

Analysis of Public Policy Responses in China's Urbanization Process from a Sustainable Development Perspective — Taking the Renovation of “Urban Villages” as an Example

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Abstract

The paper analyzes the public policy response to the renovation of urban villages from the perspective of sustainable development, facing the environmental, economic, social problems brought by the implementation of the renovation of urban villages, and put forward the strategy of optimizing the public policy through institutional innovation, financial tools and digital technology to promote more sustainable and integrated urban renewal.

Keywords: urban villages, sustainable development, policy response collaborative governance, urban renewal

1. Introduction

In the past decades, China's rapid urbanization has reshaped the face of the country in an unprecedented way, presaging an historic transition from life in the countryside to life in the city. The speed of this transition has brought enormous economic growth and improved living standards, while giving rise to serious social and spatial social problems that are rich in contention, e.g., urban villages. These places are usually seen as a breakdown of social equality, environment damage, poor land use and old infrastructures. They reveal the underlying tension between the growth of urban growth and sustainable development. Since urbanization is now entering a new stage characterized by renewal instead of expansion, addressing urban villages has become an issue of growing importance in the pursuit of sustainable urban design (Encyclopedia of China, 2023; China Daily, 2024).

In this paper, we will analyze the question of the response of the public authorities to the renovation of the urban village through the problem of study in terms of sustainable development, emphasizing the linkages of the different components of environmental, social, and economic sustainability as part of the same nexus.

2. Theoretical Framework: Dimensions of Policy Analysis from the View of Sustainable Development

Sustainable development is a big concept, and it emphasizes the connections between the following factors: environment, economy, and society. Sustainable development has the function to promote the long-term and healthy growth of cities. During the process of renovating China's urban villages, it shows the significance to balance the above aspects. This approach helps guide policies to transform areas that are currently informal, inefficient, and marked by social disparities into more and more livable and sustainable urban spaces. To solve the challenges of urbanization, we need strategies which consider the interrelationships between all three dimensions.

Environmental sustainability is the first and most crucial aspect of effective and sustainable urban renewal. Shanghai's “full-cycle renewal model” shows how resource efficiency can be achieved through “mixed use” development and incentives, such as increasing floor area ratios so that reducing urban expanding and making

the ecological footprint become less. (Shanghai Municipal Government, 2024; Shanghai Urban Renewal Action Plan, 2023) The incorporation of green spaces, optimization of infrastructures, and the application of sustainable design principles show the development can proceed in a way that promote the environment in the long term. At the same time, Nanchang's no "large-scale demolition" policy focuses on preserving the current buildings and making small-scale updates through repeated iterations. (Nanchang Municipal Government, 2024; PLOS ONE, 2023). This way is not only adapted to the sponge city concept, which incorporating water management, green infrastructure, and flood mitigation, but also shows that ecological restoration is possible without disrupting urban functions.

Securing funding and promoting local development are essential in economic sustainability. Through the use of Real Estate Investment Trusts (REITs) and special government bonds, private investment can be encouraged, and public funding remains stable. This decreases the financial burden on the local government and authorities. (CSRC & NDRC, 2020; China Daily, 2022)

In addition to funding, industrial empowerment is also an important aspect of urban village renovation. When Guangzhou incorporated affordable housing into urban village renovation projects, it not only solved housing shortage issues, but also gained income through the rental of these houses. This furthered projects, and social welfare was linked with economic growth.

The Shiliu New Village in Nanjing demonstrates how social sustainability can be achieved through public participation and fairness. Broad communication with the residents was conducted and 69 meetings were held in order to reach a cognition on the renovation plan. This engagement increased trust between the government and citizens, also strengthened the cohesion of community.

When combining environmental protection, economic opportunity, and social cohesion, China's urban village renovation policy shows a holistic approach to sustainable urban development. It is not only promotes ecological sustainability and economic growth but also strengthens social cohesion. It provides an example of how China is striving to achieve social equity in the long term, a goal that can also be linked to national and global sustainability goals.

3. The Development and Current Situation of Policies on Urban Village Renovation in China in the Past 10 Years

In the past ten years, China's policy on urban village renovation has developed rapidly. The original focus on "demolition" is gradually shifting to a more sustainable and comprehensive model.

In the first decade of the 2010s, the "Three Old Renovation strategy" focused on the renovation of old urban areas, old factories, and urban villages by demolition and reconstruction. This model solved the immediate problems of land use and urban construction. However, it also caused some serious problems such as social displacement and pollution of environment. As these problems became more evident, the government began to reform its policy.

By 2025, the new regulation on "Coordinated Land Development" was introduced. This model is no longer limited to the demolition of old buildings, but also includes protection and renovation. This model focuses on long-term sustainability. In 2025 "Continuing Urban Renewal Action Plan", the task of promoting urban renewal was also proposed. In addition to governance tasks, there are tasks of diversification of funding and participation of the public.

In Shanghai, the "Two Olds and One Village" model is still widely used. This model focuses on large-scale demolition and reconstruction. This model is financially supported by a large amount of money. For example, Qingpu District received a special bond of 40 billion RMB. However, this model raises concerns about social displacement and environmental pollution. In contrast, some cities, such as Jiangxi, are using more community-based models. For example, the model of "15-Minute Convenience Circle" focuses on community development. The model of "Organic Renewal" in Xiamen, Fujian province also protects cultural heritage. The policy of "conditional land transfer" is used to achieve protection while promoting city development.

These ongoing approaches reflect the Chinese government's increasing concern for social inclusion in urban renewal. With time, we expect the policies to be further developed by combining large-scale development and local needs as well as environment.

4. The Policy Response Dilemmas from the Perspective of Sustainable Development Abstract

Urban village renovation is a complex challenge in China. Because it faces the interwoven obstacles of environmental, economic and social factors.

From the aspect of environmental, the dilemma exists between large-scale demolition and its ecological cost. In earlier renovation projects, the "tear down and build" model resulted in high environmental costs. Specifically, carbon emissions and other environmental costs cannot be ignored in large-scale demolition. For example,

large-scale demolition that occurred in early “shantytown renovation” projects led to a high ecological cost although it helped solve housing problems. The lack of disaster resistance capacity of infrastructure has further worsened the dilemma of environmental governance. Take Nanchang as an example, the old underground pipe network system in this city needs to be updated, but the reality is it costs a lot of money. This puts local governments in a dilemma: they need to add funds for the renovation project and achieve the goal of reducing the ecological footprint. The environmental dilemmas are aggravated by the rapid pace of urbanization. Urban renewal should not come at the expense of the environment, and this challenge is exacerbated by the rapid pace of urbanization.

The economic dilemma exists between a lack of market-based incentives to attract private investment. In China, there is a lack of incentives to attract social capital, especially when social capital is involved in projects using financial tools such as REITs. In the Shanghai pilot REITs, these projects have not been successful due to legal and financial environments that do not attract private investors. The dilemma on social capital further aggravates the reliance on land finance to fund urban renewal. For example, in Guangzhou, where the “clean land transfer” model is used to finance urban renewal, local governments face a dilemma in terms of their reliance on using land as a financial instrument. When real estate markets are volatile, the financial vulnerability of local governments increases, and their credit is also at risk.

Socially, the challenges of urban village renovation are manifested in the problem of fragmented property rights. For example, in the process of urban village renovation in Xiamen, numerous small land plots (even 526 micro plots) made it very difficult to develop plans for holistic renovation and carry out them efficiently. Fragmented property rights made it challenging to negotiate with multiple people whose interests were often conflicting, leading to delays even inefficiencies in urban renewal process.

Furthermore, the problem of preserving cultural identity has also become a giant challenge for urban village renovation in cities, where old buildings may be buried under the shadow of new development. Although urban renewal is important for economic growth, we should also balance it with protecting cultural heritage so that we can better form the identity of a city.

However, the above problems (environment, economic, social) have twisted the dilemmas of urban village renovation in such a way that they cannot be separated. The environmental cost of demolition is related to the economic cost of land finance, which in turn affects the social environment through the fragmentation of property rights. For example, the environmental dilemma caused by the large-scale demolition project also stems from the fact that local residents are also facing the dilemma of the environmental impact of demolition and the fragmentation of property rights. In addition, the dilemma of the economic environment caused by dependence on land finance also leads to the dilemma of social equity, because those who are displaced by the development of urban villages do not necessarily have the opportunity to enjoy the benefits of new developments.

5. Policy Optimization Routes Pathways

In order to solve the above challenges, we need to explore innovative policy solutions which are effective and sustainable. These policies can be roughly classified into three categories: institutional innovation, tool innovation, and governance innovation.

Institutional innovation: One of the institutional innovations is the setting up of an “Urban Renewal Bureau”. We can learn from the successful experience in Hubei. Urban Renewal Bureau can help speed up decision making and increase the efficiency of urban renewal. By centralizing the planning and implementation of urban projects, the Urban Renewal Authority can effectively reduce the fragmentation of administrative responsibilities, and achieve coherence in policy execution. The agency can also promote joint work between governments at all levels, developers and local residents. Moreover, Guangzhou’s Urban Village Renovation Ordinance also provides legal protection for urban renewal policies. Through legal means, the government has set out clear guidelines for land expropriation and compensation, and insured that renewal policies do not only cater for the short-term interests of policymakers but also the long-term and sustainable development of the city.

Tool-based innovation: Digital technology such as Building Information Modeling (BIM) can help improve the management of urban renewal projects and increase the overall efficiency of urban projects. In Shanghai, the experience of using BIM technology for “digital space rights” shows how digital tools can optimize the life cycle of urban projects from planning, design to construction and maintenance. By making use of data and real-time updates, BIM helps planners to make more practical estimates and reduce avoidable mistakes and wasted resources during construction.

Financial innovation: Using Real Estate Investment Trusts (REITs) to fund urban renewal projects. In Pingxi Village, instead of using the land as security to attract loans, the government decided to turn the 522 resettlement houses into a REITs model to generate capital for urban renewal projects. Such a financial innovation not only provides investors with a stable return but also cuts down on the over-reliance on government-funded land sales

to finance urban renewal projects in other urban areas.

Governance innovation is also critical for the success of urban village renovation. Collaborative governance with multiple stakeholders is necessary to balance the interests of urban village renovation, which are usually conflicting. Sichuan Urban Renewal Group's "Six-Stage Coverage Model" is a collaborative governance model including not only government and developers, but also residents, environmental and urban planners. Their involvement makes the whole process more transparent and open. Only by involving all interested parties in the decision-making process can the urban renewal process meet the needs of residents and developers in urban village renovation and realize the sustainable development.

Xiamen's collaborative governance model "off-site combined land supply" also makes a significant contribution to the cultural sustainability of urban renewal. The model rationally supplies land so that the historical sites could be protected and modern cities developed. By providing feasible solutions to land use, Xiamen's collaborative governance model makes another great stride in achieving the cultural sustainability of urban renewal, which prevents the cultural erosion of cities and values the rich history of cities while developing modern cities.

6. Conclusions and Future Directions

In recent years, China's urban village renovation has gradually developed towards the collaborative governance model, which incorporates environmental sustainability, economic sustainability and social sustainability into the policy context. The collaborative governance model proposed in this paper provides a feasible road map for the related policies of urban renewal projects. These policies not only can meet the needs of urban development in the short term, but also provide a solid foundation for the urban development in the future.

With the continuous development of urbanization, it is necessary that the policy framework should adapt to the changes in urbanization process and values related to urbanization. (ScienceDirect, 2018; PLOS ONE, 2023) The collaborative governance model proposed in this paper can provide some references for the related policies of urban renewal projects.

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