

CHINA'S HOUSING PROVIDENT FUND REFORM

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Executive Summary

1. China's leadership has shown great determination to let market play a decisive role in economic development and improving market mechanisms and resource use efficiency. The housing provident fund (HPF), which is the main financial tool in assisting urban residents' housing purchases and is crucial for the maintenance of a stable housing market, has been one of the focus reform areas.
2. In the past two decades, the HPF has helped assist the accommodation improvements of many urban residents, evident from the large amount of HPF mortgages and high ratio of HPF withdrawal for housing expenditures.
3. However the system has been criticised for its small participation pool, bureaucratic and exclusive operation system, absence of effective supervision mechanism, complexities of withdrawal and use procedures and resultant social unfairness, capital use inefficiency, and abuse and corruption behaviours.
4. There is thus a need to update the HPF system to facilitate citizens' housing purchases and maintain a stable housing market to sustain the economy and social harmony.
5. China's leadership has shown a strong determination to reform the HPF with the release of a series of reform policies since the second half of 2014; many local governments have taken responding actions.
6. The overall HPF reform however records slow progress. By June 2015, a national data-sharing network of HPF has yet to be established as evidenced by the request of the Ministry of Housing and Urban-rural Development to expedite the revision of the Ordinance of Housing Provident Fund System in the annual HPF report.
7. Most local governments' efforts focus on the operation of HPF (e.g. qualification, credit ceilings and application procedures). Such regional actions are more likely

to stimulate housing consumption than to uproot the fundamental problems of the HPF system.

8. The biggest obstacle for this slow progress is vested interests, such as those of local government, officials, delegated banks and employers in the private sector.
9. More thus need to be done to break the institutional obstacles in the HPF reform, making HPF an effective assistance tool to help deliver a stable housing market and eliminate the problems of social unfairness and corruption in the HPF system.