

***Panellist 3, Xiaohe Ma:***

Today my topic is on the road system supply in rural China and its investment policy. What I want to emphasize is that the road supply in rural areas is one of the most important public goods supplied. For the farmers, the access to the road system is a big political issue because that is one of their entitlements. For me, I believe that access to their road system is more important than the quality of public services. Also, in rural areas, the road system can be regarded as a bridge connecting social and economic development.

Secondly, I would like to speak about the level of governments that are involved in rural areas development. There are 5 levels. The first is the central government, the second is the provincial government, the third is the municipality government, fourth is the county government and the last is (inaudible) government. The central government will coordinate with the relevant ministries to make decisions about the subsidies that they would like to provide. I would like to describe to you the features of the road system supply policies in China. The policy that China currently uses is the top-down approach. This is a subsidized based policy. This means that the central government and the provincial government and sometimes the municipal government will make decisions to provide subsidies to build roads in rural areas. How does this work? I'll give you an example. In a rural area, a tarmac road would like to be built so then the central government will provide a subsidy of 100,000 Yuen which will count for one third of the total amount of which is required for the road to be built. The rest of the cost will be provided by the farmers themselves. The maintenance of the road system in local communities will also be provided by the farmers themselves.

Another prominent problem facing rural areas in terms of the road system is that the supply is not adequate, the investment is not adequate and for a lot of farmers, their challenge is that they do not have a proper road to use. This has created a problem for farmers if they want to sell their products; they need the road to help them transport their product. Also, industrial products have a difficult time being transported to rural areas where there is no road.

Now I would like to tell you about the central government's next 5 year plan to address this issue. The planning area is between 2006 and 2010. The central government has come to a resolution by making a promise to invest 100 billion Yuen into roads system. The prioritized items will be in the North West of China. This investment may sound like a huge amount of money, however, according to our survey of 25 villages in China, if we want to guarantee to our farmers to have access to all roads we need 400 billion Yuen to make that happen. Thus our investment falls short of this demand.

I will conclude with 3 questions. First of all, how can we ensure the fineness and quality in the investment in the road system in rural China? Secondly, how can we prioritize how we can prioritize the area where we would like to build a road first? How can we prioritize the areas which are very poor and which are in remote areas? Finally, what can we do to reform our mechanism to make it more effective and to provide a better system to farmers in rural areas? Thank you.