



UrbanInnovations

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Town-based Urbanization Strategy Study in the People's Republic of China

Promoting town development has long been central to the urbanization strategy of the People's Republic of China and is underscored by the Government's continuous search for specific policy mechanisms that will enable economic growth and attract more rural migrants to towns. The Town-based Urbanization Strategy Study was carried out to identify the policy tools, implementation mechanisms, and priority investments to promote the development of towns. The following are the main findings and recommendations of the study.¹

Overall findings and policy recommendations

Successful towns have strong economic and physical links to nearby cities. Migration to towns can help sustain high economic growth, both as input to manufacturing and as a driver of service sector development. Towns, however, lack the authority and financing necessary to adequately fulfill their growth promotion and service delivery mandates.

Recommendations include

- develop larger urban agglomerations made up of different types of urban settlements;
- focus on towns with high potential for jobs and economic growth;
- enable towns to formulate and implement their own development strategies by granting them greater authority to plan, budget, generate revenue, and invest in infrastructure.
- establish a national policy and legal framework to promote town development;
- enhance the capacity building systems of local governments; and
- facilitate the development of key subregions, cities, and towns.

Urban management and finance

While employment is the main factor driving rural–urban migration, town managers are generally more concerned with economic

production and investment. Local governments' considerable service delivery responsibilities and their lack of authority to raise financing are mismatched. Politically weak, towns cannot get adequate financing to invest in infrastructure and deliver services.

Town planning is fragmented into land use, construction, and socioeconomic components, lacking strategic focus. Town managers and staff often lack the ability to carry out the tasks mandated. Citizens' participation in development planning and implementation is largely formal, with few channels for feedback on development proposals from residents.

Recommendations include

- The national government should prepare a local government training strategy that mobilizes universities, training institutes, provincial governments, and private firms. New local government training units in provincial governments should implement systematic and comprehensive training programs for local government managers using standardized training modules prepared at the national level.
- Town governments should divest themselves of productive facilities; focus on enabling private sector investment by delivering infrastructure, providing access to land, and ensuring adequate labor supply; and adopt a demand-side approach to local economic development.
- More opportunities for stakeholder input into development planning should be created through focus groups, surveys, advisory committees, and public meetings.
- Provincial governments should incorporate towns as regulated independent entities, with town charters that specify a balanced set of service delivery responsibilities and financial revenue–generating authorities.
- Some existing towns should be consolidated into new incorporated towns; others should be dissolved and absorbed by county governments to simplify and strengthen local government and reduce public administration costs.
- Provincial governments should, in the short term, empower local governments to levy and collect taxes on the market

¹ At the request of the Foreign Capital Utilization Department of the National Development and Reform Commission, the Asian Development Bank provided a technical assistance (TA 4355-PRC) to carry out the study.



value of the improvements to the land, not on the land itself.

- In the long term, provincial governments should empower local governments to take loans from commercial banks and issue revenue bonds to finance large-scale infrastructure projects.
- Intergovernmental fiscal transfers should be made according to a simplified, transparent formula. Factor per capita income level into the formula so that poor towns receive additional funding for social services and jump-start their economies.

Job creation and economic growth

Many towns engaged in manufacturing and processing of natural resources have achieved impressive economic growth. But the widespread focus on capital-intensive sectors has resulted in job creation lagging behind economic development. The service sector has not expanded significantly in many small towns.

Recommendations include

- make job creation, rather than growth of gross domestic product, the explicit goal of local economic development policy,
- focus on developing labor-intensive manufacturing sectors,
- leverage industrial growth into service sector development,
- create local markets for services by enabling towns to grow in population, and
- encourage the growth of small and medium-sized enterprises through business incubators and other support services.

Urban infrastructure and services

Access to highways is a major driver of town development. Traffic volumes are less than road capacity in most study towns. While water supply and electrical power services are adequate in most towns, waste disposal services are substandard. Air quality is poor in many industrial and resource-based towns. While town managers are responsible for both economic growth and enforcing environmental regulations, promotion of managers based primarily on growth is often at the expense of environmental regulations' enforcement. User charges for urban services are too low to generate financing for capital investment.

Recommendations include

- increase market access by improving road networks and public transport systems in priority subregions;
- integrate transport planning into subregional economic development planning;
- where applicable, develop multimodal centers combining road, rail, and warehousing facilities;
- transfer the enforcement of environmental regulations to the prefecture;
- provide central-level grant plus loan financing to local governments to improve environmental infrastructure;

- integrate environmental management of towns and industries; and
- merge water supply and wastewater disposal functions and institutions.

Real estate property markets and housing development

The direct participation of town governments in most land development projects limits competition and impedes the emergence of functional, efficient property markets. Most new housing projects in towns are affordable only to the upper- middle- and upper-income groups. New housing is built according to a limited number of standard models that neither fit the character nor enhance the aesthetic quality of towns.

Recommendations include

- convert collective land in the existing and proposed built-up areas to state land to motivate land rights holders to invest in buildings and other improvements;
- alternatively, allow collectives to hire management companies to bring their land onto the market for development;
- identify alternative housing models that will aesthetically enhance towns;
- study the housing demand and end-user ability to pay before defining local housing policy and authorizing specific projects; and
- to distribute equitably the benefits of town development, establish and enforce national standards for land development and valuation of collective land, and offer right of first refusal to new housing units to existing land rights holders who are displaced by the redevelopment projects.

Social development

Social services in many towns are underdeveloped due to insufficient funding, emphasis on cash-generating services, and the shift in government priorities toward economic growth. Since transfers for social services are generally calculated based on registered households towns with many migrants are unable to deliver adequate services.

Recommendations include

- create a unified social services and benefits system;
- de-link social benefits from employers, or modify the system to cover temporary and informal workers;
- provide the same services at the same price to all residents;
- determine financial allocations based on the total number of students;
- encourage migrants and their families to settle in towns; and
- reform social assistance programs to better target the poor.