

Ma Delun: Urban and rural integration in China

Address by Mr Ma Delun, Deputy Governor of the People's Bank of China, at the 2010 Capital Financial Forum, Beijing, 16 April 2010.

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Respected Executive Vice Mayor of the City of Jilin,
Distinguished Guests,
Ladies and Gentlemen,

Good afternoon!

It's a pleasure to attend the Beijing Financial Forum for 2010. This annual meeting has provided us with a platform to discuss theoretical and practical issues of common concerns. The discussion last year under the theme of cultural and creative industries and its financial support was very impressive. I'm also glad to see that the forum is in a larger scale and more innovative form this year, and the theme this year, urban and rural integration in the capital and its financial support, is a very pertinent one.

Agriculture lies at the foundation of China's economy and the balanced development of urban and rural areas is the core in China's modernization. Deng Xiaoping once pointed out that, coordinated urban-rural development should be on top of the agenda after China's economic and social development reached a certain stage. It was put forward by the 16th Congress of CPC Central Committee that balancing urban-rural social and economic development is an important strategy for building a well-off society. The 17th Congress of CPC Central Committee decided that a long-term mechanism of industrial sector supporting agriculture and urban areas to form a new framework for balanced urban-rural economic and social development. What's more, the No. 1 Document of the CPC Central Committee this year has given high priority to balanced urban-rural development, stating it as the precondition for further consolidating the foundation for rural development.

Balanced urban-rural development need the support of the financing sector. As a macro financial regulator, the PBC attaches great importance to this task and has made strenuous efforts in advancing financial reform, improving financial services in rural areas and strengthening financial support to balanced urban-rural development according to the overall arrangements of the State Council.

First, deepen rural financial reform. Efforts have been made to promote the shareholding reform of Agricultural Bank of China (ABC), guide the Agricultural Development Bank to raise funds from the market, steadily advance pilot projects of new rural financial institutions including micro credit companies, village banks and rural funding cooperatives to establish a multi-tiered rural financial service system.

Second, strengthen financial support for rural areas. The PBC will continue to conduct agriculture-supporting central bank lending in a more regionally balanced and well-targeted manner. Timely and appropriate adjustments should be made to ensure that such central bank lending be used for its intended purpose. A favorable reserve requirement ratio is granted to RCCs to help channel more funds to the agricultural sector.

Third, reinforce financial service infrastructure in rural areas. The establishment of a nationwide clearing center for RCCs has helped them gain access to the LVPS and local clearing system in a timely manner. Meanwhile, efforts have been made to advance the development of credit reference system in rural areas and promote the use of bankcards and improve rural financial environment.

Fourth, support and cooperate with competent authorities to standardize the transfer of land contracting and operation right and to reform the institutional arrangements of rural land use. The pilot project of loan extension against the collateral of rural land contracting and

operation right and the right to use rural housing site has been conducted to meet multi-tiered and diversified needs for financial services in rural areas.

The PBC Operation Office has implemented the arrangements made by the PBC headquarter by guiding financial institutions in its jurisdiction to bolster the support of balanced urban-rural development. *Opinions on Providing Financial Support for Building Socialist New Countryside in Beijing* and *Guiding Opinions on Providing Financial Support to Form a New Pattern of Balanced Urban-Rural Development in Beijing* have been launched to advance RCC reform and assess the output of credit policies, adding more vitality into the rural financial system in Beijing. Following the guidelines, commercial banks have actively innovated financial products and improved operation mechanism and services, yielding positive results.

This year marks the last in the 11th Five Year Plan. What's more, it is a critical year in mitigating the impacts of the international financial crisis and maintaining stable and fairly rapid economic development. All this underpins the importance of further improving the work of supporting agriculture, rural areas and farmers. With new challenges to achieve leapfrog development in the agricultural sector, there is a stronger need to shift the pattern of agricultural development and fill in the gap between urban and rural areas. Finance lies at the center of modern economy and thus financial support plays a key role in balancing urban and rural development and bolstering the agricultural sector, therefore the PBC will make targeted and prioritized efforts to strike a balance between short-term and long-term development.

First, establish a sustainable mechanism of providing rural financial services. Efforts have been made to improve agro-linked financial risk compensation system by way of setting up risk funds and developing rural insurance so as to incentivise financial institutions to support balanced development in urban and rural areas. Further efforts should be made to improve the financial environment in rural-urban fringe, strengthen the financial law system, accelerate the program of creditworthy rural households, villages and towns and improve financial literacy of farmers.

Second, guide social funds to support agricultural development in an innovative manner. The PBC will support eligible agro-linked enterprises to get listed. Efforts will be made to guide informal lending, standardize such practice by improving incentive, discipline and exit mechanisms so as to improve financial services to low and middle-income rural residents and impoverished population.

Third, set up an inter-ministerial cooperation mechanism. Fiscal policies, taxation policies and rural financial policies should be coordinated effectively by setting up a market-based long-term agriculture supporting mechanism supported by the government. The Agricultural Development Bank of China, ABC, RCCs, Postal Savings Bank and other agro-linked financial institutions should have various focuses in their business when expanding agro-linked credit, in order to optimize the allocation of financial resources.

We should conduct in-depth analysis on diversified needs of financial services in rural areas to develop an optimal profit pattern for agro-linked enterprises, have in place effective risk prevention measures, innovate financial products and services tailored for actual needs in rural areas, rationalize working process, train a professional team to provide financial support for agriculture which combines both direct and indirect financing, integrates the strengths of the banking, insurance and securities sectors and features active participation of private capital.

I wish the forum a complete success. Thank you!