CHINA'S LEAP IN SHANTYTOWN RENOVATION PROJECT

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EAI Background Brief No. 999

Date of Publication: 5 February 2015

Executive Summary

1. China's new leadership has earmarked Shantytown Renovation Project (SRP, 棚户区改造) for its New Urbanisation Plan 2014-2020. In addition to the ongoing project of 36 million social housing units in the 12th Five-Year Programme, it seeks to renovate another 10 million shanty units in 2013-2017 and to improve the living conditions of 100 million citizens by 2020.

2. Chen Zhenggao who has rich experiences in SRPs when he was the governor of Liaoning province between 2005 and 2014 was appointed head of the Ministry of Housing and Urban-Rural Development in May 2014. This appointment is widely seen as one of Premier Li's steps towards accelerating the SRP.

3. The Banking Regulatory Commission has granted approval to the China Development Bank to set up a Housing Finance Commission (住宅金融事业部) to raise funds for social housing development.

4. The SRP strategy is part of the New Urbanisation Plan 2014-2020 highlighted by the new leadership to help the poor and the disadvantaged and to alleviate social inequality while supporting growth amid an economic cooling off period.

5. Particularly, the leap in the SRP in 2014 is deemed as the new leadership's mini-stimulus measures to shore up the economy. They were to offset the dip in growth that falling real estate investment had caused to ensure the target of 7.5% GDP was met in 2014.

6. However, the investment in SRPs is expected to add only 0.21% to China's GDP growth in 2014. Yet the deceleration growth in real estate investment might shave off around one per cent of GDP growth in 2014.

7. The plus side of SRPs is the adjustment in the housing structure for sustainable development. It reveals a shift away from the private sector to one that strives to achieve a balanced structure between the private and public sectors.

8. Though the SRP has made great progress, much still needs to be done to meet the target of improving the living conditions of 100 million citizens by 2020. The remaining SRPs in remote and inland areas are likely to put high demand for capital and land in future implementation.

9. The tensions between capital and land could crimp the new leadership's efforts on SRPs. China needs to improve on regulating the SRP (e.g. the scope of SRPs, the management and distribution of SRPs) and particularly work out a diverse and sustainable financial mechanism for the future implementation of SRPs (e.g. how to attract social capital).