

**CHINA'S NEW URBANIZATION PLAN TO
REVAMP PUBLIC SERVICE PROVISION**

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Executive Summary

1. In March 2014, China revealed plans for a “new type” of urbanization to enhance public service provision as one of its major policy targets.
2. Public service provision in urban areas has become a serious concern with the acceleration of urbanization. By the end of 2013, urban population in China reached 731 million, or over 53% of total population, more than doubling the 20% in 1980.
3. Currently, urban residents without local household registration (i.e. “*hukou*”) have restricted access to basic public services. Public services are also significantly underprovided in urban areas notoriously known for “city diseases” such as congestion, public health crises, worsening air pollution, etc.
4. The unequal access and underprovision of public services are due first to the *hukou* system and second to the lack of fiscal capacity of city governments in less developed areas in providing public services.
5. Third is the bias toward developing the local manufacturing sector and infrastructure to stimulate investments, an important performance indicator for government officials.
6. Though the “new type” of urbanization will operate based on market mechanisms, the government will play a lead role in providing public services.
7. A series of policies, in particular “citizenization of migrant workers” and “urbanization of people”, will be implemented to enhance public service provision.
8. By 2020, 100 million migrants currently holding agriculture *hukou* will be granted urban “*hukou*”. The share of urban residents and residents with urban *hukou* in total population will reach 60% and 45% respectively in 2020.
9. Public services including public housing, healthcare, education and social insurance will also be made accessible to migrants without local *hukou*. A cost sharing

mechanism among government, firms and households for financing public service provision to migrants has been proposed in the guideline.

10. Institutional reforms include the deregulation of the *hukou* system in most cities, and the improvement of the fiscal system and the performance evaluation system.
11. The new urbanization plan however lacks clarity in, for instance, the cost sharing mechanism and in how the performance evaluation system will be reformed. The target for “citizenizing” migrants by 2020 will also put further pressure on cities with capacity constraint in public service provision.