

Financing Innovation as the Key to Urban Development in China

Qiu Aijun DDG

China Center for Urban Development,
National Development & Reform Commission

Oct. 28 2016 New Delhi

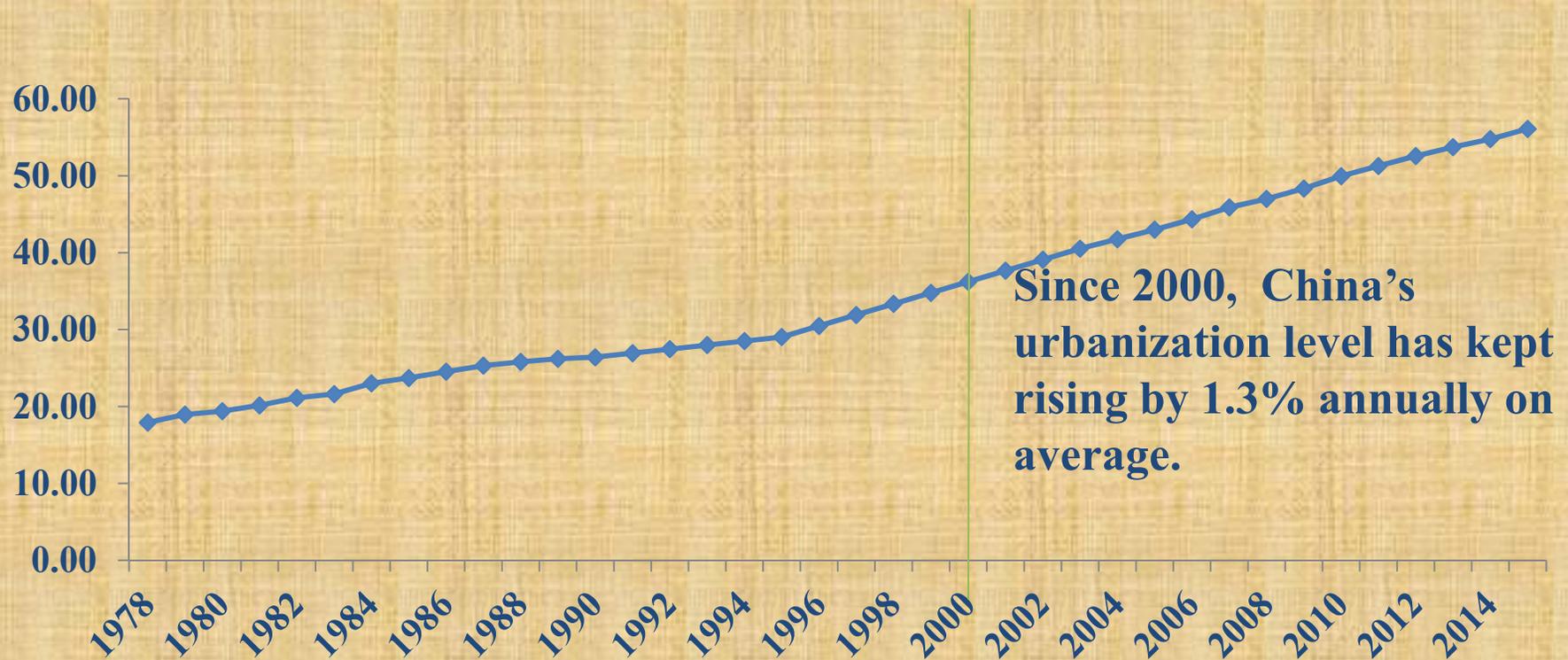
Contents

- 1. Urbanization Overview
- 2. Urban Development Financing
- 3. Urban Financing Case studies
- 4. Findings

1. 1 Urbanization overview ---- fast growth

- The current level of urbanization has been raised 38% compared with that in 1978, reaching 56.1% in 2015.

Urbanization in China : 1978 ~ 2015



1.2 Urbanization overview ---- huge population

● In 2015: 770 million people living in cities and small towns.

Total population	No. of cities
> 10m	6
5m-10m	10
3m-5m	21
1m-3m	103
500k - 1m	138
< 500k	378
No. of cities	656
No. of towns	20515

Total population	No. of towns	Average population (in thousand) per town
>200K	116	28
100-200K	699	12.9
50-100K	3797	6.6
20-50K	9891	3.3
10-20K	4290	1.5
<10K	1722	0.69

1.3 Urbanization overview---- Better urban utilities

Items	1990	1995	2000	2010	2011	2012
Water Coverage Rate(%)	48.0	58.7	63.9	96.7	97.0	97.2
Gas Coverage Rate (%)	19.1	34.3	45.4	92.0	92.4	93.2
Length of Paved per 10,000 Population(kilometer)	3.1	3.8	4.1	7.5	7.6	7.7
Road surface area per capita(m2)	3.1	4.4	6.1	13.2	13.8	14.4
Length of City Sewage Pipes(10000 kilometers)	5.8	11.0	14.2	37.0	41.4	43.9
Number of Taxi (10000)	11.1	50.4	82.5	98.6	100.2	102.7
Public Recreational Green Space Per Capita(m2)	1.8	2.5	3.7	11.2	11.8	12.3
Number of Parks(No.)	1970	3619	4455	9955	10780	11604
Volume of Garbage Disposal (10000 tons)	6767	10671	11819	15805	16395	17081

Source: Yearbook of Urban and Rural Construction Statistics, MOHURD, 2013

2.1 Urban Financing ---- Rising investment in China

Year	investment in fixed assets (100 m RMB)	investment in fixed assets in urban areas(100 m RMB)
单位：亿元		
年 份 地 区	全社会投资	城 镇
1995	20019.3	15643.7
2000	32917.7	26221.8
2005	88773.6	75095.1
2006	109998.2	93368.7
2007	137323.9	117464.5
2008	172828.4	148738.3
2009	224598.8	193920.4
2010	(278121.9)	(241430.9)
	251683.8	243797.8
2011	311485.1	302396.1
2012	374694.7	364854.1
2013	446294.1	435747.4
2014	512020.7	501264.9

Source: 2015 China Statistics Yearbook, NSB, China.

2.2 Urban Financing ---- diversified fund sources

Fixed Assets Investment in Urban Service Facilities by Capital Source in China										
Unit: 100 million RMB										
Year	Completed Investment of This Year	The Balance of The Previous Year	Sources of Fund							
			小计	中央财政拨款	地方财政拨款	国内贷款	债券	利用外资	自筹资金	其他资金
			Subtotal	Financial Allocation From Central Government Budget	Financial Allocation From Local Government Budget	Domestic Loan	Securities	Foreign Investment	Self-Raised Funds	Other Funds
2001	2351.9	109.0	2112.8	104.9	379.1	603.4	16.8	97.8	636.4	274.5
2002	3123.2	111.0	2705.9	96.3	516.9	743.8	7.3	109.6	866.3	365.7
2003	4264.1	120.7	4143.4	118.9	733.4	1435.4	17.4	90.0	1350.2	398.0
2004	4650.9	267.9	4383.0	63.0	938.4	1468.0	8.5	87.2	1372.9	445.0
2005	5505.5	229.0	5276.6	63.9	1050.6	1805.9	5.2	170.0	1728.0	453.0
2006	5800.6	365.4	5435.2	89.2	1339.0	1880.5	16.4	92.9	1638.1	379.2
2007	6283.5	369.5	5914.0	77.3	1925.7	1763.7	29.5	73.1	1635.7	409.0
2008	7277.4	386.9	6890.4	72.7	2143.9	2037.0	27.8	91.2	1980.1	537.6
2009	10938.1	460.4	10477.6	112.9	2705.1	4034.8	120.8	66.1	2487.1	950.7
2010	13351.7	659.3	12692.4	206.0	3523.6	4615.6	49.1	113.8	3058.9	1125.3
2011	14158.1	648.9	13509.1	166.3	4555.6	3992.8	111.6	100.3	3478.6	1103.9
2012	15264.2	595.4	14668.9	171.1	4446.6	4366.7	26.8	150.8	3740.5	1766.4
2013	16121.9	987.5	15134.3	147.5	3573.2	4218.0	41.5	62.2	4714.1	2377.7

Source: China Urban-Rural Construction Yearbook MOHOURD, 2013

In 2015 ,the land transaction fee exceeded 3365 billion RMB and the total general budget revenue reached 6926 billion RMB in China .

Source: MOF annual report. 2015

2.3 Urban Financing ---- more supporting polices

- *Encourage private investment in basic industries and infrastructure*
- *Encourage Railway Development Fund*
- *Encourage PPP in urban infrastructure and utilities*
- *Local Municipal Bonds started by “New Budget Law”*
- *Controls on insurance capital will be relaxed to facilitate projects in infrastructure, livelihood and urbanization.*
- *Enhance private investment management, reinforce public investment, diversify corporate financing channels and accelerate the transformation of government functions.*

3.1 Urban Financing Case studies: Farmer's investing in Town Development in LongGang, Zhejiang province

- “Who invest and construct will benefit”
- “Eight Seals tied together and sealed”: given the same approval authority as county-level cities in LongGang town.
- The main street was planed by the town government
- Over 10 million RMB of Infrastructure fee werer submitted by individual investors

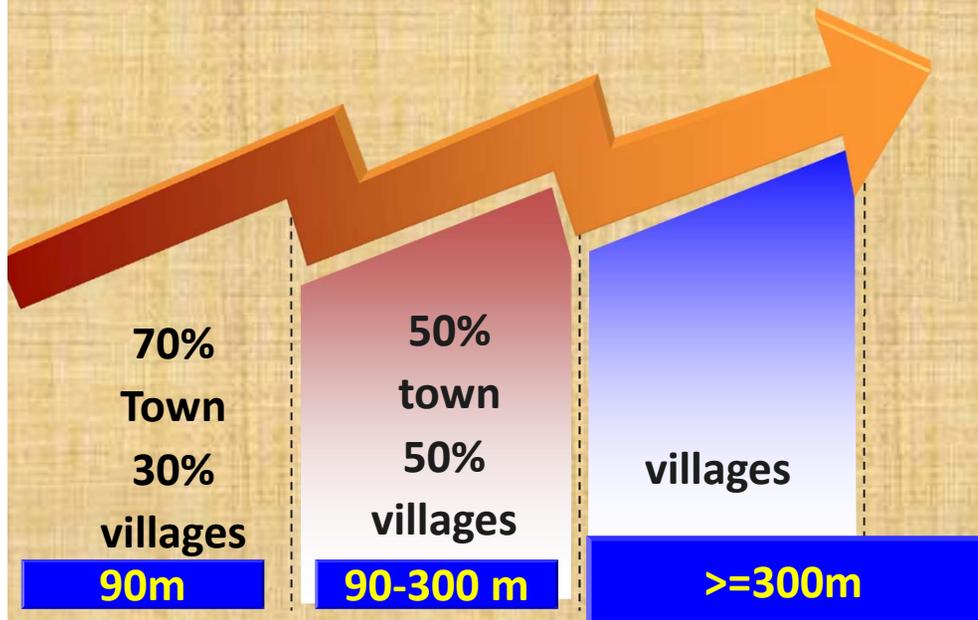


Source: local govt. LongGang in 1984 and in 2014

3.2 Urban Financing Case study: joint development by village and town government

Yuanzhou town, Boluo County of Huizhou city, Guangdong

The land development and management rights was divided between town government and villages according to the distance from the main street.



<http://www.baik.com/wiki/园洲镇>

3.3 Urban Financing Case Study: wholly development through a municipal investment platform

Suzhou City Construct Investment Development Co., Ltd. in Suzhou, JiangSu.

- Cooperating with China Development Bank and Commercial Banks
- Arranging the special fund for Municipal Construction
- Building the financing platform and credit system for the Company
- Making full use of the various payment instruments of the banks
- Promoting the finance-construction cooperation (BT)



India Delegation in Suzhou, organized by CCUD , sponsored by ADB in 2006

3.4 Urban Financing Case study :

private reinvest through planning reform

Small Town of Sewing in JiaoJiang District, Taizhou, Zhejiang

- Updating the term of “Industry land” according to its real situation
- Allowing the industry land to be divided into small plots for small companies who rent the plants
- Authorizing the owner to rebuild the plant from one floor to six floors, which raised the plot ration from 0.7 to 2.26, thus increasing the land-use ration by 3 times. More small companies agglomerated.



6 level plants in Feiyue Sewing Science Park in Taizhou

http://www.taizhou.com.cn/myjj/2016-01/06/content_2740137.htm

3.5 Urban Financing Case study : financing “living lab” for small companies

Puyuan 320 Originality Square in Puyuan Town, JiaXing, Zhejiang

- Low rent with government subsidies
- Lectures of famous international designers for small companies
- Financing support for production
- Subsidies to platform on connecting suppliers with consumers



- <http://www.cztv.com/topic2015/zlkxz/msxz/11854798.html>

4. Findings

- Governmental planning is a prerequisite for attracting financing
- Multiple stakeholders are the basis of diversified financing
- Policies innovation should catch up accordingly
- Reform measures must be feasible

Thanks!

Qiuaijun@ccud.org.cn

www.ccud.org.cn