Rural Policy Review: CHINA

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1. Profile of Rural China
2. Policy Assessment
3. Policy Recommendations
Sectoral composition of rural employment
High poverty incidence correlates with a high share of employment in agriculture.
Typology of Chinese provinces: role of agriculture

Agriculture, value added
(% of GDP)

Employment in agriculture (% of total employment)
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
From 1978 to the New Socialist Countryside

<table>
<thead>
<tr>
<th>Policy approach</th>
<th>Centralised and collectivist approach</th>
<th>Relaxation and marketisation approach</th>
<th>Rural as part of overall economic reforms</th>
<th>Towards a comprehensive rural policy approach</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Theoretical framework</strong></td>
<td>Maoist policy framework</td>
<td>Four modernisations</td>
<td>Scientific development</td>
<td>Harmonious society</td>
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<td><strong>Policies and reforms</strong></td>
<td>Common ownership of land and of means of production; start of hukou system (late 1950s) and people’s communes (1958);</td>
<td>Household production responsibility system HPRS (1978); relaxation of hukou system; more autonomy for townships, villages;</td>
<td>Tax-for-fee reform; legal protection of HPRS and 30-years land-use rights (2002); gradual reform of hukou system;</td>
<td>Abolishment of agricultural taxes; public service reforms (education, health...); protection of land use rights;</td>
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<td><strong>Focus</strong></td>
<td>Shortages of food, weak agricultural productivity and efficiency;</td>
<td>Income increase, fall in absolute poverty and narrowing of rural-urban gap;</td>
<td>Increasing rural-urban disparities, heavy fiscal burdens for rural residents, frequent reallocations of rural land;</td>
<td>Higher rural incomes, increasing disparities, diversification of rural economy, declining role of agriculture, continued land reallocations;</td>
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Chinese rural policy: who does what?

CPC leading groups:
- Central Leading Group on Financial and Economic Affairs (CLGFE)
- Central Leading Group on Rural Work (CLGRW)

Central Committee of the CPC (CCCPC)
- Politburo and its Standing Committee
- Secretariat, headed by the CPC General Secretary
- Policy Research Office
- Office of the CLGRW

Central Commission for Discipline Inspection

Central Military Commission

CPC National Congress (held about every five years)
### County and township fiscal gap

<table>
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<tr>
<th>(percent)</th>
<th>1998</th>
<th>2000</th>
<th>2002</th>
<th>2004</th>
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<tbody>
<tr>
<td>County and township share of total expenditure</td>
<td>28.2</td>
<td>26.2</td>
<td>28.6</td>
<td>31.3</td>
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<tr>
<td>County and township share of total revenue</td>
<td>20.3</td>
<td>19.7</td>
<td>17.1</td>
<td>17.2</td>
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<td>Fiscal gap for county and township governments</td>
<td>-7.9</td>
<td>-6.6</td>
<td>-11.6</td>
<td>-14.2</td>
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<tr>
<td>As % of GDP</td>
<td>-1.0</td>
<td>-1.1</td>
<td>-2.1</td>
<td>-2.5</td>
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**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
1. more coherent, better funded strategy

2. place-tailored investments and innovative delivery modes

3. more open to market and private providers
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
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