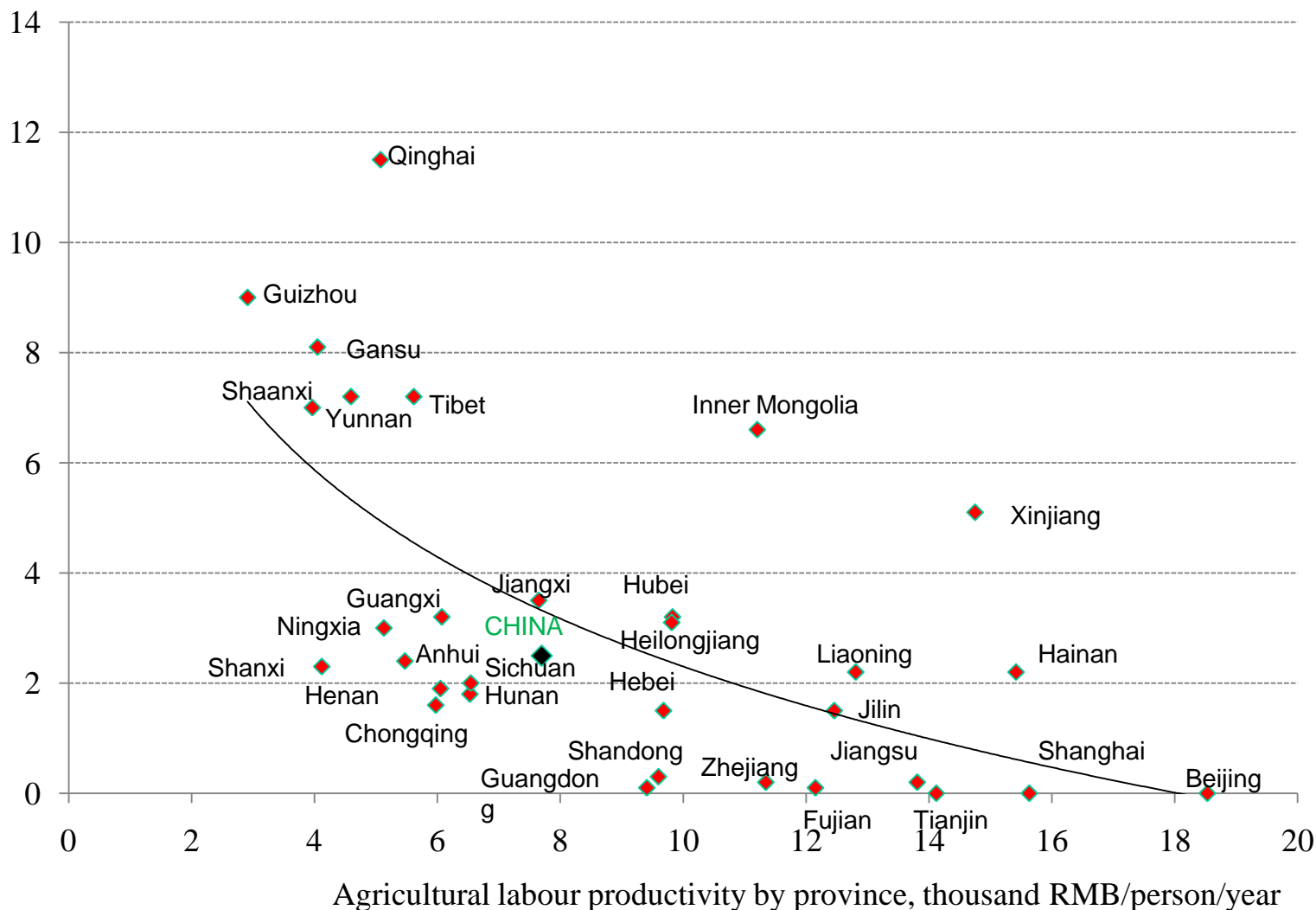




# Agricultural productivity matters

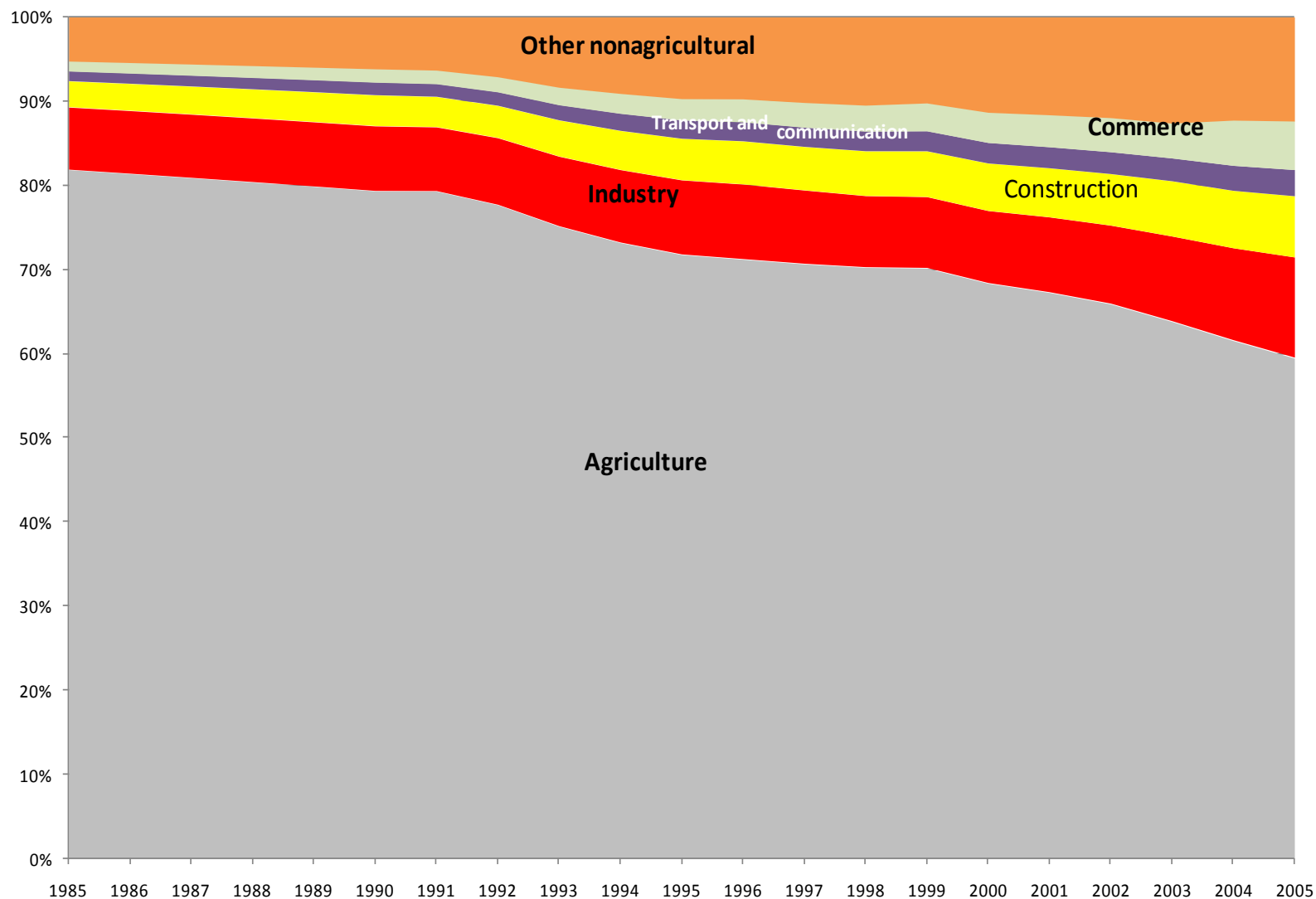


Rural poverty incidence, %



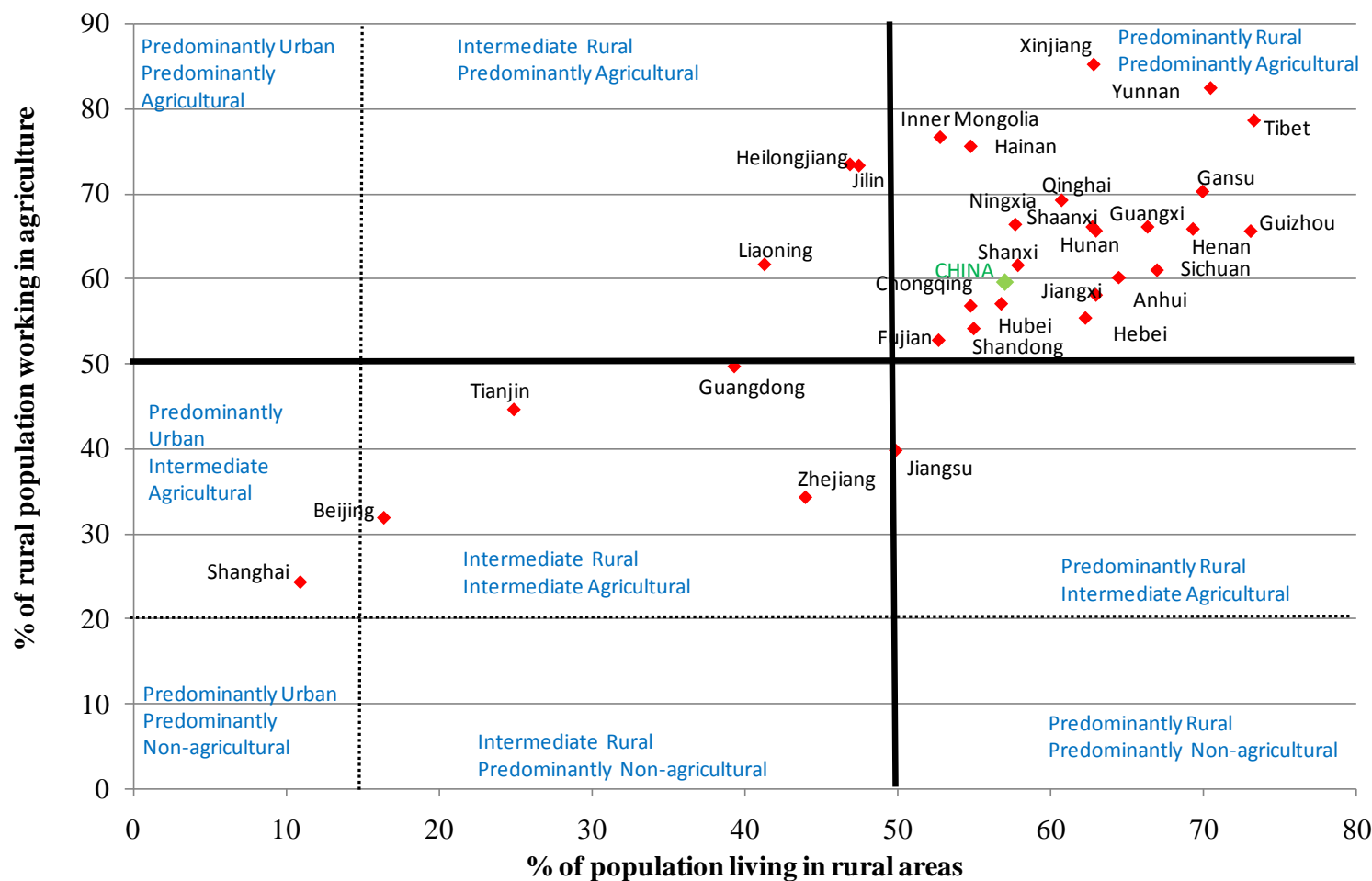


# Sectoral composition of rural employment





# Typology of Chinese provinces

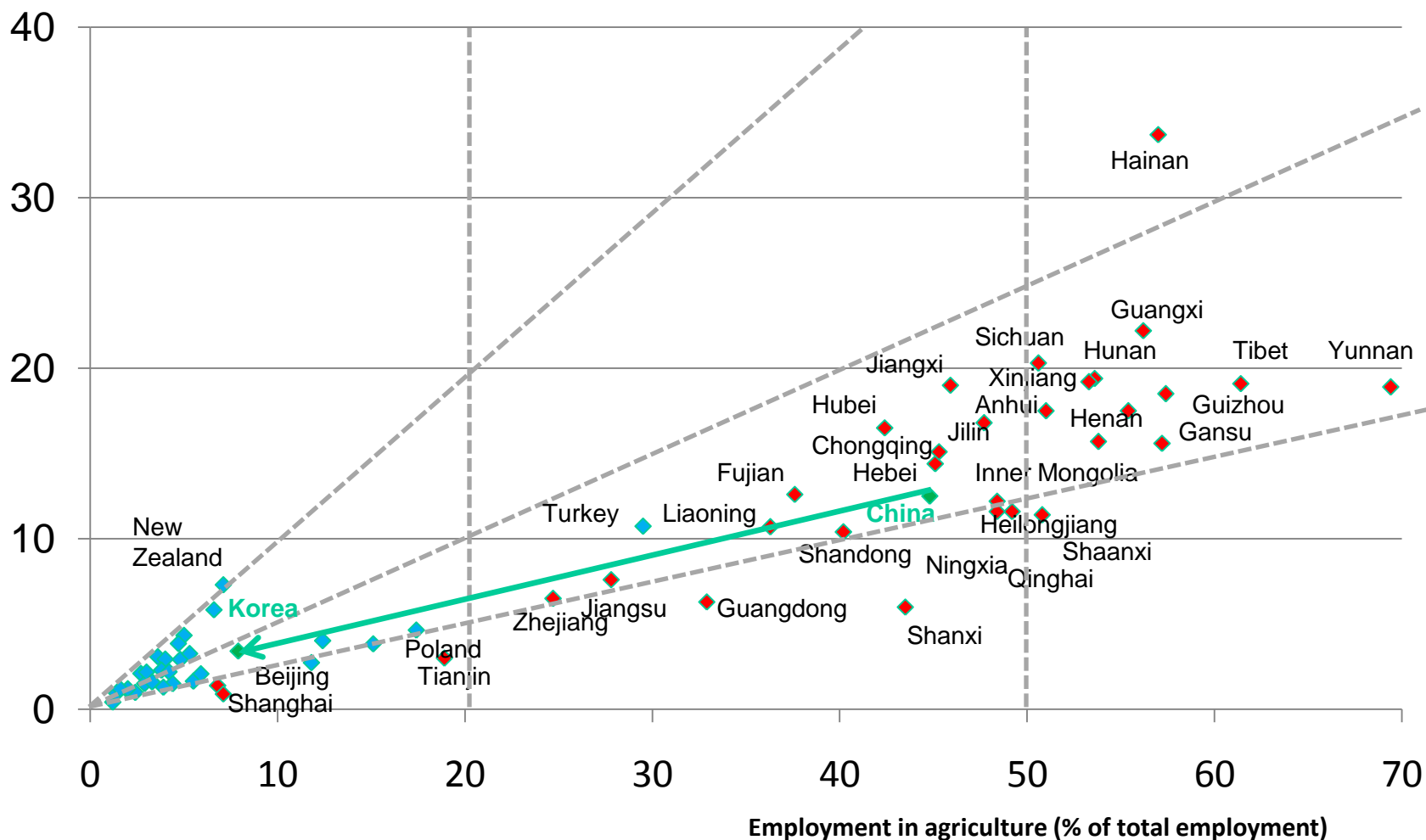




# Typology of Chinese provinces: role of agriculture

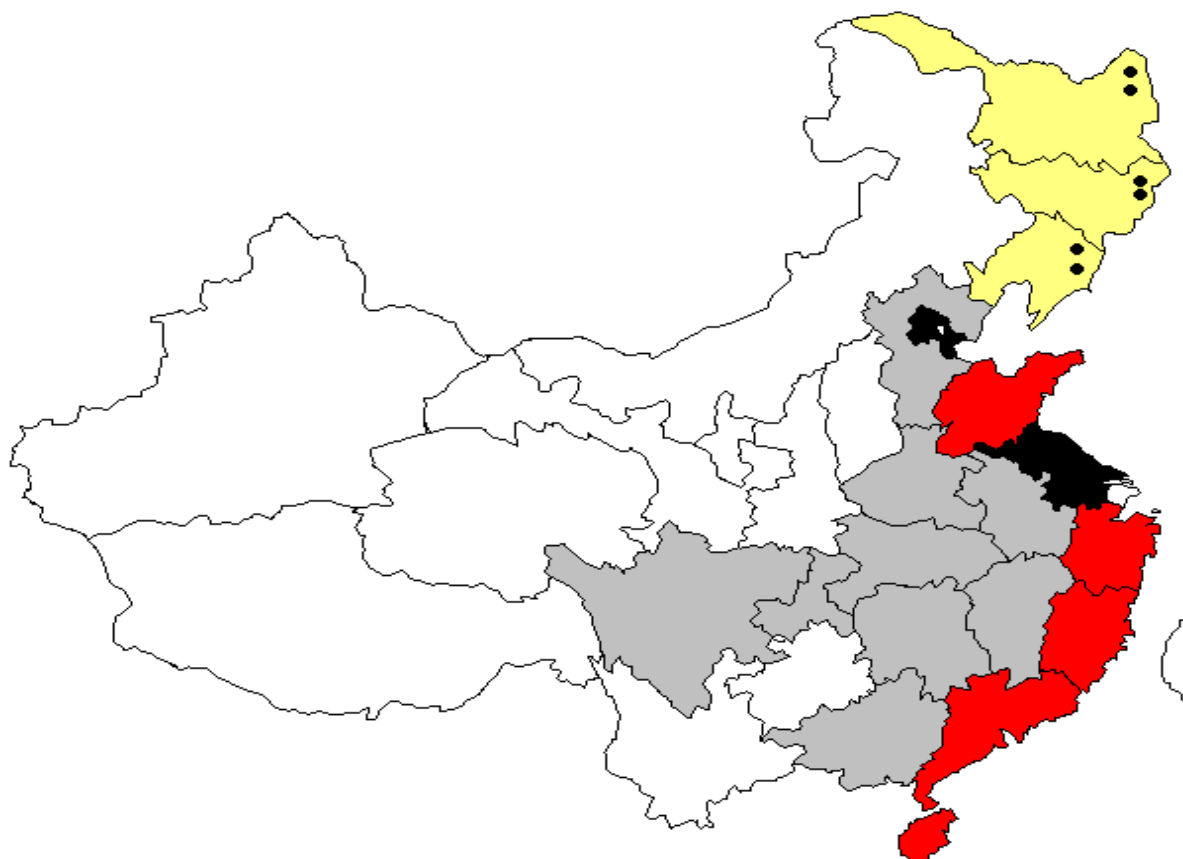


Agriculture, value added  
(% of GDP)





# Five rural Chinas



- The rural poor: Gansu, Inner Mongolia, Qinghai, Tibet, Xinjiang, Guizhou, Ningxia, Shaanxi, Shanxi, Yunnan
- The rural with strong outmigration: Anhui, Hebei, Henan, Hubei, Hunan, Jiangxi, Chongqing, Guangxi, Sichuan
- The rural dependent on grain production: Heilongjiang, Jilin, Liaoning
- The rural diversified: Fujian, Guangdong, Shandong, Zhejiang, Hainan
- The rural peri-urban: Beijing, Jiangsu, Tianjin



# Policy Assessment







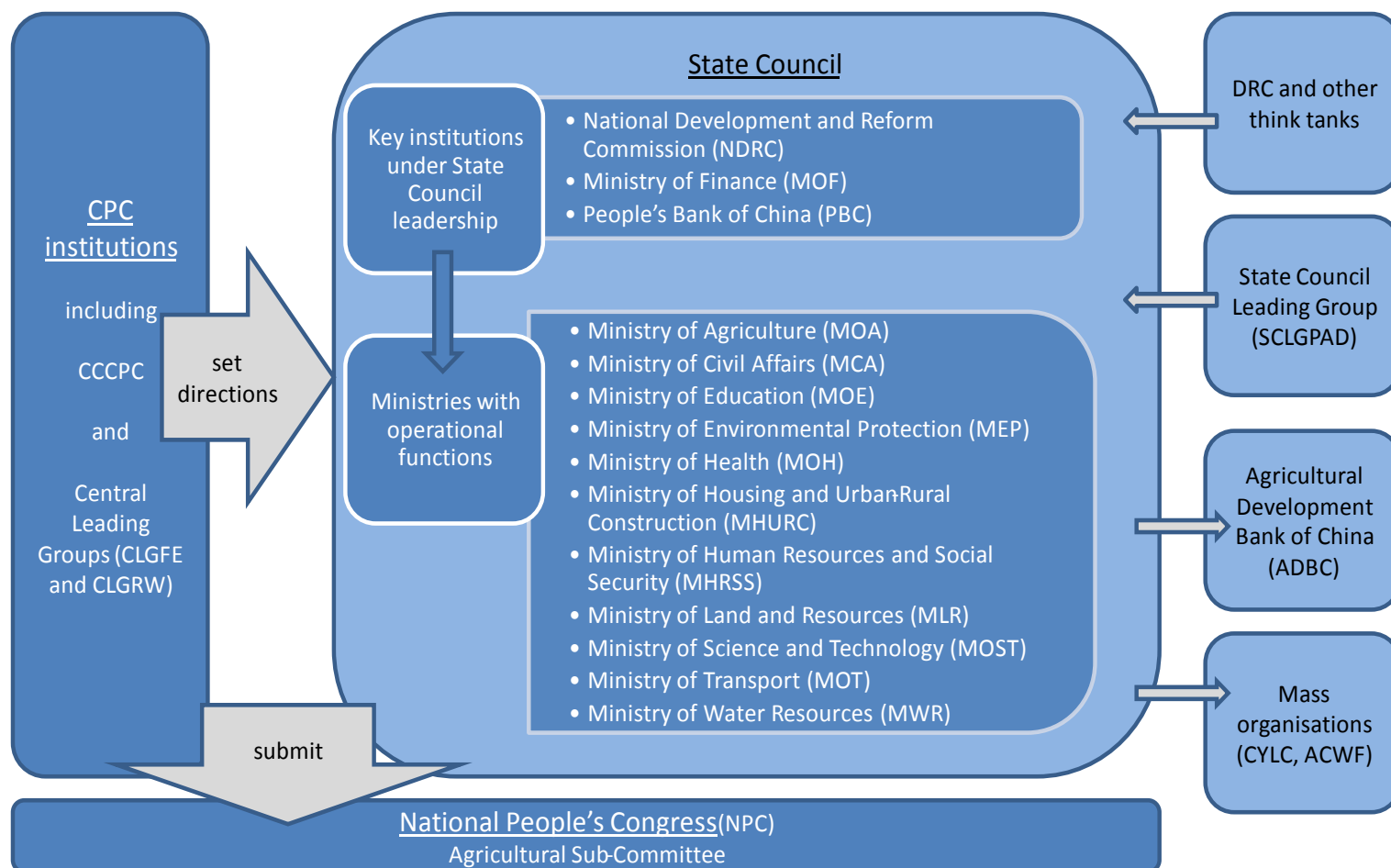
# From 1978 to the Plan for a New Socialist Countryside



<i>Policy approach</i>	Centralised and collectivist approach	Relaxation and marketisation approach	Rural as part of overall economic reforms	Towards a comprehensive rural policy approach
<b>Theoretical framework</b>	Maoist policy framework Four modernisations			Scientific development Harmonious society Three represents Xiaokang society
<b>Policies and reforms</b>	Common ownership of land and of means of production; start of <i>hukou</i> system (late 1950s) and people's communes (1958);	Household production responsibility system HPRS (1978); relaxation of <i>hukou</i> system; more autonomy for townships, villages;  No. 1 Documents (1982-1986) targeting agriculture and rural areas	Tax-for-free reform; legal protection of HPRS and 30-years land-use rights (2002); gradual reform of <i>hukou</i> system;	Abolishment of agricultural taxes; public service reforms (education, health...); protection of land use rights;  "New socialist countryside" strategy in 11 <sup>th</sup> FYP, No. 1 Documents (2004-2008) targeting agriculture and rural areas
<b>Focus</b>	Shortages of food, weak agricultural productivity and efficiency;	Income increase, fall in absolute poverty and narrowing of rural-urban gap;	Increasing rural-urban disparities, heavy fiscal burdens for rural residents, frequent reallocations of rural land;	Higher rural incomes, increasing disparities, diversification of rural economy, declining role of agriculture, continued land reallocations;
<i>Time</i>	Before 1978	1978 – 1992	1992 – 2004	Since 2004



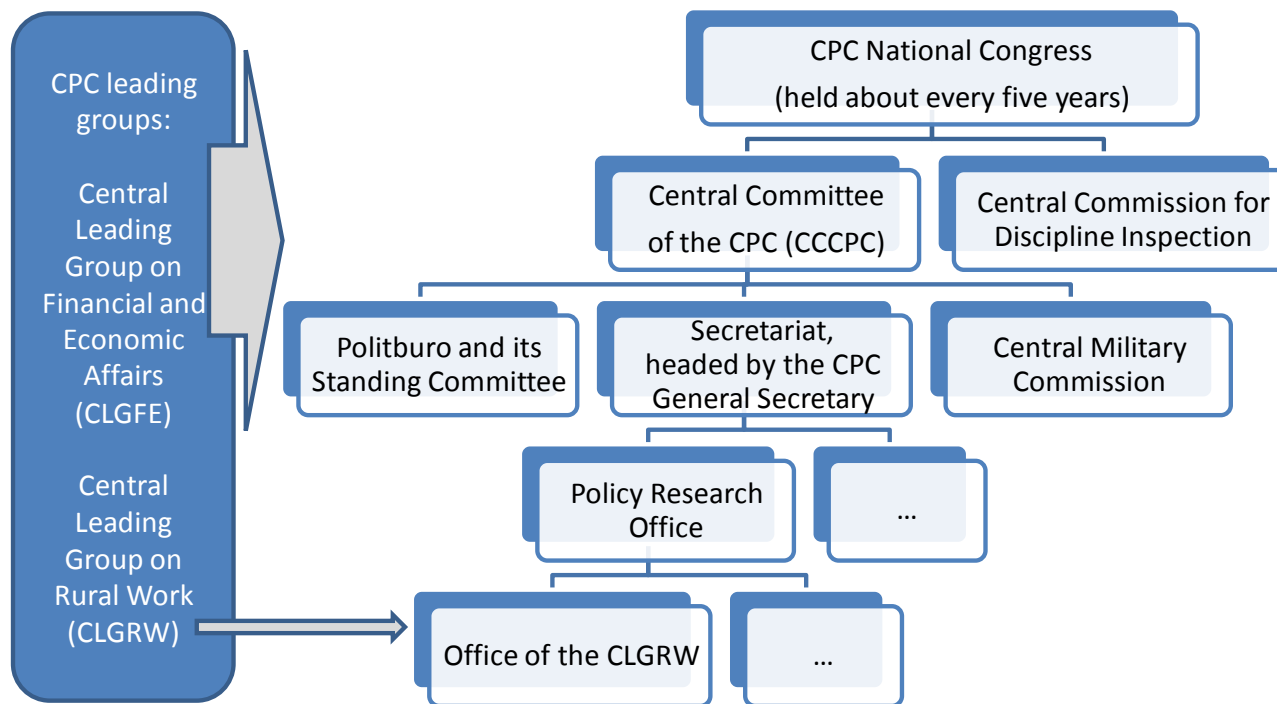
# Chinese rural policy: who does what?



> complexity, weak co-ordination, difficult to translate directions into practice



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# The NSC: wider scope, increased investments in rural



## Public expenditure for rural development (2004-2007)

Million RMB	2004	2005	2006	2007
Agriculture	124 911	147 477	198 085	252 998
Rural infrastructure	69 242	69 242	99 649	108 093
Social development	38 790	48 745	62 032	91 696
Other	0	0	1 341	1 491
<b>Total</b>	<b>232 943</b>	<b>265 464</b>	<b>361 107</b>	<b>454 278</b>
<i><b>Including:</b></i>				
Ministry of Finance	128 378	150 541	200 481	249 217
Ministry of Communications	9 965	9 965	68 885	74 110
National Development and Reform Commission	71 437	72 537	44 929	53 272
Ministry of Health	13 934	14 772	23 575	38 127
Ministry of Education	7 730	14 130	16 225	26 650
Ministry of Civil Affairs	0	0	0	3 000
Ministry of Water Resources	0	850	1 700	2 830
The State Administration of Radio Film and Television	490	490	2 277	2 650
Ministry of Agriculture	345	1 065	1 571	2 358
Ministry of Labour and Social Security	600	1 050	1 400	2 000
Ministry of Science and Technology	64	64	64	64
Ministry of Land Resources	0	0	0	0

# Intergovernmental transfer system



## County and township fiscal gap

(percent)	1998	2000	2002	2004
County and township share of total expenditure	28.2	26.2	28.6	31.3
County and township share of total revenue	20.3	19.7	17.1	17.2
Fiscal gap for county and township governments	-7.9	-6.6	-11.6	-14.2
As % of GDP	-1.0	-1.1	-2.1	-2.5



Weak sub-national authorities, extra-budgetary revenues, local debt



# Policy recommendations (1): governance



## 1. Fiscal system

- ✓ Expenditure: matching responsibilities with resources
- ✓ Local revenue raising: stronger, more transparent t. system
- ✓ Transfers: increase block grants, technical assistance, m&e, performance reserves

## 2. Central governance

- ✓ More formal co-ordination, rural proofing

## 3. Local governance:

- ✓ Place-tailored policies, support to admin capacity
- ✓ Participation, access to info, judicial system



## Policy recommendations (2): land use



1. fully implement laws on farmland rights
2. allow residential land to be marketable and mortgageable
3. embody into law improvements in land expropriation procedures



## **Policy recommendations (3): service delivery**



- 1. more coherent, better funded strategy**
- 2. place-tailored investments and innovative delivery modes**
- 3. more open to market and private providers**



## Policy recommendations (4): econ. diversification

1. need to look beyond agriculture for jobs creation
2. invest heavily in sectors such as tourism, energy, highVA products
3. anticipate emerging rural-urban linkages, demographic trends

## Policy recomm. (5): environmental policy



1. protecting and exploiting rural amenities
2. tackling water pollution and water use efficiency
3. addressing pollution by rural enterprises



**Rapid change, diversity...**



**need to go beyond agriculture (food security) and redistribution.**



**NSC is innovative, but implementation requires urgent reforms**



**Chinese rural areas = sources of National development**