

# Paths and countermeasures of sustainable development of Shanghai rural collective economy

Fangwei Wu, Jinhua Zhang, Xiaojia Jia

Research Institute for Agriculture, Farmer and Rural Society in China, Shanghai University of Finance and Economics, Shanghai, China

**Abstract.** Municipal Party committees and governments attach great importance to the development of rural collective economy, and have introduced supportive policies and measures, which has achieved positive results in the development of new rural collective economy in Shanghai. By the end of 2020, there were totally 122 town-level collective economic organizations and 1,677 village-level collective economic organizations in Shanghai, with the total assets of town-, village- and group-level collective economic organizations reaching 635.13 billion yuan. However, there are also some challenges in the development of new collective economy in Shanghai. For example, the development model is simple, the advantage of traditional land resources is gradually lost, the intensive use efficiency of land resources is low, the development of collective economy is unbalanced, the achievements of rural collective property rights system reform are hard to be transformed into economic development effect, and the innovation in organizations and institutions is difficult. These difficulties, problems, bottlenecks and limitations still in existence deserve our attention. It is necessary to further deepen the reform of new rural collective economy in Shanghai and the understanding of the importance of developing rural collective economy in the new era, strive to build asset sources and value-added mechanisms for new collective economy, actively expand development paths, increase sources of income, strengthen internal driving forces, and activate the efficiency of the rural collective property rights system by further deepening the rural collective property rights system reform.

## 1. Main experience of Shanghai in promoting the development of new collective economy

In Shanghai, 97% of the town-level and 99% of the village-level collective economic organizations have completed the reform of the property rights system, and basically achieved the goal of “reforming all that should be reformed”; meanwhile, a long-term mechanism of income distribution has been gradually established to improve the farmers’ sense of gain. In 2020, there were 637 village-level collective economic organizations and 19 town-level collective economic organizations that involved income distribution in Shanghai, with 2.33 billion yuan distributed, benefiting 2.486 million people. In 2011-2020, collective economic organizations distributed totally 12.1 billion yuan, involving 9.659 million people. In 2013-2020, the total rural collective assets of Shanghai increased from 384.46 billion yuan to 635.13 billion yuan, with a growth rate of 65.2% and an average annual growth of 7.4%.

### (1) Standardizing the operation of collective economic organizations, and connecting multiple interest subjects

Shanghai has improved the regulatory system and mechanism, and regulated the operation behavior of rural collective economic organizations to achieve effects in management. In particular, it has strengthened the supervision and management of town-level collective economy, sorted out the investment relationship between town-level unions and town-level collective enterprises, and changed the equity and property relations in time, so as to preserve and increase the value of collective funds, assets and sources. At the same time, it has established a target assessment mechanism, enhanced assessment guidance, and included the development of rural collective economy in all regions into the assessment system for key tasks of rural revitalization, thus forming an anti-driving mechanism from top to bottom. It has established a fund guarantee system for the operation of village committees. After the reform of the collective property rights system, collective economic organizations and village committees have realized separate accounting management; in order to relieve the pressure of rural collective economic organizations on public management and service funding, it has established a fund guarantee system for the operation of village committees, promoting the orderly and efficient operation of village-level organizations, and allowing rural collective economic organizations to focus on the development of collective economy.

### (2) Adopting multimodal development to promote the village-level asset transformation

This city has effectively promoted the development of new collective economy by taking such reform measures as underpinning by the government, rental and tax linkage and rural assets under custody of towns. First, the government has underpinned the village-level rental income during the transformation period, introduced a number of high-quality enterprises, and increased the tax, rental and other economic outputs of the village-level assets. Second, the government has promoted the “rental and tax linkage”, and adopted economic means to realize the optimal ratio of rental and tax and increase the territorial rate and output rate of collective asset taxes. After analyzing the town- and village-level collective assets, the government has built a “rental and tax linkage” database model, established scientific and reasonable rental and tax increasing standards, and set the minimum rental guide price, so as to optimize the rental and tax output and effectively ensure the yield rate of rural collective assets. Third, the government has carried out the work of “rural assets under custody of towns”, where the rural assets and enterprises are entrusted to town-level asset companies for

management through democratic decision-making process, greatly reducing the village-level management cost, standardizing the asset lease process, making the security control more effective and significantly increasing the rental income. For example, Pudong New Area has fully included the housing asset lease transaction into the “Management Platform of Rural Collective Asset Lease Transaction in Pudong New Area”, selected the best operators in a fair, open and just way, promoted the appreciation of housing asset rental income, and effectively prevented the hidden risks of clean governance in rental transactions.

### (3) Improving the efficiency of intensive land use and revitalizing the vacant housing and land resources

Shanghai improves the efficiency of intensive use of land resources by changing the original extensive land use model, takes the road of the integration of primary, secondary and tertiary industries, and the combination of villages and towns, and fully explores the economic potential of vacant housing resources in suburban villages to promote rural revitalization. It has accelerated the transformation and upgrading of multiple village-level plots, cleared out inefficient land and closed down enterprises with low outputs. In Tangwan Village, Luojing Town, Baoshao District, the government has actively introduced Xinyuehui Company, established a new industrial consortium, and created an industry integrating the primary, secondary and tertiary industries. In Daijing Village, Zhujing Town, Jinshan District, the government has introduced Hangzhou Bluesky Landscape Ecology Technology Co., Ltd., using 600 mu of land to build the project of “Sunflower Marine Ecological Park”, and the collective economy forms a close interest binding contract mechanism with enterprises. In Zhangjiang Town, Pudong New Area, for such problems that there are too many enterprises and it’s difficult to find a talent apartment in Zhangjiang Science City, a rural collective wholly-owned enterprise of the town has signed a house releasing agreement with villagers of Xinfeng Village, who have vacant houses, thus exploring a “rural talent apartment” model that the government leads, farmers supply houses and rural collective enterprises transform, which improves the economic benefits of land.

### (4) Building a platform for co-education and sharing to promote the development of weak villages

The first is to help village-level collective economy develop together instead of alone by setting up development platforms, so as to promote the value preservation and increase of village-level assets and the development of collective economy. Fengxian District has established the platform for co-construction, co-development and sharing of “Baicun Industry” by reducing savings and converting them into shares. In 2020, each economically weak village was allocated with one million yuan. In 2014-2020, each economically weak village had been allocated with 5.15 million yuan. Qingpu District coordinates resources according to district-level coordination policies, towns and villages seek quality projects according to local conditions, and district-level, town-level and village-level platforms are set up to empower locals with the means to prosper. At present, there are 47 projects running on these platforms, with a project investment of 2.097 billion yuan, a construction area of 385,000 square meters, and an annual income of 101 million yuan.

The second is that municipal industrial parks and relevant towns carry out “cooperation between districts” and “brand linkage” to form the development pattern of “one development zone with multiple industrial parks”, and coordinate the rural collective fund and resource advantages at the town level to participate in the construction of parks. Xinqiao Town of Songjiang District and Caohejing Development Zone jointly established Shanghai Caohejing Development Area Songjiang High Tech. Park Development Co., Ltd. In September 2015, the company was successfully listed, and Xinqiao Assets Company held 54.3595 million shares, with the current market value reaching about 1.1 billion; the collective assets continued to grow.

The third is to deepen comprehensive rural assistance. A new round of comprehensive rural assistance is promoted through a variety of forms, such as the construction of assistance projects, enhancement of partner assistance and assistance of farmers in need. The village-level collective economy is developed by means of empowering locals with the means to prosper. In 2020, a total of 850 million yuan of special funds for comprehensive rural assistance was allocate by the municipal financial department, promoting the development of eight comprehensive assistance projects that empowering locals with the means to prosper, with total project investment reaching 3.015 billion yuan. The municipal financial department increases the transfer payment to middle and outer suburban areas, and district and town financial departments increase funds for rural infrastructure construction and public services, fully ensuring the funds for the basic operation of village committees and reducing the burden of collective economic organizations. The equal access to basic public services is improved in rural areas to promote the urban-rural integration and the coordinated development between regions.

## 2. Problems and challenges facing new rural collective economy

Developing new rural collective economy is of great significance to coordinate urban and rural development, speed up the construction of agricultural and rural modernization, consolidate the governing status of the Party at the rural grassroots, promote the development of a new socialist countryside, and build a modern socialist international metropolis with world influence. At present, there are some long-term challenges in the development of Shanghai rural collective economy, especially the obstacles of systems and mechanisms, which need to be taken seriously.

### (1) The space is limited, and the model is simple

Located in Shanghai, an international metropolis, based on the considerations on the efficiency, environment, ecology and natural landscape, the industrial space for Shanghai town- and village-level collective economy is shrinking; besides, the limited operation ability of rural collective organizations and the low efficiency of industries that collective organizations directly operate may lead to waste of resource. Therefore, governments do not support and encourage collective economic organizations to blindly develop small competitive industrial and commercial industries. Since the mid-1990s, rural collective economy has changed from the competitive industrial economy in the early stage of reform and opening up to the noncompetitive property-based “land rent economy”, and the development model is simple. In recent years, rural areas in Shanghai have taken such rectification measures as “reduction in areas which have illegal land use, illegal building, illegal operation, illegal pollution discharge, and illegal dwelling, and where safety hazards must be eliminated, illegal and unlicensed buildings must be demolished, dirty phenomena must be rectified, and illegal operation must be banned” to further standardize the utilization of rural land resources, and improve the efficiency of utilization of land resources and beautify the rural environment. As a result, the space for village-level collective economic organizations to illegally use land resources is reduced, and the development of land rent economy also hits a bottleneck and the space for its future development is limited.

(2) The overall use efficiency is low, and the bottlenecks of land use are prominent

Under the background that the land resources for construction are scarce, the intensive use of construction land reserve is the main way to develop rural collective economy dominated by “land rent economy”. However, the re-development of collective construction land and the improvement of plot ratio are controlled by planning; the promotion and transformation of functions of rural collective factories and warehouses outside the centralized construction area are especially limited. For example, for some village-level projects that have been modified a second time, the new factories are inconsistent with the original property ownership certificates, and the lessees cannot register them, which causes inconvenience to asset lease and limits the industrial upgrading. As the urbanization of Shanghai speeds up, the commencement of a number of major and key projects in recent years have reduced the factories and land resources in suburban villages that could have been used for leasing due to relocation. Meanwhile, with the improvement of the fine management level of Shanghai, the “construction of no illegal buildings” and other rectifications have also cut off the income from the leasing of part of illegal buildings. The lack of land resources and insufficient momentum of development are the bottleneck problems in the development of town-level and village-level economy. Strengthening the intensive and efficient utilization of land, factories, buildings and other resources is the fundamental way to solve the problem of insufficient resources.

(3) The regional development is unbalanced, with great economic gap between villages

Although the development of Shanghai rural collective economy is good, there are great differences between towns and village. So far, there are still certain villages with weak collective economy. They are generally short of resources for their own development, limited in social connections and weak in prosper alone. Some basic farmland preservation areas and ecological preservation areas, due to their disadvantageous geographic location, have narrow space for development and few operational properties. However, their rigid expenditures such as expenses for personnel, public welfare and welfare, are increasing by years, with their gap subsidized by the superior financial department. Under the reform of the collective property rights system, developed and underdeveloped areas are under different pressures. In developed areas, the income from village-level collective economy is large, and their main problem to be solved is to standardize the distribution of the income from collective economy, such as whether to pay a dividend, how much the divided is, and how to pay a dividend in a fair way. In underdeveloped villages, the main problem is how to develop collective economy and enhance economic strength, while the payment of dividends can be neglected.

(4) The internal driving forces are deficient, and the collective property rights system reform cannot be deepened

In recent years, Shanghai has basically completed the reform of the collective property rights system, and reappraised the stocks and assets of enterprises, determined the members of collective economic organizations and established a stock economic cooperative in system design. The top priority is how to quickly transform the achievements of the collective property rights system reform into the development effect of collective economy. For village cadres, their wages are included in the budget and their life can be basically guaranteed; since village cadres have no internal driving forces, government pushing from top to bottom has become the main way to develop collective economy. For lack of internal driving forces, some organizational forms for collective property rights system reform somewhat are somewhat similar and not innovative in content. Thus, they are not very effective in promoting the development of rural collective economy. In addition, the implementation effect of “rental and tax linkage” is also not as expected. It is hard to form a closed-loop management mechanism since enterprises have a weak awareness of performing contracts. Therefore, the scheme for improving rental and tax linkage needs to be studied and implemented, so that we can give full play to the role of the rental and tax linkage and achieve a win-win situation for both the government and enterprises.

### 3. Suggestions on the reform of new rural collective economy in Shanghai

To further deepen the reform of rural new collective economy in Shanghai, it is necessary to deepen the understanding of the importance of developing rural collective economy in the new era, strive to build a new collective economy asset source and value-added mechanism, actively expand development paths, increase sources of income, strengthen internal driving forces, and activate the efficiency of the rural collective property rights system by further deepening the rural collective property rights system reform.

(1) We should have a clear understanding of the importance of developing rural collective economy in the new era

In Shanghai, an international metropolis, there is a debate on whether to develop rural collective economy. General Secretary Xi Jinping has stressed that the key to rural revitalization is industry revitalization. According to our research in suburbs, those with good collective economic development must perform well in the promotion of rural revitalization, and almost all model villages in rural revitalization have a good collective economic foundation; collective economy has become a main source of funds for rural areas to provide public services. In addition, the connotation of collective economy should also be expanded; we should improve new forms such as joint-stock companies and community stock cooperatives, expand the mixed ownership, and establish the modern enterprise system and market economic operation mechanism that match with it, deepen the reform of the rural collective property rights system, and expand the coverage and influence of collective economy.

(2) We should form a new collective economy asset source and value-added mechanism

In Shanghai, an international metropolis where non-agricultural economy is highly developed, to solve such problems as how to develop collective economy in economically weak areas, especially reserved and protected villages, and how to balance the increasing differences between regions, we need to continue to deepen the comprehensive rural assistance. However, it is far from being enough to increase the assistance and funds only. We need to view problems of villages from a larger scale. The traditional rural industrial development path doesn't work, and some asset allocation means should be used and more competitive industries should be carried out to find new sources of collective assets in economically weak areas. For example, Fengxian District explored boldly and took the lead in establishing Shanghai Baicun Industry Co., Ltd., the first comprehensive rural assistance platform, according to the actual conditions; later, Baicun Technology and Baicun Fumin emerged, which, together with Baicun Industry, constituted the "Baicun" series brand shared by 160,000 villagers in Fengxian District and became the main driving force for the growth of village-level collective economy, and they explored the development path with the basis of strengthening town-level guarantee and the direction of increasing the income of village-level organizations. With the new mechanism, rural collective economy has a definite functional carrier.

(3) We should expand development paths, and increase sources of income sources

We should encourage the expansion of the development paths of rural collective economy. We can, according to the local economic development and actual social needs, encourage town- and village-level collective economic organizations that have the conditions and strength to gradually develop from the single property leasing model to the whole leasing-living industrial chain services, and integrate the supporting services such as property, cleaning, catering and kindergartens on the basis of providing property leasing, so as to gradually increase the proportion of non-rental income and the rental economic value added.

We should encourage rural collective economic organizations that have the conditions to make good use of existing resources, actively participate in joint investment, cooperation and joint ventures, and cooperate with enterprises and social investors that have their brands, strength and capital to develop rural collective economy through various forms such as cooperation and co-construction. We can, by means of project support, encourage and lead state-owned and private enterprises to vitalize vacant rural housing resources and give full play to the overflow effect of the development of beautiful countryside. In areas dominated by agriculture, we should guide subdistricts and towns to coordinate the development resources in the regions, and promote the collective economy to participate in the development of quality projects through various forms. We should encourage rural collective economic organizations that have the conditions to repurchase quality business assets on the basis of risk evaluation and democratic decision-making. We should encourage the upgrading of stock business assets, so as to gradually improve the environmental quality, spatial image and industrial upgrading of the regions.

(4) We should strengthen the control over business risks and activate internal driving forces

We should strengthen the application and management of municipal supervision platforms for "funds, assets and sources", and further enhance the interconnection of municipal and district supervision platforms. We should promote and improve the district- and town-level supervision platforms for rural collective assets, carry out monitoring prewarning using big data, monitor the contract term, collection of rental, rental price and other aspects in real time, and give a pre-warning and implement it in time. We should update the contract, lessee, assets and other data information in a timely manner, and mainly strengthen the supervision of the information for sublease (such as information of lessee, operation forms, industry involved, size of assets, rental price, and term of contract).



We should mobilize the enthusiasm, initiative and creativity of cadres at the rural grassroots in developing village-level collective economy, so as to promote the sustainable and healthy development of village-level collective economy. We should make clear the range of the use of business income and expenditures of rural collective economy, ensuring that some of them are reserved for motivating cadres and relevant operation management personnel on the basis of justice, fairness, openness and transparency, in addition to those used for expansion of business and re-development and operation of town- and village-level organizations. In this way, the management system of professional managers that are “examined and selected publicly, assessed dynamically and rotating regularly” is gradually established.

