

A Study on Equalization of Basic Public Services in Urban and Rural Areas of China

Su Ming

(Research Institute for Fiscal Science, Ministry of Finance)

September 3, 2014

This presentation is an input to the international policy workshop on rural-urban linkages in Zhejiang, PRC on 2-4 September 2014. The views expressed in this presentation are those of the author, and do not necessarily reflect the views and policies of the organizers (the Asian Development Bank [ADB] and the International Poverty Reduction Center in China [IPRCC]), or ADB's Board of Governors, or the governments they represent. ADB and IPRCC do not guarantee the accuracy of the data and information in this paper.

Summary

- I. Theoretical analysis on equalization of basic public services in urban and rural areas of china
- II. Empirical analysis on equalization of basic public services in urban and rural areas of china
- III. Suggestions on further promoting the equalization of urban and rural public services in the near-term and mid-term

I. Theoretical analysis on equalization of basic public services in urban and rural areas of china

(I) Definition of connotations for equalization of basic public services

United Nations Development Program (UNDP) pointed out, “the goal for equalization of basic public services is to ensure all social members have the right to enjoy basic public services such as compulsory education, public health and basic medical care, basic social security and public employment service etc. (United Nations, 2008)”. The specific connotations can be understood from the following aspects:

- —“Equalization of basic public services is a basic function available by modern service type government.
- —Equalization of basic public services needs to experience different stages, which has different criteria and is a dynamic concept.
- —“Equalization” in equalization of basic public services is a concept of “underpinning” rather than “evening-up”.
- —For effective implementation of the equalization of basic public services, the quality standard of the public services needs to be quantized to physical indicators.
- —There exists a significant difference with costs of basic public services among areas rather than equalization of per-capita financial resources or expenditures.

(II) Basic features for equalization of basic public services in urban and rural areas

1. Equity: It is mainly reflected in equity of opportunities and results.

The so-called equity of opportunities means that all social members enjoy roughly equal opportunities in basic public services provided by government. The equity of results means that the criteria for civilian individuals are basically identical while using or consuming public services. The conditions for no chance to pay or no capacity to pay the basic public service fee due to unbalance of economic development and wealth have been basically eliminated.

- 2. Stage: It means that the equalization of basic public services in urban and rural areas is determined by a state's social and economic development stages. The contents and criteria of equalization are different in different development stages.
- 3. Level: Based on the division of public product attributes, basic public services can be divided into pure public service and quasi public services. For public services of different nature, there is a certain difference with benefited range of society and individuals.

(III) Fully understand the significance of equalization of basic public services in urban and rural areas

- 1. Equalization of basic public services in urban and rural areas is an necessary requirement to attain the strategic goals of well-off society.
- 2. Equalization of basic public services in urban and rural areas is an important content to promote the integration of urban and rural development.
- 3. Equalization of basic public services is an important reflection to achieve social fairness and justice.

II. Empirical analysis on equalization of basic public services in urban and rural areas of China

(I) Analysis on compulsory education in urban and rural areas

For a long time, Chinese compulsory education in urban and rural areas has been practicing different systems and policy arrangements. Judging from the funding source, the urban compulsory education has been included into urban financial budget. The expenditures are basically guaranteed. The short plate of development for compulsory education lies in countryside. The expenditures for compulsory education in rural areas are jointly shared by county (town) government, village collective organization and farmer individuals.

Since 2006, China has entered a period of implementing a new fund safeguarding mechanism for rural compulsory education expenditures (from 2006 till now). In December 2005, the State Council issued the *Notice on Deepening the Reform of Mechanism for Safeguarding the Funds in Rural Compulsory Education*, proposing the principles and methods of “clearly defining the responsibilities at all levels, jointly sharing the burden by the central and local governments, increasing the financial input, improving the fund safeguarding level and organizing the implementation by steps”.

For specific analysis, since 2006, the policy for input on rural compulsory education has made a major adjustment: First, practice a policy of two exemptions and one subsidy, i.e., exempting the tuition and fees in rural primary and middle schools, providing textbooks free of charge for the students. Second, provide living allowance to the boarding students whose families are financially difficult in the central and western regions. Third, make continuous efforts to improve the public funds security level of rural middle and primary schools. Fourth, strengthen the maintenance and reconstruction of buildings in rural middle and primary schools. Fifth, issue other key policies. Since 2010, initiate and implement a reconstruction program for weak rural schools in compulsory education; in 2011, implement a nutrition improvement program for students of compulsory education junior high schools, practice relevant program for strengthening the construction of teacher staff and improving the treatment of teachers. 。

Since the reform of expenditure security mechanism, a major progress has been made for rural free compulsory education. According to relevant data, since the expenditure security mechanism was implemented (2006-2013), the national finance has totally arranged a security expenditure of 895 billion yuan (excluding salary for teachers) for rural compulsory education, including 505 billion yuan from central finance and 390 billion yuan from local finance. Meanwhile, it has greatly pushed forward the development of rural compulsory education. In 2011, the net enrollment rate for primary schools across China has reached 99.8%, 12 percentage points higher than the world average level of previous year. The gross enrollment rate for junior high schools has reached 100.1%, 20 percentage points higher than the world average level of previous year.

- However, through in-depth analysis, some differences still exist in urban and rural compulsory education in China, which deserves attention.
- —Input equalization of urban and rural compulsory education has been significantly improved, but there still exists a specific gap at present time.
- —The big gap of input in compulsory education among regions has also made a significant difference in investment on urban and rural compulsory education in different areas.
- —There exists a big gap with quality of compulsory education in urban and rural areas. Teachers' education background structure in primary schools and middle schools can be taken as an important measuring indicator. Besides, college entrance examination is also an important indicator to measure the quality of education in urban and rural areas.

Table 1 Per-capital financial expenditures on education in east, middle, west and northwest of China in 2010 (unit: yuan)

Area	Per-capita public finance budgeted expenditures on education		Per-capita public finance budgeted expenses for public use	
	Ordinary primary schools	Ordinary junior high schools	Ordinary primary schools	Ordinary junior high schools
Average in the east	7468.72	9822.34	1849.33	2591.92
Average in the middle	3023.02	4155.85	817.50	1279.74
Average in the west	4499.41	5478.77	1151.71	1736.74
Average in the northeast	5626.43	6466.19	1234.74	1788.69

Data source: *Statistical Bulletin for Implementation of National Expenditures on Education (2006-2010)*

Ministry of Education, National Bureau of Statistics

Table 2 Education Background structure of teachers in junior high schools of cities, counties (towns) and countryside

	Total Number of Teachers	Post- graduates	Under- graduates	Junior College Students	Above Bachelor (%)	Number of Students	Student- Teacher Ratio
Whole country	3523 382	22 681	2 234 092	1219068	64.05	52 759 127	14.98
Cities	705 956	14 861	568 778	119061	82.67	10 590 217	15
Counties (Towns)	1545 884	5 278	970 821	550301	63.14	24 324 161	15.74
Countryside	1271 542	2 542	694 493	549706	54.82	17 844 749	14.03
Percentage in cities	20.04%	65.52%	25.46%	9.77%	25.86	20.07%	-
Percentage in Counties (towns)	43.87%	23.27%	43.45%	45.14%	43.25	46.10%	-
Percentage in Countryside	36.09%	11.21%	31.09%	45.09%	30.89	33.82%	-

Data source: Education Statistical Yearbook in China

Table 3 Education Background structure of teachers in ordinary primary schools of cities, counties (towns) and countryside

	Total Number of Teachers	Post- graduates	Under- graduates	Junior College Students	Above Bachelor (%)	Number of Students	Student- Teacher Ratio
Whole country	5 617 091	6 407	1 325 247	3 065 721	78.29	94 407 043	17.7
Cities	947 337	4 397	456 547	414 753	92.44	18 204 675	19.22
Counties (Towns)	1 479 228	1 055	384 019	866 419	84.6	22 700 170	15.35
Countryside	3 190 526	955	484 681	1 784 549	71.15	53 502 198	16.77
Percentage in cities	16.87%	68.63%	34.45%	13.53%	19.91	18.31%	-
Percentage in Counties (towns)	26.33%	16.47%	28.98%	28.26%	28.46	22.84%	-
Percentage in Countryside	56.8%	14.9%	36.57%	58.21%	51.36	53.82%	-

Data source: Education Statistical Yearbook in China

(II) Analysis on social security in urban and rural areas

In the past decade, China has carried out a reform centering on policies of pension and social assistance and initially established a new type urban and rural social security system. Firstly, an urban and rural subsistence security system was established. In order to ensure the people in financial difficulties to have a basic livelihood, China set up urban and rural subsistence security systems in 1997 and 2007 respectively. In 2009, a new rural security system was established. In 2001, the state started to establish an old-age pension system for urban residents.

Finance is an important pillar of social security. In recent years, along with increasingly intensified support of public finance, the rural social security has made a historic breakthrough and the urban and rural public security has tended towards perfection. From 2008 to 2012, the national finance has totally arranged 520.801 billion yuan for supporting urban and rural substance security, including 281.024 billion yuan for supporting urban subsistence security and 239.777 billion yuan for supporting rural subsistence security. By the end of 2011, rural subsistence security system in China has covered 53.135 million persons and 26.626 million households. By the end of 2012, the new rural insurance and urban resident insurance have achieved a full coverage in system across the country. The population of urban and rural insurants has reached 460 million, including 130 million residents receiving the insurance. For ensuring the implementation of the work, from 2009 to 2011, the central finance has granted subsidies of 104.7 billion yuan. It was 62.17 million yuan in 2012. It was further increased into 83.7 billion yuan in 2013.

Currently, the main problem of urban and rural social security equalization lies in subsistence security rather than old-age pension. Currently, the unequal status of urban and rural social security system is mainly reflected in urban and rural subsistence security. The basic subsistence security level in rural areas lag behind that in urban areas. In 2006, the average level of Chinese urban subsistence security was 169.6 yuan for each per month while the average level of urban subsistence security for rural areas was 70.9 yuan for each per month, 98.7 yuan lower than the level in urban areas. In 2009, the average level of Chinese urban subsistence security was 267.48 yuan for each per month while the average level of urban subsistence security for rural areas was 134.7 yuan for each per month, with the gap between rural and urban levels expanded to 132.78 yuan.

In 2012, the urban subsistence security was 330 yuan for each per month and the subsistence security in rural areas was 172 yuan for each per month, with the gap further expanded to 158 yuan. As further analysis shows, in 2009, the level of rural subsistence security in western, central and western regions was 197.75 yuan, 107.4 yuan and 91.96 yuan respectively (see Table 4), markedly lower than urban level in various regions. In this case, while the state tries to perfect the urban and rural subsistence security, emphasis shall be placed on improving the rural subsistence security level, stepping up the efforts to support the central and western regions in a bid to reduce the gap between urban and rural subsistence security levels among different regions.

Table 4 Subsistence security levels in different regions of China in 2009 (unit: yuan/month for each)

Region	Urban areas	Rural areas
Eastern region	319.78	190.78
Central region	240.54	107.40
Western region	228.96	91.96
National average	267.48	134.70

Data source: China Civil Affairs Statistical Yearbook

(III) Analysis on health care in urban and rural areas

In the past decade, major institutional innovation has been made for Chinese urban and rural health care system. The establishment of new rural cooperative medical insurance system and basic medical insurance system for non-working urban residents marked the historic breakthrough made in equalization of urban and rural health care. Since 2003, a new rural cooperative medical system was started as a pilot. From 2003 to 2011, the national finance has totally arranged 472.4 billion yuan of new rural cooperative medical subsidy and achieved a full coverage of new rural cooperative medical system. In 2011, new rural cooperative medical system has covered 2,637 counties (districts, cities), involving 832 million rural residents. The total amount funded for new rural cooperative medical system has reached 204.76 billion yuan, with per-capita funding up to 246.2 yuan and 1.315 billion persons benefited from it.

While the new rural cooperative medical system was established, a pilot of basic medical insurance system for non-working urban residents was initiated in some cities from 2007. Since the system was established, the overall financing level and government subsidizing level for new rural cooperative medical premium and urban residents' basic medical premium have been continuously improved. In 2012, the financing level for new rural cooperative medical premium and urban residents' basic medical premium has reached around 300 yuan for each per year. Among others, the subsidizing level from government at all levels has been raised to 240 yuan for each per year. The central government provided a subsidy of 156 yuan and 132 yuan to the western and central regions respectively. In 2012, the spending from the central government on this aspect reached 105 billion yuan. By the end of 2012, the population covered by new rural cooperative medical insurance reached 805 million and the population covered by urban residents' basic medical insurance hit 271 million, with 70% inpatient expenses reimbursed.

Despite the significant progress in equalization degree of urban and rural medical care, there still exists a big gap between urban and rural areas in allocation of public health resource and accessibility to medical services.

—There is a big gap between urban and rural areas in basic public service funds for medical care. In 2010, the medical care costs for urban areas in total medical care costs made up 77.6%, but only 22.4% for rural areas. In 2010, the per-capita medical care costs for urban areas were 2315.5 yuan and that for rural areas was 666.3 yuan, 3.48 times for urban areas over rural areas.

—There exists a big gap with public service expenditures for medical care among regions. In terms of per-capita medical care expenditure, the per-capita expenditure in Beijing and other developed regions is high, with 4147.20 yuan in Beijing, which is 2.78 times of 1490.1 yuan, the national average level; the per-capita expenditure in Gansu and western remote regions is relatively low, with 1153.86 yuan in Gansu Province, which is 77.44% of the national average level; the per-capita expenditure in Henan and other under-developed regions is the lowest, with only 1134.04 yuan, lower than Gansu, which is only 76.10% of the national average level.

—There is a big gap between urban and rural areas in availability of medical care workers.

—The public medical service in rural areas lags behind that in urban areas, which is also reflected in health indicators of infants and pregnant and lying-in women.

—The medical insurance rights and interests for farmers lack portability. Generally speaking, when laborers change their work or transfer between urban and rural areas, the treatments for urban resident medical insurance or new rural cooperative medical insurance cannot be enjoyed in other places or transferred. The lack of portability may affect the mobility of laborers, availability of medical health service and sustainability of medical service (particularly for chronic diseases).

Table 5 Changes of the number of medical care workers per thousand people in China between 2005 and 2010

Year	Medical technicians		Medical practitioners or assistant medical practitioners		Registered nurses	
	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas
2005	5.82	2.69	2.46	1.26	2.10	0.65
2006	6.09	2.70	2.56	1.26	2.22	0.66
2007	6.44	2.69	2.61	1.23	2.42	0.70
2008	6.68	2.80	2.68	1.26	2.54	0.76
2009	7.15	2.94	2.83	1.31	2.82	0.81
2010	7.62	3.04	2.97	1.32	3.09	0.89

Data source: China Statistical Yearbook (2011)

Table 6 Availability of health workers and hospital beds for per thousand people in different areas in 2010

Region	Availability of health workers for per thousand people		Availability of hospital beds per for thousand people	
	Urban areas	Rural areas	Urban areas	Rural areas
Eastern region	6.85	3.31	4.41	2.00
Central region	6.02	2.84	4.38	1.94
Western region	7.05	2.35	5.34	2.13
National average	6.67	2.86	4.70	2.02

Data source: China Health Statistics Yearbook 2010

Table 7 Mortality rate of children below 5 years old, pregnant and lying-in women in Chinese rural areas

Year	Mortality rate of newborn infants(‰)		Mortality rate of infants(‰)		Mortality rate of children below 5 years (‰)		Mortality rate of pregnant and lying-in women (1/100,000 people)	
	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas	Urban areas	Rural areas
2005	7.5	14.7	9.1	21.6	10.7	25.7	25.0	53.8
2006	6.8	13.4	8.0	19.7	9.6	23.6	24.8	45.3
2007	5.5	12.8	7.7	18.6	9.0	21.8	25.2	41.3
2008	5.0	12.3	6.5	18.4	7.9	22.7	29.2	36.1
2009	4.5	10.8	6.2	17.0	7.6	21.1	26.6	34.0
2010	4.1	10.0	5.8	16.1	7.3	20.1	29.7	30.1

Data source: China Statistical Yearbook (2011)

(IV) Analysis on basic public services for immigrant workers

■ The rural agriculture surplus labors transferring to non-agricultural industries and rural population flowing into cities is a law of internationalization for modern economy transformation and urbanization development and also a basic trend for population mobility and employment change since reform and opening-up are launched in China.

■ Over the past years, China has been carrying out a rigorous urban and rural household registration system, therefore, immigrant workers working and living in cities were counted as urban resident population, but cannot fully access the basic public services of cities.

Table 8 Number of immigrant workers in China
between 2008 and 2011 (unit: 10,000 persons)

	2008	2009	2010	2011
1. Total of immigrant workers	22 542	22 978	24 223	25 278
Immigrant workers travelling to cities	14 041	14 533	15 335	15 863
(1) Immigrant workers travelling to cities in rural families	11 182	11 567	12 264	12 584
(1) (1) Immigrant workers with all family members travelling to cities	2 859	2 966	3 071	3 279
2. Local immigrant workers	8 501	8 445	8 888	9 415

Data source: Thinking on Insurance Industry's Involvement in Urbanization Development, written by Xu Laofeng, published on Issue 6, 2013 of Insurance Studies

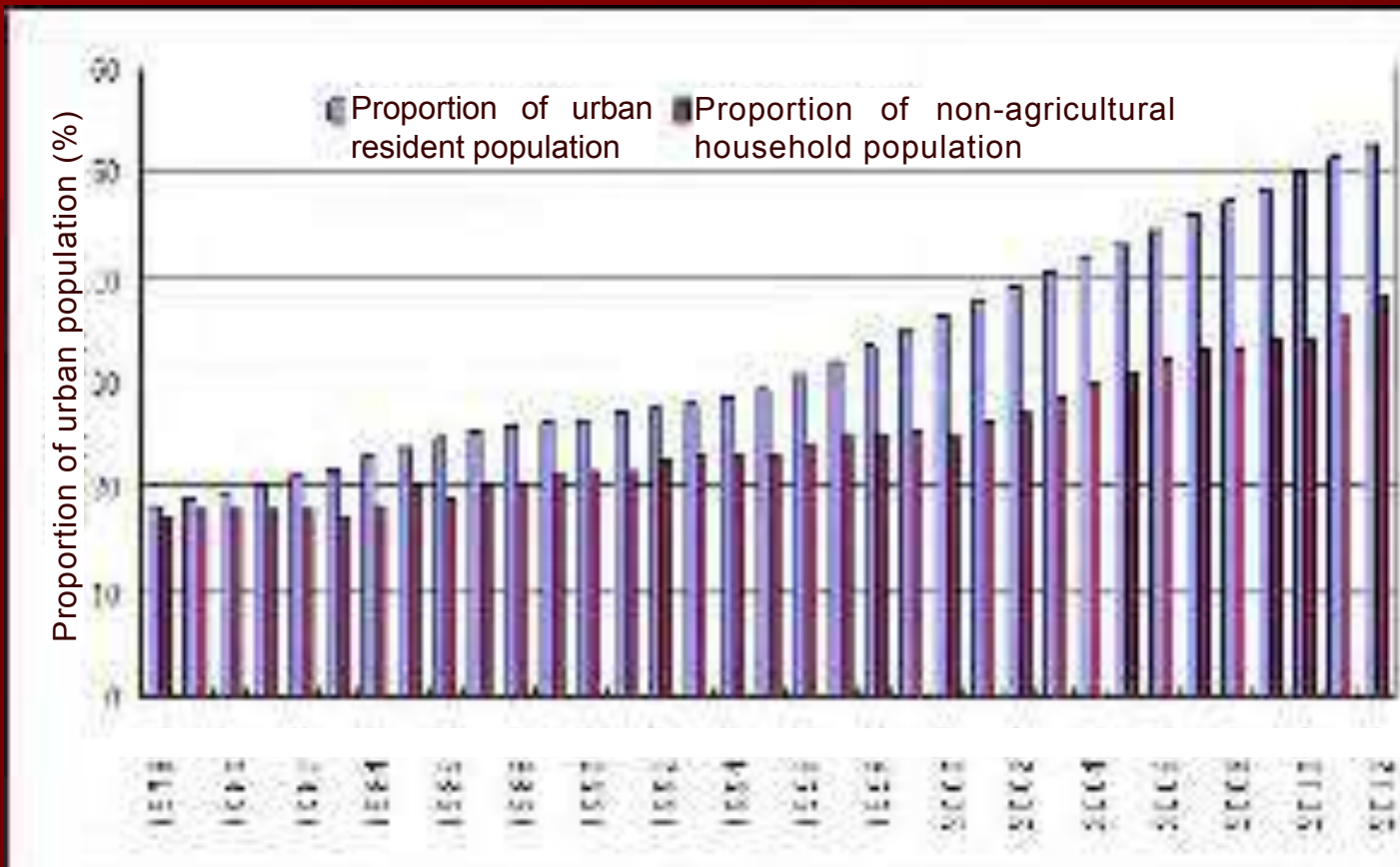


Figure 1 Trend for urban resident population and non-agricultural household population in 1978-2012

Data source: Data for various years from National Bureau of Statistics

- In recent years, the state has been increasingly attaching importance to the rights and interests of immigrant workers, but the basic public service problem for immigrant workers has not be solved properly.
- —Among immigrant worker groups, basic social security has a low coverage. According to the survey data issued by Chinese Academy of Social Sciences, the proportions of immigrant workers in old-age pension, unemployment, medical care, industrial injury and female workers mutual aid and co-operation insurance were 33.7%, 10.3%, 21.6%, 31.8% and 5.5%, far lower than urban residents.

Table 9 Coverage of social security for rural migrants in Wenzhou (%)

	Free medical care or medical insurance	Retirement pension or old-age pension	Housing welfare	Industrial injury insurance	Unemployment or maternity insurance
Option	35.28	24.78	25.82	50.43	16.52
Not available	46.3	57.66	56.45	32.87	62.99
Not applicable	3.79	4.3	3.96	4.13	4.65
Not clear	12.39	10.84	10.15	9.64	12.56
No response	2.24	2.41	3.61	2.93	3.27
Total	100	100	100	100	100

Data source: Xu Laofeng, 2013

—There still exists a gap for children living together with immigrant workers in receiving compulsory education. From 2008 to 2013, the central government has allotted incentive subsidies of 24.1 billion yuan for children living together with immigrant workers in accessing compulsory education, which has improved the schooling problem of children living together with immigrant workers. However, there still are many left-behind children in China. Some of them stay in countryside and fail to go to school. Some of them drop out of school. The schooling of immigrant workers' children in public schools and immigrant workers' children schools keeps a similar proportion roughly. The relevant data show (see Table 10), there is a great difference between the potential number of immigrant workers' children and reported schooling number.

Table 10 Immigrant workers' children accessing compulsory education

City (year)	Total population (million)	Non-native migrating population(million)	Number of children from migrating population attending school (thousand)	
			Potential	Actual
Shanghai(2012)	24.3	10.5	1155.0	500.0
Beijing(2009)	19.6	7.1	775.0	393.1
Guangzhou(2011)	12.7	4.8	523.6	362.4
Ningbo(2012)	7.6	2.3	251.7	289.0
Chengdu(2010)	14.1	2.6	288.3	173.8
China	1370.5	221.4	24356.9	12000.0

Data source: Development Research Center of the State Council, The World Bank, 2014

III. Suggestions on further promoting the equalization of urban and rural public service in the near-term and mid-term

(1) The state's financial allocation shall practice policies inclining to three fields

—The state's financial funds shall be inclined to livelihood field. According to the needs of market economy and China's actual conditions, in the future, Chinese financial expenditure structure shall be adjusted, with basic direction towards maintaining expenditures in some areas while reducing them in others, pushing forward incremental adjustment and stock adjustment simultaneously. Only by taking such approaches can enable the input into livelihood and basic public service to have a practical and reliable financial foundation.

First, accelerate the reform of administrative mechanism, effectively solve the problems of institutional expansion, excessive population supported by government finance and heavy financial burden, maintain financial expenses within a reasonable range, and keep on taking measures for reducing the expenditures in three public consumptions (overseas trips, vehicle purchasing and maintenance, official receptions). Second, improve the financial investment policies. The finance shall be resolutely withdrawn from investment on general competitive sectors so as to change the situation that the financial investment range is too wide and involves too many fields. Third, pool financial resources to step up the input into livelihood, especially enhancing the expenditures in public services such as education, medical care, social security etc.

—The state's financial input into livelihood shall be really inclined to rural areas. First, improve the long-term guarantee mechanism of rural compulsory education. Raise the public expenditure standard of rural compulsory education, strengthen the maintenance and reconstruction of middle and primary schools in rural areas, and take priority to raise the remuneration and quality of rural teachers. Second, strengthen the national investment on medical care in rural areas and improve three-tier medical care networks in countryside. First, the county-level medical care capacity shall be built to deal with the basic medical service in the areas properly. Second, township hospitals shall be built in suitable positions according to radiating area, population density, and distance to county town so as to assume the rural public health duties.

Besides, the building of village clinics is also important. Third, strengthen the support to rural social security. It is required to improve the subsistence security subsidy level progressively based on the state's financial ability in order to reduce the gap in subsistence security between urban and rural areas. In addition, a standard and effective social subsidy and medical care subsidy system shall be established. Next, efforts shall be made to accelerate the integration of new rural cooperative medical insurance and urban residents' medical insurance systems, allow farmers' medical insurance funds to be transferred or reimbursed in other places, which will inevitably play a positive to improve the feasibility of farmers' medical security service.

—The state's financial input into livelihood shall be inclined to underdeveloped areas. In the future, the central government's input on livelihood still needs to be more inclined to underdeveloped areas by raising the level of subsidies to public funds for rural middle and primary schools, rural medical care expenditures, new rural cooperative medical insurance, new rural social old-age insurance etc. and make continuous efforts to reduce the gap between urban and rural areas among different areas in basic public services.

(II) Take new steps in pushing forward relevant key system and mechanism innovations

- —Reasonably divide the administrative rights of the central and local governments in basic public services. Responsibilities for compulsory education shall be shared by central government, provinces and counties by level according to specific items. The central government is responsible for formulating unified minimum education expenditure security standard across the country and strengthening the security to public funds for compulsory education through general transfer payment; the salary for compulsory education teachers shall be changed from the current practice that the teachers' salary is paid by county governments into that the central government will pay the salary for teachers; the construction and renovation of school buildings will be borne by provincial government; the schools' maintenance and daily management expenditures will be borne by county-level government.

The expenditures for public health shall be shared by the central, provincial and county-level governments according to specific items. The central government shall be responsible to formulate minimum standard for public health service across the country and shoulder national key disease and chronic disease prevention and treatment. The provincial government shall be responsible for distribution of public health service resources and endemic disease prevention and treatment. The county-level government shall be responsible for basic expenditures for construction and operation of public health institutions and medical institutions. For social security, the central government shall be responsible for old-pension insurance, major disaster and accident relief and overall planning across the country; balance the burden level of enterprises in different areas, promote the trans-regional flow of labor force and merge the multiple security systems in due time. The provincial government is responsible for formulation of policies on welfare and health care of residents, rural subsistence security, local disaster and accident relief; the county-level government is responsible for implementation of welfare and health care policies for residents and daily management.

—Accelerate the establishment of county-level basic financial resource security mechanism. To establish a county-level basic financial resource security mechanism shall follow the principle of “clearly defining the goals, basing on local governments, enjoying incentives and subsidies from the central government and carrying out step by step”. “Clearly defining the goals” is to ensure the basic financial resources of county-level finance to be able to afford “three insurances” and promote the coordinated development between equalization of county-level financial strength and social and economic development at county level; “basing on local governments” means to adapt to the county-level basic financial resource security system and take local finance as the subject of responsibility; “enjoying incentives and subsidies from the central government” means that the central finance shall provide financial subsidies to underdeveloped countries and give appropriate incentives to the areas with a good performance in county-level basic financial resource security; “carrying out step by step” means that it will be popularized across the country step by step after launching pilot projects and obtaining relevant experience.

—Establish a transfer payment system of the central government to the areas to which immigrant workers flow. First, include part of eligible immigrant workers who have been urbanized into the security coverage of urban basic public services by combining the arrangement of reform on urban and rural resident household registration systems. The central government shall give necessary subsidies to the areas to which immigrant workers flow through general transfer payment according to the population size of urbanized immigrant workers, public service costs and other factors. According to Chinese planning for urbanization development, from now till 2020, China will turn 100 million farmers into civilians. The public service requires a huge cost for turning immigrant workers into civilians, so it needs to be reasonably shared by local government and central government's transfer payment.

Second, the immigrant workers who are not eligible to be civilians currently, they shall still be able to access certain basic public services of urban areas such as schooling for children, social security, employment service etc. The central government shall also give certain support to the areas to which immigrant workers flow through special transfer payment in line with the situation of permanent resident population in the areas to which immigrant workers flow. Third, form a positive-going service mechanism, namely, the governments in the areas to which immigrant workers flow have done a good job in public service for immigrant workers can not only get transfer payment, but also win the essential incentives from the central government.

(III) Actively push forward the innovation of urban and rural basic public service supply mechanism

- —Improve public service supply strategy to ensure the low income groups and poverty-stricken population to be able to benefit from basic public service program in an equal and full way.
- —Establish basic public service diversified supply mechanism and vigorously expand the poverty alleviation for the society
- —Establish and perfect a basic public service demand and benefit expression mechanism

(IV) Pay attention to the sustainability of financial policies

In the mid and long term to come, from the perspective of macro strategy on the whole, the state's finance funds shall beef up its efforts in expenditures for livelihood and rural basic public services without a doubt, but it must be noted that, in the future, the issuing of new systems, policies and expenditure increase for urban and rural basic public services shall be kept under a proper range, rhythm and intensity. Attention shall be paid to the sustainability of financial policies.

The main reasons are: First, China's financial revenue has turned from the high growth previously into normal growth. In the coming years. Besides, the era for high growth of revenue has ended. Second, the financial expenditure will face new expenditure increasing pressure for long term in the future. Third, the government's debt shows a trend of accelerated growth. To sum up, the finance currently and in the future is showing and will show a great difference with that previously. In such a context, we must consider the balance between equalization of urban and rural basic public services and sustainability of financial policies in the future. China is still a developing country, so urban and rural basic public service equalization will be inevitably a long-term goal and a dynamic optimization process, which will be subject to restriction of actual conditions and financial strength of a country.

Thank you!