

# REPORT ON THE WORK OF THE GOVERNMENT

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The official version of this report will be released by Xinhua News Agency.

*Fellow Deputies,*

*On behalf of the State Council, I will now report to you on the work of the government for your deliberation and approval, and I invite comments on my report from the members of the National Committee of the Chinese People's Political Consultative Conference (CPPCC).*

### ***I. A Review of the Work in 2014***

*Over the past year, the international and domestic environments faced by China in its development have been complicated and challenging. The road to global economic recovery has been rough, with many ups and downs, and the performance of the major economies has been divergent. Downward pressure on China's economy has continued to mount, and we have faced an array of interwoven difficulties and challenges.*

*However, under the firm leadership of the Central Committee of the Communist Party of China (CPC) headed by General Secretary Xi Jinping, all our people have worked together as one, surmounted difficulties, and accomplished the year's main targets for economic and social development, thereby ensuring that we got off to a good start in comprehensively deepening reform, embarked on a new journey to fully advance the law-based governance of China, and again made solid progress in our endeavor to finish building a moderately prosperous society in all respects.*

During the past year, China has, overall, achieved a stable performance while at the same time securing progress in its economic and social development. The main indication of this stable performance is that the economy operated within an appropriate range.

- The growth rate was steady. China's GDP reached 63.6 trillion yuan, an increase of 7.4% over the previous year, making China one of the fastest-growing major economies in the world.
- Employment remained robust, with 13.22 million new urban jobs created, which is higher than the figure for the previous year.
- Prices were stable, with the CPI rising by 2%.

The underlying feature demonstrating progress is that our development is becoming better coordinated and more sustainable.

- The economic structure was upgraded. Grain output reached 605 million metric tons; the contribution of consumption toward economic growth rose by three percentage points to 51.2%; the value added of the service sector increased from 46.9% to 48.2% of the GDP; and there was a constant stream of new industries, new types of business, and new business models. The central and western regions grew faster in economic terms than the eastern region.

- The quality of development was raised. Revenue in the general public budgets grew by 8.6%. Research and development spending accounted for more than 2% of the GDP. Energy intensity was cut by 4.8%, the biggest reduction made in recent years.
- People's lives were improved. Per capita disposable personal income increased by 8% in real terms nationwide, growing faster than the economy, and the per capita disposable income of rural residents grew by 9.2%, outpacing that of those living in urban areas. In rural areas, the number of people living in poverty was reduced by 12.32 million, and over 66 million more people gained access to safe drinking water. The number of outbound trips made by Chinese tourists exceeded 100 million.
- New breakthroughs were made in reform and opening up. A series of key tasks for comprehensively deepening reform were launched, and the goal of the current administration to cut the number of items that require government review by one third was achieved ahead of schedule.

These achievements have not come easily. They have been made possible by the painstaking efforts and hard work of all our people, and they have strengthened our resolve and confidence to keep pushing ahead.

Over the past year, we have faced more difficulties and challenges than anticipated. We have risen to the challenge and accomplished the following in our work.

*First, on the basis of range-based macro regulation, we exercised targeted regulation to keep the economy growing steadily.*

In the face of mounting downward economic pressure, we maintained strategic focus and kept our macroeconomic policy unchanged. Instead of using short-term stimulus measures, we continued to develop new ideas and methods for macro regulation. We exercised targeted regulation, stimulated market activity, shored up our weak spots, and boosted the real economy. With a keen understanding of the appropriate range within which the economy needs to be operating, we adopted targeted steps to address the serious issues and structural problems hindering development. We promoted reform to gain impetus for development, made structural adjustments to produce support for development, and improved living standards to increase the potential for development. We both expanded market demand and increased effective supply, working to ensure that structural adjustments were made without compromising the growth rate.

We have been effectively implementing proactive fiscal policy and prudent monetary policy. We increased targeted tax reductions, reduced fees across the board, extended the coverage of tax relief policies to benefit more small and micro businesses, and expanded the trials to replace business tax with VAT to cover more industries.

We sped up the process of making budgetary funds available for fiscal expenditures and put surplus budgetary funds to good use. By flexibly utilizing monetary policy instruments, making targeted cuts to required reserve ratios, carrying out targeted re-lending, and making asymmetric interest rate cuts, we stepped up support for weaker areas in economic and social development. Increases in loans made to small and micro businesses, and loans for agriculture, rural areas, and farmers, outdid the average increase in loans overall by 4.2 and 0.7 percentage points respectively. At the same time, regulation of the financial sector was improved and regional and systemic risks were forestalled.

*Second, we deepened reform and opening up and invigorated economic and social development.*

To address obstructions holding back development caused by certain systems and mechanisms, we comprehensively deepened reform, invigorating the market to offset downward economic pressure. We tackled many tough issues and carried out structural reforms in the economic, political, cultural, societal, and ecological sectors.

We have made solid progress in key reforms. We formulated and implemented a coordinated plan for deepening the reform of the fiscal and tax systems. Important progress was made in the reform of the budgetary management and tax systems. The number of items receiving special transfer payments was over one third less than that of the previous year, and the proportion of transfer

payments for general purposes was increased. Management of local government debt was strengthened. The floating ranges of interest rates on deposits and exchange rates were expanded. New steps were taken in the trials to establish private banks. The Shanghai-Hong Kong Stock Connect was launched on a trial basis. The scope for using foreign exchange reserves and insurance funds was broadened. Price reforms in energy, transport, environmental protection, and communications were accelerated. We launched reforms to the system for managing research and development funding, the school examination and enrollment systems, the household registration system, and the pension system for employees of Party and government offices and public institutions.

We have continued to give the central stage in reform to streamlining administration and delegating more powers to lower-level governments and to society in general while improving regulation. Over the course of the year, departments under the State Council cancelled the requirement of or delegated the power for review on 246 items. We cancelled 29 performance evaluations, inspections on the meeting of standards, and commendations, and 149 verifications and approvals of vocational qualifications. We again revised and significantly shortened the list of investment projects requiring government review. We channeled great effort into the reform of the business system. The number of newly registered market entities reached 12.93 million, with that of enterprises increasing by 45.9%, creating a fresh surge of entrepreneurial activity. While economic growth slowed down,

more jobs were created, which fully demonstrates both the tremendous power of reform and the endless potential of the market.

We drew on further opening up to boost reform and development. We expanded the China (Shanghai) Pilot Free Trade Zone and established similar zones in Guangdong, Tianjin, and Fujian. We worked to keep exports stable and increase imports, and China's international market share in exports continued to increase. Foreign direct investment actually made in China reached \$119.6 billion, making the country the world's top destination for foreign direct investment. China's outward foreign direct investment reached \$102.9 billion, meaning that outward investment has come to draw even with inward investment. China's free trade zone arrangements with Iceland and Switzerland were officially launched, and China completed substantive talks on free trade zones with the Republic of Korea and Australia. Major progress was made in cooperation with other countries in fields such as railways, electric power, oil, natural gas, and communications. Chinese equipment is making significant strides into the international market.

*Third, we stepped up structural adjustments to make China's development more sustainable.*

We took proactive steps to address prominent structural problems and supported the development of certain areas while containing the development of others, focusing on urgently needed

initiatives that promise long-term benefits. Our goal herein has been to lay a firm foundation for economic and social development.

Work was done to strengthen the foundations of agriculture. We increased policy support to strengthen agriculture, benefit farmers, and raise rural living standards. Grain output increased for the 11th consecutive year, and the income of rural residents grew faster than that of urban residents for the fifth year running. Overall agricultural production capacity was steadily improved. Agricultural science and technology continued to be strengthened, and agriculture was further mechanized. The pace of progress in the construction of major water conservancy projects was stepped up. Farmland under water-saving irrigation was increased by 2.23 million hectares. An additional 230,000 kilometers of roads were built or upgraded in rural areas. We launched a new round of efforts to return more marginal farmland to forest or grassland. The work to determine, register, and certify contracted rural land-use rights proceeded as planned, and new types of agricultural businesses registered faster growth.

We channeled great energy into making adjustments in the structure of industry. We focused on fostering new areas of growth by encouraging the service sector to develop more quickly, and supporting the development of strategic emerging industries, including the mobile Internet industry, the integrated circuits industry, high-end equipment manufacturing, and the new-energy vehicles industry. Internet-based finance rose swiftly to prominence.

*E-commerce, logistics, express delivery services and other emerging businesses developed rapidly. We have seen creators coming thick and fast, and the cultural and creative industries have been developing with great vitality.*

*At the same time, we continued to cut overcapacity. Fifteen key industries including steel and cement achieved their task for the year of shutting down outdated production facilities as scheduled. We stepped up efforts to prevent and control smog and surpassed this year's targets for removing high-emission and old vehicles from the roads.*

*Progress was made in developing infrastructure and promoting coordinated development among regions. Significant progress was made in coordinated development for the Beijing-Tianjin-Hebei region and in building the Yangtze Economic Belt. An additional 8,427 kilometers of railway lines were put into operation. The length of high-speed railways that are up and running in China reached 16,000 kilometers, accounting for more than 60% of the world's total. The length of the country's expressways open to traffic grew to total 112,000 kilometers. Waterways, civil aviation, and pipelines were all further developed. Steady progress was made in upgrading rural power grids. The number of broadband Internet users exceeded 780 million. Thanks to many years of hard work, the first phase of the middle route of the South-to-North Water Diversion Project was officially put into operation, benefiting millions of people along the route.*

We implemented the strategy of innovation-driven development. We worked to commercialize research and development deliverables, expanded the scope of trial policies from the Zhongguancun National Innovation Demonstration Zone, and ensured that scientific and technological resources were openly shared. All this has been helping to constantly unleash the creativity of scientists and engineers. Breakthroughs have been made in major research projects such as supercomputing, the lunar exploration program, and satellite applications, and a regional jet developed and produced in China has been successfully put into service.

*Fourth, we worked on developing a tightly woven and sturdy safety net to secure and improve living standards.*

We continued to put people first, sustaining increases to spending in areas that are important to improving standards of living. We have been working to build up a basic safety net, ensure there is a cushion in place for those most in need, and make relevant institutional arrangements. Despite a slowdown in the growth of government revenue and increased pressure on expenditures, more than 70% of last year's government budget was spent on ensuring standards of living.

We worked to strengthen employment and social security. We improved the policies to stimulate employment and initiated the scheme to help college students and graduates to start businesses, ensuring a steady increase in the employment of college graduates. We unified the basic pension systems for rural residents and

non-working urban residents and increased basic pension benefits for enterprise retirees by a further 10%. Construction began on 7.4 million government-subsidized housing units, and 5.11 million such units were basically completed. We established a nationwide temporary-assistance system, increased subsistence allowances by 9.97% for urban residents and 14.1% for rural residents, and increased subsidies and living allowances by more than 20% for disabled military personnel, families of revolutionary martyrs, and old-age veterans.

We continued to make progress in securing fair access to education. We strengthened efforts to improve badly built and poorly operated schools providing compulsory education in poor areas, increased financial aid to students from poor families, and significantly increased the amount available per eligible student for national study assistance loans. The scheme to subsidize the waiving of tuition fees at schools providing secondary vocational education was extended to cover three years of study. Policies have been introduced to ensure that children can receive compulsory education at schools close to where they live without having to take entrance exams, and 28 provincial-level administrative areas began to allow children who live with their migrant worker parents to take the college entrance exam in their cities of residence. The number of students from poor rural areas who were newly enrolled in key colleges and universities increased by more than 10% for the second year running. Through hard work, government spending on education has come to reach over 4% of GDP.

We intensified efforts to reform and develop medical and health care. Trials of serious illness insurance for rural and non-working urban residents were extended to all provincial-level administrative areas, the framework of the system for providing assistance for emergency medical treatment was established, and over 95% of the whole population was covered by medical insurance. The comprehensive reform of community medical and healthcare centers was deepened, and the networks of medical and healthcare services for counties, townships, and villages have been steadily improved. The number of counties and county-level cities carrying out trial public hospital reforms reached over 1,300.

We worked actively to develop the cultural sector. Progress was made in developing major cultural initiatives designed to benefit the public. Great efforts were made to extend radio and television coverage not only to all villages but to all rural homes. Efforts were made to ensure the production of more high-quality literary and artistic works, and the modern culture market was improved. Popular fitness activities are flourishing nationwide, and the 2014 Summer Youth Olympic Games in Nanjing were a great success.

*Fifth, we have been developing new forms of social governance, and promoting social harmony and stability.*

We responded effectively to natural disasters and emergencies, worked to resolve social problems in a systematic way, and strengthened mechanisms to address problems at the source. These efforts have protected lives and ensured public order.

Last year, when strong earthquakes hit in areas including Ludian and Jinggu counties in Yunnan Province, we launched timely and efficient relief efforts and made smooth progress in post-earthquake recovery and reconstruction. We worked proactively to assist Africa in the fight against Ebola, and effectively prevented the virus from entering China. We intensified efforts to ensure workplace safety and achieved reductions in the number of total accidents, serious and major accidents, and accidents in key industries. Serious efforts were made to prevent food contamination, and on the whole the situation was kept stable in food and medicine safety.

In a major push to advance law-based government administration, the State Council submitted proposals to the Standing Committee of the National People's Congress (NPC) on enacting or revising 15 laws including the Food Safety Law, and formulated or revised 38 sets of administrative regulations including the Provisional Regulations on Enterprise Information Disclosure. We took thorough steps to increase transparency in government operations, and used multiple means to widely solicit comments from the public on major government decisions and policies. The third national economic census was completed. We reformed the system for handling public complaints made in the form of letters or visits. Legal aid was expanded to cover not only people living on subsistence allowances but also those on low incomes. We strengthened efforts in both urban and rural community building, and made direct registration a reality for four types of

social organizations, including industry associations and chambers of commerce. We cracked down on crime, strengthened efforts in the comprehensive maintenance of law and order, and effectively safeguarded national security and public safety.

We have been strictly putting into practice the CPC Central Committee's eight-point decision on improving Party and government conduct and making persistent efforts to fight formalism, bureaucratism, hedonism, and extravagance. We have been rigorously implementing the State Council's three-point decision on curbing government spending, and have effectively controlled the construction of new government buildings, the staffing of government bodies and public institutions, and the spending on official overseas visits, official vehicles, and official hospitality. Administrative supervision and auditing oversight have been intensified; efforts have been stepped up to improve Party conduct, build a clean government, and fight corruption; and we have investigated and prosecuted violations of the law and discipline, bringing many offenders to justice.

We have taken strong steps to ensure the implementation of major policies and measures, carrying out inspections, introducing third-party evaluations and public appraisals, and establishing permanent mechanisms. These efforts have gone a long way in advancing all of our work.

Over the past year, Chinese diplomacy has been fruitful. President Xi Jinping and other state leaders visited many countries

and attended major international events, including the G20 Leaders Summit, the BRICS Leaders Meeting, the Shanghai Cooperation Organization Summit, the East Asian leaders' meetings on cooperation, the Asia-Europe Meeting, the Annual Meeting of the New Champions 2014 in Tianjin, and the World Economic Forum annual meeting 2015 in Davos, Switzerland. China hosted the 22nd APEC Economic Leaders Meeting, the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, and the Boao Forum for Asia.

China has been participating actively in establishing multilateral mechanisms and writing international rules. We have made steady progress in developing relations with other major countries, entered a new phase in neighborhood diplomacy, and made new headway in our cooperation with other developing countries. Notable progress has been made in conducting economic diplomacy.

Progress has been made in pursuing the Silk Road Economic Belt and 21st Century Maritime Silk Road initiatives; preparations have been made for establishing the Asian Infrastructure Investment Bank, and the Silk Road Fund has been set up.

China is engaging in more exchanges and cooperation with other countries, and is increasingly recognized as a major responsible country on the international stage.

Fellow Deputies,

We owe the achievements of the past year to the overall planning and sound policymaking of the Party Central Committee with Comrade Xi Jinping as General Secretary and to the concerted and unremitting efforts of all members of the Party and the armed forces, and all of China's people.

On behalf of the State Council, I wish to express our sincere gratitude to the people of all our ethnic groups, and to the non-CPC parties, people's organizations, and people from all sectors of society. We would like to express our heartfelt appreciation to our compatriots in the Hong Kong and Macao special administrative regions and in Taiwan, and to Chinese nationals overseas. We also wish to express true gratitude to the governments, international organizations, and friends from all over the world who show understanding for and support China in its endeavor to modernize.

While recognizing our achievements, we must also be mindful of the difficulties and challenges on the road ahead:

- Growth in investment is sluggish; the number of new areas of strong consumer activity is limited; there is no sign the international market is about to significantly pick up; maintaining stable growth is becoming more difficult, and there are still latent risks in some areas.
- The prices of manufactured products are continuing to fall; the costs of factors of production are on the rise; small and micro businesses are finding it difficult and costly to obtain financing; and the going is tough for some enterprises.

- China's economic growth model remains inefficient; our capacity for innovation is insufficient; overcapacity is a pronounced problem, and the foundation of agriculture is weak.
- There are still many problems of public concern in medical services, elderly care, housing, transport, education, income distribution, food safety, and law and order. Environmental pollution is serious in some localities, and major accidents in the workplace are not uncommon.
- There is still much to be improved in the work of the government, with some policies and measures not being satisfactorily implemented. A small number of government employees behave irresponsibly; shocking cases of corruption still exist; and some government officials are neglectful of their duties, holding onto their jobs while failing to fulfill their responsibilities.

We must face these problems head on. In times of peace one must be alert to danger, and in times of stability one must be mindful of the potential for chaos. We must be ready to bear the weight of responsibility, do justice to our historic mission, and live up to the great trust the people place in us.

## **II. The Plan for Work in 2015**

China is the largest developing country in the world; it is still in the primary stage of socialism, where it will remain for a long time to come. At this stage, development is of primary importance to

China; it is both the basis for and the key to solving every problem we face. In order to defuse problems and risks, avoid falling into the “middle-income trap,” and achieve modernization, China must rely on development, and development requires an appropriate growth rate.

At the same time, China’s economic development has entered a new normal. Our country is in a crucial period during which challenges need to be overcome and problems need to be resolved. Systemic, institutional, and structural problems have become “tigers in the road” holding up development. Without deepening reform and making economic structural adjustments, we will have a difficult time sustaining steady and sound development.

We must be adamant in pursuing economic development as our central task and make a thorough job of development as the top priority for ensuring the governance and revitalization of the country. We must continue to promote development in a sound and balanced way through reform and speed up the transformation of the growth model so as to achieve quality, efficient, and sustainable development.

At present, the world economy is undergoing profound adjustment, its recovery lacks drive, the influence of geopolitics is increasing, and there are a greater number of uncertainties at play. Promoting growth, creating jobs, and making structural adjustments have become common goals for the international community. With downward pressure on China’s economy building

and deep-seated problems in development surfacing, the difficulties we are to encounter in the year ahead may be even more formidable than those of last year.

On the other hand, China is still in an important period of strategic opportunity during which great progress can be made in development. Our country's development has enormous potential and is hugely resilient, and we have ample room for growth. Steady progress is being made in the development of new types of industrialization, applications of information technologies, urbanization, and agricultural modernization; the foundation underpinning development is becoming stronger by the day; benefits of reform are being delivered as we speak; and we have gained much experience in conducting macro regulation. We must strengthen our awareness of latent problems while remaining fully confident and taking an active approach to development.

This coming year will be crucial for comprehensively deepening reform, the first year for fully advancing the law-based governance of the country, and a critical year for ensuring steady growth and making structural adjustments. The overall requirements for the government's work this year are as follows:

- hold high the great banner of socialism with Chinese characteristics;
- follow the guidance of Deng Xiaoping Theory, the important thought of Three Represents, and the Scientific Outlook on Development;

- *comprehensively implement the guiding principles of the 18th National Party Congress and the third and fourth plenary sessions of the 18th CPC Central Committee;*
- *put into practice the guiding principles from General Secretary Xi Jinping's major speeches;*
- *actively adapt to and guide the new normal in China's economic development;*
- *adhere to the general principle of seeking progress while keeping performance stable;*
- *ensure that the economy performs within an appropriate range;*
- *focus on strengthening the quality and benefits of economic development;*
- *give greater priority to transforming the growth model and making structural adjustments;*
- *tackle tough problems of reform head on;*
- *pursue innovation-driven development;*
- *strengthen risk prevention and control;*
- *strengthen safeguards for people's standard of living;*
- *get the right balance between carrying out reform, pursuing development, and ensuring stability;*
- *promote all-round socialist economic, political, cultural, social, and ecological advancement; and*

- *achieve steady and sound economic development and ensure social harmony and stability.*

*Keeping in mind these requirements, we must focus on achieving the dual objectives of maintaining a medium-high-level growth rate and moving toward a medium-high-level of development. We need to maintain policy continuity and keep expectations stable while moving forward with reform and structural adjustment, and we need to develop twin engines to drive development: popular entrepreneurship and innovation, paired with increased supplies of public goods and services. This will ensure that our growth rate is adjusted without weakening momentum and that growth in quantity is underpinned by greater quality, thereby achieving a better-quality, more efficient, upgraded economy.*

*We have set the main targets for China's economic and social development for this year as follows:*

- *increase the GDP by approximately 7%;*
- *keep the increase in the CPI at around 3%;*
- *create over ten million jobs in urban areas;*
- *ensure that the registered urban unemployment rate does not rise above 4.5%;*
- *increase imports and exports by around 6%;*

- *achieve a basic balance of payments;*
- *ensure that personal incomes increase in step with economic development; and*
- *cut energy intensity by 3.1%, and continue to reduce the emissions of major pollutants.*

*The target growth rate of approximately 7% takes into consideration what is needed and what is possible. This target is both aligned with our goal of finishing building a moderately prosperous society in all respects and is appropriate in terms of the need to grow and upgrade our economy. It is also in keeping with the objective laws of development as well as conditions in China. If China's economy can grow at this rate for a relatively long time, we will secure a more solid material foundation for modernization.*

*At the same time, the aim of maintaining stable growth is to ensure employment. As the service sector becomes larger, the number of small and micro businesses grows, and the economy gains in size, a growth rate of approximately 7% will ensure ample employment. Local governments need to set targets based on local conditions, be fully motivated to make progress, and tap into their full potential so as to deliver better outcomes.*

To deliver a good performance in the work of the government this year, we need to concentrate on the following three areas:

*First, we need to ensure continuity in and make improvements to macroeconomic policies.*

We will continue to implement proactive fiscal policy and prudent monetary policy. We will pay greater attention to anticipatory adjustments, fine-tuning, and targeted regulation. We will put both existing and additional financial resources to good use, focusing particularly on strengthening weak spots. We will improve micro-level vitality to underpin macroeconomic stability, explore new ways of achieving supply to boost demand, and balance total supply and demand through structural adjustments to ensure the economy performs within an appropriate range.

Our proactive fiscal policy must sustain the momentum of economic growth and increase economic returns. The government budget deficit for 2015 is projected to be 1.62 trillion yuan, an increase of 270 billion yuan over last year, which means that the deficit to GDP ratio will rise from last year's 2.1% to 2.3%. Of this amount, the central government deficit will account for 1.12 trillion yuan, an increase of 170 billion yuan, and local government deficit will account for 500 billion yuan, an increase of 100 billion

guan. We need to find the right balance between managing debt and maintaining steady growth. We will develop and improve mechanisms for local governments to secure financing through bond issuance. We will allow local governments to issue an appropriate amount of special bonds, ensure continued financing for eligible projects already under construction, and guard against and defuse risks and latent dangers. We will improve the mix of budgetary spending, redouble our efforts to put government funds on hand into use, and strengthen the effectiveness of government spending. We will continue to make structural tax reductions and cut fees across the board so as to further lighten the burden on enterprises, particularly small and micro businesses.

We will pursue prudent and balanced monetary policy. The  $M_2$  money supply is forecasted to grow by around 12% in 2015, but the actual supply may be slightly higher than this projection depending on the needs of economic development. We will work to strengthen and improve macro-prudential regulation, adopt a flexible approach in our use of monetary policy tools including open market operations, interest rates, required reserve ratios, and re-lending, and maintain steady growth in the supply of money and credit as well as aggregate financing in the economy. We will speed up the turnover of funds, improve the credit structure, increase the

proportion of direct financing to total financing, and reduce the cost of financing, thereby allowing more financial resources to be channeled into the real economy.

*Second, we need to maintain a proper balance between ensuring steady growth and making structural adjustments.*

In its current stage of development, China has to deal simultaneously with the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of previous economic stimulus policies. As resource-related and environmental constraints grow and costs for labor and other factors of production rise, a model of development that draws on high levels of investment and energy consumption and is heavily driven by quantitative expansion becomes difficult to sustain. We must therefore improve the economic structure while ensuring steady growth. The growth rate must be kept steady to ensure that economic performance is stable, and that employment and personal incomes carry on increasing, thus creating a favorable environment for making structural adjustments and transforming the growth model.

At the same time, structural adjustments must be made to consolidate the foundation for ensuring steady growth. We need to increase research and development spending, raise total factor productivity, improve quality, standards, and brand-building, strengthen the service sector and strategic emerging industries and

increase their share of the economy, improve the overall structure of economic growth, and work harder to foster new areas of growth and growth poles. With these efforts, we can ensure that economic upgrading and development reinforce each other.

*Third, we need to nurture and hasten the birth of a new force for driving economic and social development.*

As the force that has traditionally driven economic growth is weakening, it is imperative that we intensify structural reform, boost efforts to implement the strategy of pursuing innovation-driven development, and upgrade traditional engines while creating new ones for driving development.

We will increase the supply of public goods and services, increase government input in areas like education and health care, and encourage nongovernmental participation to improve the efficiency of supply. This will bolster weak spots and benefit the people, as well as increase demand and promote development.

At the same time, we will also encourage people to start their own businesses and to make innovations, which will not only create more jobs and increase personal incomes, but also improve upwards social mobility and social equity and justice.

China has a population of 1.3 billion and a workforce of 900 million. Our people are hardworking and talented, and there is no limit to their ingenuity. When an abundance of market cells spring into life, they will form a mighty driving force for development, ensuring China's economy remains resilient in spite of the

downward pressure on it, and continues to be full of life and dynamism. The government should be bold in imposing a reform on itself so as to leave ample space for the market and society to play their respective roles and level the playing field for fair competition. Individuals and enterprises must have the mettle to promote their business development and make innovations, and our society needs to nurture a culture of entrepreneurship and innovation. In this way, while creating wealth, people will be able to meet their cultural and intellectual needs and realize their full potential in life.

This year is the final year for completing the 12th Five-Year Plan. As we strive to accomplish the major tasks and objectives for economic and social development set forth in this plan, we need to formulate the 13th Five-Year Plan, bringing to this work the spirit of reform and innovation and adopting a scientific approach.

### **III. Deepening Reform and Opening Up**

Reform and opening up is crucial for driving development. We must focus on economic structural reform as we comprehensively deepen reform, taking all things into consideration in planning, working solidly to deliver concrete outcomes, making new breakthroughs in areas that can boost development as a whole, and strengthening new momentum to drive development.

*We will do more to streamline administration and delegate more powers to lower-level governments and to society in general while improving regulation.*

*This year, we will delegate the power or cancel the requirement for government review for more items, cancel all non-administrative review, and establish a system for exercising well-regulated management over the government review process. We will deepen reform of the business system; further simplify the process for capital registration; take gradual steps to integrate the business license, the certificate of organization codes, and the certificate of taxation registration into one certificate; and overhaul and regulate intermediary services. We will draw up a negative list for market access, ensure that provincial-level governments make their lists of powers and responsibilities open to the public, and make sure that anything the law does not authorize is not done, while all duties and functions assigned by law are performed.*

*Local governments must completely let go of powers that should be delegated to the market or society, and properly exercise the power of review over all items that have been delegated to them by higher-level governments. We will exercise stronger oversight both during and after the handling of matters, and improve the network of services for both enterprises and the general public. We will work to improve the credit rating system, put in place a national unified system of codes for rating credit, and establish a platform for sharing and exchanging information on credit. We will, in*

accordance with the law, protect the information security of enterprises and individuals.

It goes without saying that powers should not be held without good reason. Governments at all levels need to adopt effective ways to streamline administration, delegate powers, and transform their functions, creating an enabling environment for enterprises, making it easier to start up in business, and creating the right environment for fair competition. Procedures and processes must be simplified and time frames must be clarified for all items requiring administrative review, and cuts to government power will be made to boost market vitality.

*We will take multiple measures to reform the investment and financing systems.*

We will substantially reduce the number of investment projects that require government review, delegate more powers of review to lower-level governments, significantly streamline the need for preliminary review for investment projects, and conduct project reviews online. We will greatly relax market access for private investment and encourage the use of private capital to set up equity funds. The government will guide nongovernmental investments toward key projects by subsidizing investments, injecting capital, and establishing funds. We will deepen reform of railway investment and financing by making good use of railway development funds. We will actively promote models of cooperation between government

and nongovernmental capital in developing infrastructure and public utilities.

*We will take timely action to accelerate price reform.*

This reform is aimed at ensuring the market plays the decisive role in allocating resources and significantly reducing the number of categories and items of goods and services for which prices are set by the government. In principle, we will lift pricing controls over all goods and services that can viably compete in markets. The government will stop setting prices for most pharmaceuticals and delegate to lower-level governments the power to set prices for certain basic public services.

We will expand the trials of pricing reforms for electricity transmission and distribution, carry out pricing reforms for water used in agriculture, and improve pricing policies to make them more conducive to energy conservation and environmental protection. We will improve the pricing of resource products and fully implement a system of tiered pricing for electricity, water, and natural gas used for household purposes. At the same time, we must strengthen oversight over pricing, improve market order, and ensure the basic living standards of people on low incomes.

*We will ensure that progress is made in the reform of the fiscal and tax systems.*

We will put in place a comprehensive, well-regulated, open, and transparent budgeting system. With the exception of cases where classified information is involved, all central and local government

departments must release their budgets and final accounts for public oversight. We will increase the percentage of funds transferred from the budgets for state capital operations to general public budgets. We will introduce medium-term fiscal planning. We will design effective measures to make good use of government funds at hand.

We will devote serious energy to completing work to replace business tax with VAT across the board, adjust and improve policies on consumption tax, and extend price-based resource taxes to cover more types of resources. We will submit a proposal to the NPC Standing Committee on revising the Law on the Administration of Tax Collection.

We will reform the transfer payments system, clearly define the respective powers and spending responsibilities of the central and local governments, and make appropriate adjustments to the division of revenue between them.

*We will move ahead with financial reform to better serve the real economy.*

We will encourage qualified private investors to establish, in accordance with the law, small and medium-sized banks and other financial institutions; there will be no quota imposed on them, and approval will be granted as long as all required conditions are met. We will deepen reform of rural credit cooperatives, and keep their

*status as legal persons in their counties stable. We will ensure development-oriented and policy-backed financial institutions function effectively in increasing the supply of public goods.*

*A deposit insurance system will be established. We will further liberalize interest rates and improve the central bank's framework for their regulation. We will work to keep the RMB exchange rate at an appropriate and balanced level and allow it to float more freely. We will make steady progress in realizing the convertibility of the RMB capital accounts, expand the use of the RMB internationally, accelerate the establishment of a cross-border payment system for the RMB, improve the worldwide clearing system for the RMB, pilot private overseas investment, and launch the Shenzhen-Hong Kong Stock Connect on a trial basis at an appropriate time.*

*We will strengthen the multilevel capital market and implement the reform to introduce a system of registration for issuing stocks. We will develop regional equity markets to serve small and medium-sized enterprises, encourage the securitization of credit assets, prompt an expansion of the issuance of corporate bonds, and develop the financial derivatives market. We will launch insurance to cover major disasters and commercial pension schemes that allow for deferred payment of individual income tax.*

*We will explore new approaches to financial regulation to prevent and diffuse financial risks. We will channel great energy into developing inclusive finance and ensuring equitable access to financial services for all market entities.*

*We will deepen the reform of state-owned enterprises (SOEs) and state capital.*

*We will push forward with targeted reform of SOEs on the basis of having clearly defined their functions. We will move more swiftly in carrying out trials on establishing state capital investment companies and operating companies, create a market-based platform for state capital operations, and improve their performance.*

*We will take systematic steps to implement the reform of introducing mixed ownership to SOEs, and both encourage and regulate equity investment made by non-state capital in SOE investment projects. We will accelerate structural reform of the electricity, oil, and natural gas industries. We will work, through multiple channels, to relieve SOEs of their obligation to operate social programs and help them solve longstanding problems, while at the same time ensuring that the legitimate rights and interests of workers are protected. We will ensure that SOEs improve their*

modern corporate structure, and incentive and restraint mechanisms for their executives are reformed and strengthened. We will strengthen regulation of state-owned assets and guard against their loss, and ensure that SOEs improve their performance.

The non-public sector is an important component of China's economy. We will remain firmly committed to encouraging, supporting, and guiding the development of this sector, work to enable entrepreneurs to give full expression to their talent, put into effect all policies and measures encouraging the development of the private sector, strengthen the vitality of enterprises under all types of ownership, and protect the property rights of all types of enterprise-legal persons in accordance with the law.

We will continue to push ahead with reforms in science, technology, education, culture, medical and health care, pensions, public institutions, and the housing provident fund. Development needs to be driven by reform, and the people are expecting the real benefits reform delivers. We must work hard to make sure that reform boosts development and benefits our people.

Opening up is itself a reform. We must carry out a new round of high-quality opening up, move more swiftly in building a new open

economy, and maintain momentum in development and in international competition by pressing ahead with opening up.

*We will transform and upgrade China's foreign trade.*

We will improve the mechanism for sharing the cost of export tax rebates between the central and local governments, with the central government paying all this year's increase over last year for the benefit of local governments and exporting enterprises. We will overhaul and regulate charges for imports and exports, and establish and release a complete list of such charges. We will implement policies and measures to enable China's foreign trade to develop new competitive edges, facilitate the transformation of processing trade, develop market purchase trade and a comprehensive service platform for foreign trade, expand comprehensive trials in cross-border e-commerce, turn more cities into trendsetters in undertaking services outsourced by other countries, and increase the share of service trade in China's foreign trade. We will adopt a more active import policy to increase the import of advanced technology, key equipment, and important parts and components.

*We will take a more active, more effective approach to making use of foreign capital.*

*We will revise the Catalogue for the Guidance of Industries for Foreign Investment. We will focus on making the service and manufacturing sectors even more open by halving the number of industries in which foreign investment is restricted. We will introduce, across the board, the management system under which foreign investment projects generally need only to be placed on record, with government review required in only a limited number of cases. We will delegate to lower-level governments the power of review for a large number of projects that are encouraged by the state; and work actively to explore the management model of pre-establishment national treatment plus a negative list. We will work to improve the foreign investment regulatory system, revise laws concerning foreign investment, and create a stable, fair, transparent, and predictable business environment.*

*We will speed up the implementation of the “go global” strategy.*

*We will encourage Chinese companies to participate in overseas infrastructure development projects and engage in cooperation with their foreign counterparts in building up production capacity. We will work to increase the international market share of Chinese*

railway, electric power, communications, engineering machinery, automobile, aircraft, electronics, and other equipment, and encourage the metallurgical, building materials, and other industries to invest overseas. Outbound investment will be mainly managed on a record-keeping basis. We will scale up export credit insurance to provide export financing insurance for all insurable complete sets of large equipment.

We will broaden the channels for using foreign exchange reserves, provide better financial services, information services, legal services, and consulate protection to Chinese firms investing abroad, guard against risk, and strengthen our capacity to protect the rights and interests of Chinese enterprises overseas. We are confident that these steps will enable Chinese companies to go global and go steadily, emerging stronger in international competition.

*We will foster a new environment in all-round opening up.*

We will work with the relevant countries in developing the Silk Road Economic Belt and the 21st Century Maritime Silk Road. We will move faster to strengthen infrastructure connectivity with China's neighbors, simplify customs clearance procedures, and build international logistics gateways. We will work to build the China-Pakistan Economic Corridor and the

*Bangladesh-China-India-Myanmar Economic Corridor. We will make China's interior and border areas more open to the outside world, promote the innovation-driven development of economic and technological development zones, and upgrade both border and cross-border economic cooperation areas. We will work actively to develop pilot free trade zones in Shanghai, Guangdong, Tianjin, and Fujian, and extend good practices developed in these zones to the rest of the country so that such zones become leading reform and opening up areas, each with its own distinctive features.*

*We will promote multilateral, bilateral, and regional opening up and cooperation.*

*We will uphold multilateral trade systems, work to promote expansion of the Information Technology Agreement, and take an active part in international talks in areas such as environmental products and government procurement. We will move faster to implement the strategy of developing free trade zones, ensuring that agreements on free trade zones with the Republic of Korea and Australia are signed as soon as possible; stepping up negotiations on the China-Japan-RoK Free Trade Zone; working for progress in talks on free trade zones with the Gulf Cooperation Council and Israel; endeavoring to complete the talks on upgrading the China-ASEAN Free Trade Zone and on establishing the Regional*

*Comprehensive Economic Partnership; and working to build the Asia-Pacific Free Trade Zone. We will continue negotiations on investment agreements with the United States and the European Union. As a responsible and enterprising nation, China champions the vision of promoting mutually beneficial development, boosting the global economy, and encouraging economic globalization.*

#### ***IV. Balancing Steady Economic Growth and Structural Improvement***

*Steady growth and structural adjustment complement each other. We must work hard to ensure that the economy performs within an appropriate range while promoting economic transformation and upgrading, and maintaining sustainable economic growth.*

*We will move faster to foster growth areas of consumption.*

*We will encourage private consumption and curb spending on official overseas visits, official vehicles, and official hospitality. We will promote consumption in elderly care, domestic services, and health services, help strengthen spending on information goods and services, raise consumer spending on leisure and tourism, give*

*impetus to green consumption, keep housing consumption stable, and encourage people to spend more on education, culture, and sports.*

*We will press ahead with the nationwide project to deliver telecoms, radio, television, and Internet service over a single broadband connection, accelerate the development of fiber-optic networks, significantly increase broadband speeds, develop logistics and express delivery services, and ensure that new forms of Internet-based spending, which combine online-offline activities, come to thrive.*

*We will strengthen monitoring, tracking, and recall systems to ensure the safety and quality of consumer goods, severely punish the production and sale of counterfeit and shoddy goods, and protect the legitimate rights and interests of consumers. In expanding consumption, we need to ensure every drop of spending builds to create a mighty river, so that the potential contained in an ocean of private consumers will be channeled into a powerful force driving economic growth.*

*We will increase effective investment in public goods.*

We will ensure that the projects set out in the 12th Five-Year Plan are completed. We will launch a number of major new projects, including:

- projects for rebuilding rundown urban areas and renovating dilapidated housing, urban underground pipe network projects, and other projects to improve living standards;
- major railway, highway, and inland waterway transport projects in the central and western regions;
- agricultural projects on water conservancy and developing high-quality farmland;
- projects that involve major information, electricity, oil, and natural gas networks;
- clean energy projects, and oil, natural gas, and mineral resource supply projects;
- projects for upgrading traditional industries; and
- energy-saving, environmental protection, and ecological conservation projects.

This year, the central government will increase its budgetary investment to 477.6 billion yuan. However, the government does not intend to perform an investment soliloquy; we need to do more

*to stimulate private investment and channel the investment of nongovernmental capital into more areas.*

*We will invest over 800 billion yuan in railway construction and open over 8,000 kilometers of railways to traffic. We will work to ensure that drive-through electronic toll collection systems are connected up on expressways throughout the country, and work toward making transportation truly lead the way in promoting development. Construction on the 57 ongoing major water conservancy projects needs to be accelerated; construction will be started on an additional 27 such projects this year, and investment in the major water conservancy projects under construction will exceed 800 billion yuan. Investment to be made in the above sectors, such as railways, water conservancy, and projects to rebuild rundown urban areas, will be weighted toward the central and western regions, helping stimulate enormous domestic demand.*

*We will work harder to modernize agriculture.*

*We will continue to give top priority to our work relating to agriculture, rural areas, and the rural population, speed up the transformation of the agricultural growth model, and ensure that agriculture is stronger, people in rural areas are better off, and rural China is more beautiful.*

*This year, we need to keep grain output above 550 million metric tons, and ensure both food security and the supply of major agricultural products. We will make sure that China's arable land area does not fall below the red line of 120 million hectares. We will carry out work on designating permanent basic cropland throughout the country, launch an initiative to maintain and enhance the quality of cultivated land, improve rural land, improve the subsoil of 13.3 million hectares of cropland, strengthen the building of irrigation and water conservancy facilities, and work hard to develop water-efficient agriculture.*

*We will step up efforts to develop and expand the use of new technology, new crop varieties, and new agricultural machinery. We will guide farmers to adjust what and how much they grow or breed based on market demand. We will offer support for agricultural products to be processed locally, particularly for grain processing in major grain-growing areas, and carry out pilot projects to replace grain crop cultivation with feed crop cultivation. We will comprehensively address problems such as residual traces of chemicals in agricultural products and livestock shipments. We will work to improve the quality of all agricultural products and make our food more safe to eat.*

*Our efforts to build a new countryside should benefit the rural population. We will give high priority to building roads and water facilities. This year, we will ensure that 60 million more rural residents gain access to safe drinking water; that 200,000 kilometers of rural roads are built or upgraded; and that bridges are built to replace all ropeways in the western region. We will work toward providing electricity to the over 200,000 remaining people in China who are still without access.*

*We will strengthen efforts to improve the environment, focusing particularly on refuse and sewage treatment, to build a more beautiful and livable countryside. We will increase rural incomes through multiple channels and keep narrowing the urban-rural income gap.*

*We will continue to fight the battle against poverty, carry out extensive poverty alleviation and development programs in contiguous poor areas, and take targeted measures to help people lift themselves out of poverty. Regardless of how difficult it may be, this year, we must again reduce the poor rural population by more than 10 million.*

*Reform is key to modernizing agriculture. On the premise of keeping household operations stable, we will support the*

*development of large family farming businesses, family farms and pastures, farmers' cooperatives, leading agricultural enterprises, and other emerging agribusinesses; cultivate a new type of skilled farmer; and develop diversified and scaled agricultural operations.*

*We will ensure smooth progress in determining, registering, and certifying contracted rural land-use rights. We will move prudently to carry out pilot reforms relating to rural land requisition, putting rural collective land designated for business-related construction on the market, the system of land use for rural housing, and the rural collective property rights system. We need to ensure that during reform, the acreage of cultivated land does not diminish, its quality does not deteriorate, and the interests of people in rural areas are protected.*

*We will deepen the reform of rural supply and marketing cooperatives, state farms on reclaimed land, the seed industry, state forestry farms, and state forests, and work to ensure the success of both experimental zones for carrying out rural reform and modern agriculture demonstration zones. We will refine the policy on setting minimum state grain purchase prices and the policy on the temporary state purchase and storage of major agricultural products, and improve the ways that subsidies are granted under the system of guaranteed base prices for agricultural products. We*

will strengthen the integration and management of funds for agricultural development. Whatever fiscal difficulties we may face, our policies to support agriculture must be strengthened, and related funding must be increased.

*We will work to achieve breakthroughs in promoting a new type of urbanization.*

Urbanization is a fundamental way to narrow the gap between urban and rural areas and provides the largest source of domestic demand. We will make urbanization people-oriented, focus on the three tasks,\* and fully leverage the role of urbanization in underpinning modernization.

We will redouble efforts to rebuild rundown urban areas and renovate dilapidated urban and rural housing. This year, our plan includes building an additional 7.4 million units of government-subsidized housing, of which 5.8 million are to be located in rundown urban areas, an increase of 1.1 million over last year. We will bring the renovation of dilapidated urban housing under the coverage of the policy on rebuilding rundown areas. We

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\* These tasks are:

- grant urban residency to 100 million people who have moved to cities from rural areas;
- rebuild rundown areas and “villages” within cities where 100 million people are currently living; and
- guide the process of urbanization for 100 million people in the central and western regions.

will renovate 3.66 million dilapidated rural houses, an increase of one million over the number renovated last year. We will carry out coordinated work to make rural housing more earthquake resistant.

In providing government housing support, we will phase in the policy of using both the provision of physical housing and the allocation of housing subsidies, and transform a portion of available housing into public rental housing or housing to be sold to those being relocated. Housing allowances will be provided to families who live on subsistence allowances and are facing serious housing difficulties. We will give targeted guidance, implement policies suitable to local conditions, assign primary responsibility to local governments for the development of housing, support people's demand for housing for personal use and second homes, and promote the stable and sound development of the real estate market.

We will draw on reform to solve tough issues in urbanization. We need to promptly implement reforms to the household registration system and relax controls over the transfer of household registration. People originally from rural areas who live and work in urban areas but have yet to gain urban residency will be able to access basic public services on the basis of their residence certificates, and we will get rid of fees related to residence certification. We will link the

*transfer payments of cities to their performance in granting urban residency to eligible migrant workers and find suitable ways to share the cost of ensuring migrant workers can become urban citizens. We will establish well-regulated, diversified, and sustainable mechanisms for financing urban development. We will continue to use land economically and intensively, establish a sound unified market for urban and rural land that may be used for construction purposes, and improve and expand pilot projects to link the amount of urban and rural land granted for these purposes to that of land returned to cultivation. We will increase funding and policy support for expanding trials in the new type of urbanization.*

*We will improve the planning and construction of cities and towns. We need to formulate and implement plans for building city clusters, and work systematically to develop integrated infrastructure and basic public services within clusters. Standards for designating municipalities will be improved, trial programs will be launched to expand the powers of very large towns and increase their overall carrying capacity, and efforts will be made to bring population growth in megacities under control. We will also raise the industry and population carrying capacity of prefectural cities, county towns, and hub towns to make it easier for people from rural areas nearby to gain urban residency.*

*We will develop smart cities and protect historical and local culture, ensuring it is passed on from generation to generation. We will strengthen urban facilities for water, gas, and electricity supplies, public transport, and flood prevention and rainwater control. We will ensure the effective governance of urban maladies such as pollution and traffic congestion to make transportation more convenient and improve the environment for urban living.*

*We will expand space for promoting development in different regions.*

*We will pursue in a coordinated way the strategy of developing the western region, revitalizing the northeast, boosting the rise of the central region, and ensuring the eastern region takes the lead in development and the strategy of developing the Silk Road Economic Belt, the 21st Century Maritime Silk Road, the Beijing-Tianjin-Hebei region, and the Yangtze Economic Belt.*

- *In the western region, we will launch a number of major projects involving multipurpose transportation systems, energy, water conservancy, the environment, and living standards;*

- In the old industrial bases of the northeast and other parts of China, we will implement policies and measures designed to ensure their full revitalization;
- In the central region, we will speed up the development of integrated transportation hubs and networks;
- We will support the eastern region in taking the lead in development;
- We will increase support to old revolutionary base areas, areas with concentrations of ethnic minorities, border areas, and areas with relatively high incidences of poverty; and
- We will improve differentiated policies for promoting the development of different regions.

We will integrate the development of the Silk Road Economic Belt and the 21st Century Maritime Silk Road with the development and opening up of related regions. We will promote development of the new Eurasian Continental Bridge as well as major coastal and border ports which serve as hubs for the Belt or the Road.

We will step up coordinated development for the Beijing-Tianjin-Hebei region and ensure that the region takes the lead in making substantive breakthroughs in areas such as

*integrated transportation, ecological conservation, environmental protection, and industry upgrading and relocation.*

*We will press ahead with the development of the Yangtze Economic Belt, working step by step to launch major projects including upgrading the area's major waterways and building docks and quays along the Yangtze River to create an integrated, multidimensional transport corridor. Industrial relocation demonstration zones will be built along the belt to guide the orderly relocation of industries from the east to the west. We will step up efforts to develop major development zones in the central and western regions and ensure cooperation is deepened in the pan-Pearl River Delta and other regions.*

*China is a major maritime country. We need to draw up and implement a strategic maritime plan, develop the marine economy, protect the marine environment, strengthen marine science and technology, strengthen coordinated maritime management, resolutely safeguard China's maritime rights and interests, properly handle maritime disputes, actively expand bilateral and multilateral maritime cooperation, and move closer to achieving the goal of building China into a maritime power.*

*We will move forward in industrial structural upgrading, aiming at a medium-high level.*

*Manufacturing is a traditionally a strong area for Chinese industry. We will implement the “Made in China 2025” strategy; seek innovation-driven development; apply smart technologies; strengthen foundations; pursue green development; and redouble our efforts to upgrade China from a manufacturer of quantity to one of quality.*

*We will provide subsidies and accelerate equipment depreciation to push forward the technological upgrading of traditional industries. We will ensure the development of some industries while restricting the growth of others, cut overcapacity, support business acquisitions and restructuring, and let market competition determine which businesses survive. We will promote the extensive application of information technologies in industrialization, develop and utilize networking, digitalization, and smart technologies, and work to develop certain key areas first and make breakthroughs in these areas.*

*Emerging industries and new types of businesses are areas of intense competition. We will launch major projects to develop high-end equipment, information networks, integrated circuits,*

new energy, new materials, biomedicines, aero engines, and gas turbines, helping a number of emerging industries to become leading ones. We will develop the “Internet Plus” action plan to integrate the mobile Internet, cloud computing, big data, and the Internet of Things with modern manufacturing, to encourage the healthy development of e-commerce, industrial networks, and Internet banking, and to guide Internet-based companies to increase their presence in the international market. In addition to the 40 billion yuan government fund already in place for investment in China’s emerging industries, more funds need to be raised for promoting business development and innovation.

The service sector can provide an enormous amount of employment opportunities and has vast potential for development. We will deepen the reform and opening up of the service sector, and implement fiscal, tax, land, and pricing policies to support its development. We will ensure that paid vacations are enforced, and channel great energy into developing tourism, health, elderly care, innovative design, and other better-living and production-related services. We will also deepen logistics reform, strengthen the building of modern logistics facilities such as large-scale wholesale, storage, and cold chain facilities for agricultural produce, and work hard to achieve major reductions in logistics costs.

*We will use institutional innovation to drive scientific and technological innovation.*

*It is people who make innovations and create things. We will speed up the reform to manage the use and commoditization of and the distribution of profit from scientific and technological advances of public institutions and extend the coverage of policies which allow for incentive mechanisms for innovation based on shares and dividends. Legislation on the commercialization of research and development deliverables and on-the-job inventions should be improved so that inventors can enjoy a share of the returns on their inventions.*

*We will formulate policies for encouraging the flow of researchers and engineers, reform the systems for assessing their achievements, for appraising them for the conferral of professional titles, and for granting national awards, and reform research institutions according to their functions. We will work to attract high-caliber foreign professionals and bring in other expertise from overseas.*

*We will fully implement the action plan for carrying out the national strategy on intellectual property rights, crack down on infringements, and ensure inventions and creative work are thoroughly protected to keep innovation thriving.*

Enterprises play a leading role in technological innovation. We will implement and improve preferential policies, such as extra tax deductions for research and development costs and policies that support new- and high-technology enterprises, so as to encourage enterprises to increase their spending on innovation. We will encourage enterprise involvement in implementing major science and technology projects and building research platforms, and promote collaborative innovation by bringing together enterprises, academia, and research institutes, with enterprises playing the leading role.

We will work hard to develop the right environment for creativity, establishing more national innovation demonstration zones, ensuring the smooth functioning of new- and high-technology national development zones, and enabling them to play a leading role in boosting innovation. Medium, small, and micro businesses can accomplish great things. We need to give them a leg up to get them going. With these efforts, China's grassroots innovation can sprout up and grow strong, bringing flowers of creation to every field.

To make innovation deliver, effective allocation of science and technology resources is crucial. We need to reform the management of science and technology plans funded by the central government

*to establish an open and unified national science and technology management platform. With the focus on supporting basic research, research in cutting-edge technologies, and key technologies that have a broad application, the government will encourage original innovation and move faster to launch major national science and technology projects. We will enable open access to the country's major science and research infrastructure facilities as well as large-scale or costly research equipment. By giving free rein to the talent and ingenuity of the Chinese people, we will welcome in a new high tide of popular innovation.*

#### ***V. Making Sustained Efforts to Improve Living Standards and Promote Social Development***

*The only way to build a country is to enrich its people. With increasing people's quality of life as our objective, we will accelerate the development of social programs, reform and improve the income distribution system, do everything possible to increase people's incomes, and promote social equity, justice, harmony, and progress.*

*We will work hard to promote business development and increase employment.*

*We will continue to give top priority to employment and the creation of jobs by encouraging entrepreneurship. This year, the number of college graduates will reach 7.49 million, a record high. We need to strengthen employment guidance and education on starting up in business; implement the plan to help college graduates find jobs and encourage them to look to the community level to find employment; and carry out the plan to guide university students toward starting their own businesses and support them in creating start-ups in emerging industries.*

*We will work to help people who have lost their jobs due to structural adjustments or measures to address overcapacity to find new employment, and coordinate efforts to ensure employment can be found for people who move from rural to urban areas to find work, vulnerable urban residents who have difficulty finding jobs, and decommissioned military personnel. We will put into effect the plan on providing vocational training for migrant workers, and implement and improve the unemployment insurance policy on supporting enterprises that keep people in their jobs. We will draw on comprehensive governance to deal with the “missing” or delayed wages of migrant workers, improve the mechanisms for supervising the handling of labor issues and disputes, and ensure the law fully*

functions as the protector of the rights and interests of anyone in employment.

*We will strengthen social security and increase individual income.*

The basic pension benefits for enterprise retirees will be increased by 10%. The monthly basic pension benefits for rural and non-working urban residents will be uniformly raised from 55 yuan to 70 yuan per person. We will work to place the basic pensions of workers in urban areas under unified national management. The premiums will be lowered for insurance schemes such as the unemployment insurance scheme and the workplace injury insurance scheme. We will improve the mechanism for adjusting minimum wages. We will take steps to reform the pension system for employees of Party and government offices and public institutions and at the same time improve their pay systems, and we will make policies weighted toward benefiting government and Party employees at the community level. A system will be instituted under which public servants of Party and government offices at and below the county level can be promoted in terms of both their post and their rank, and are paid accordingly.

We will increase aid for treating major and serious diseases and implement the temporary-assistance scheme nationwide so that people with urgent or special needs will have somewhere to go for support, and will be able to get that support straight away. We will develop sound welfare and service systems for vulnerable groups including children living in difficult circumstances, the very elderly,

elderly people with disabilities, people with serious disabilities, and people with disabilities who are living in poverty. We will continue to raise subsistence allowances for rural and urban residents and increase benefits and living allowances for entitled groups. Policies for increasing wages and social security benefits have a bearing on a great number of people; their implementation by governments at all levels must be completely satisfactory. Ensuring people's wellbeing is a top priority for the government, and we must do all we can to make sure that basic needs are met.

*We will promote fair access to and strengthen the quality of education.*

Education is an endeavor for today, but a source of hope for tomorrow. We need to foster virtue through education and ensure that students develop a strong sense of social responsibility, innovative thinking, and an ability to put ideas into practice. We should ensure that students strengthen their dedication to socialism with Chinese characteristics. We will deepen the reform to expand the responsibility of provincial-level governments over local education, the comprehensive reform of colleges and universities, as well as the reform of the school examination and enrollment systems.

We will move more quickly to help all schools providing compulsory education to meet standards, and improve basic

*conditions in boarding schools and schools that are poorly built and operated. We will implement the policy of enabling the children of migrant workers to receive compulsory education in the cities and towns where they and their parents live and improve policies that enable them to continue on into secondary and college education.*

*We will work to comprehensively promote the development of a modern vocational education system. We will guide a number of local undergraduate institutions to transform themselves into applied colleges. We will support the development of higher education in the central and western regions by offering them assistance through pairing programs, and continue to raise the admission rate for those taking the college entrance exams in the central and western regions and in provinces with larger populations. We will work to develop world-class universities and disciplines.*

*We will strengthen education for those with special learning needs, preschool education, continuing education, and all types of education in areas with concentrations of ethnic minorities. We will work to promote the healthy development of privately run educational institutions. In order to provide good education, we must guarantee funding and ensure that every yuan is well spent. We should clear any obstructions to upwards mobility for students*

from rural or poor areas, and ensure that each and every person has the opportunity to change their life through education.

*We will work more quickly to improve the basic medical and healthcare systems.*

We will improve basic medical insurance for rural and non-working urban residents, and increase the annual government subsidy for this insurance from 320 yuan to 380 yuan per person. We will basically complete the task of enabling on-the-spot settlement of medical expenses incurred anywhere within the provincial-level administrative area where one's insurance is registered, and steadily work toward enabling retirees to have their medical expenses settled on the spot in whichever provincial-level administrative area they are living. We will fully implement the major disease insurance scheme for rural and non-working urban residents.

We will work to deepen the comprehensive reform of community-level medical and healthcare institutions, strengthen the general practitioner system, and improve the system of tiered diagnosis and treatment. We will fully implement the comprehensive reform of county-level public hospitals, and trial public hospital reform in 100 cities at or above the prefecture level.

*We will put a stop to the practice of charging more for medicines to make up for low prices for medical services, lower extortionate prices on medicines, make appropriate adjustments to medical service prices, and take measures such as reforming medical insurance payouts to control costs of medical services, thereby lightening the burden that medical expenses place on people.*

*We will encourage doctors to practice in community-level clinics in addition to their regular practice and help the development of nongovernmental hospitals. We will launch comprehensive pilot projects for deepening medical reform at the provincial level. We will move faster in setting up mechanisms for preempting and mediating medical disputes. We will increase the annual subsidy for government expenditures on basic public health services from 35 yuan to 40 yuan per capita, with the entire additional sum to be used for paying for rural doctors to provide basic public health services; this will allow large numbers of rural residents to enjoy better access to local medical services.*

*We will strengthen the prevention and control of major diseases. We will actively develop traditional Chinese medicine and the traditional medicine of ethnic minorities, and advance the reform of family planning services and the way they are managed. Good health is a basic public necessity, so we must work consistently to*

raise the standard of medical and healthcare services to create a healthy China.

*We will enable people to enjoy more of the fruits of cultural development.*

Culture is the lifeblood of a nation and a source of innovation. We will put into practice core socialist values and promote fine traditional Chinese culture. We will encourage philosophy and the social sciences to flourish and promote the development of literature and art; the press and publishing; radio, television, and film; archiving; and other cultural programs. We will work to protect cultural relics and intangible cultural heritage.

We will ensure that more outstanding works of literature and art are created for the people to enjoy, and encourage a love of reading in all our people to build a nation of avid readers. We will make steady progress in providing basic public cultural services in a standard and equitable way, allow free admission to more public cultural facilities, and ensure multipurpose cultural service centers play a key role in local communities.

We will deepen the structural reform of the cultural sector and promote the integrated development of traditional and emerging media. We will expand cultural exchanges with other countries and

*improve our ability to communicate effectively with international audiences. We will develop public fitness programs, competitive sports, and the sports industry, and work toward putting in a strong bid to host the 2022 Winter Olympics.*

*We will strengthen and make innovations in social governance.*

*We will deepen reform of the management of social organizations, and accelerate efforts to untie industry associations and chambers of commerce from any connections they may have with the government. We will support the participation of popular organizations in social governance in accordance with the law. We will develop specialized social work, volunteer services, and charities. We will encourage the opening of nongovernmental elderly care facilities, and develop community-based and at-home elderly care.*

*We will provide support and services for children, women, and older people who remain in rural areas while their family members move to work in urban areas, and establish a system of social protection for minors. We will improve our ability to prevent and handle public emergencies and to prevent, respond to, and mitigate disasters. We will ensure that work in seismology, meteorology, surveying, mapping, and geology is all carried out to good effect.*

*We will make intensive efforts to increase public awareness of the rule of law, improve the effectiveness of people's mediation, and improve the system of legal aid. We will ensure that potential risks which major policy decisions may pose to social stability are fully assessed so as to effectively prevent and resolve social conflicts. We will ensure that the handling of public complaints filed through letters and visits is brought into line with the rule of law, and see to it that all justified complaints and demands are resolved promptly and locally.*

*We will uphold law and order in China; improve the multidimensional system for crime prevention and control; punish violent terrorism, pornography, gambling, drug abuse and trafficking, cult activity, smuggling, and other crimes in accordance with the law; develop and regulate cyberspace; and ensure national and public security. Life is priceless; we must take stronger measures to ensure workplace safety in all fields, and ensure food and medicine safety throughout the production process.*

*We will fight to win the battle of conserving energy, reducing emissions, and improving the environment.*

*Environmental pollution is a blight on people's quality of life and a trouble that weighs on their hearts. We must fight it with all our*

might. This year, we will cut the intensity of carbon dioxide by at least 3.1%, reduce both chemical oxygen demand and ammonia nitrogen emissions by around 2%, and reduce emissions of sulfur dioxide and nitrogen oxides by around 3% and 5% respectively.

We will fully implement the action plan for preventing and controlling air pollution; carry out coordinated inter-regional prevention and control efforts; upgrade coal-burning power plants to achieve ultra-low emissions; and strive for zero-growth in the consumption of coal in key areas of the country.

We will promote the use of new-energy vehicles, reduce vehicle exhaust emissions, raise the national production standards for and improve the quality of fuel, and provide motor gasoline and diesel fuel that meets National-V standards to all key cities in key areas. We will remove from the roads all high-emission commercial vehicles registered before the end of 2005.

We will actively respond to climate change and expand the trials for trading carbon emissions rights. We will implement the action plan for preventing and controlling water pollution; strengthen control over pollution in rivers, lakes, seas, water pollution sources, and pollution from nonpoint agricultural sources; and ensure the

safety of drinking water by carrying out oversight over the whole process, from the source to the tap.

We will introduce third party governance in the handling of environmental pollution. We will work on the legislation for environmental protection tax. We must strictly enforce environmental laws and regulations; crack down on those guilty of creating illegal emissions and ensure they pay a heavy price for such offenses; and hold those who allow illegal emissions to account, punishing them accordingly.

Revolution in energy generation and consumption is vital to any country's development and to the wellbeing of its people. In China, we will put great weight behind the development of wind power, photovoltaic power, and biomass energy, work actively to develop hydropower, stress safety in developing nuclear power, and exploit and utilize shale gas and coal seam gas.

We will set a ceiling on total energy consumption and strengthen energy conservation in key areas such as manufacturing, transportation, and construction. We will work hard to develop a circular economy and promote the recovery of resources from industrial and household waste. There is enormous potential in China's market for energy conservation and environmental

protection; we will develop the energy conservation and environmental protection industry into a new pillar of the economy.

Forests, grasslands, rivers, and wetlands are ecological riches and gifts of nature that we must take greater care to cherish. We will carry out major ecological projects; extend key eco-function zones; work to establish zones that demonstrate best practices for promoting a sound ecology; carry out pilot projects to improve the overall condition of rivers; expand the trial of having localities situated on the upper and lower reaches of river basins compensate each other for their impact on water quality; and ensure the sources of the Yangtze, Yellow, and Lancang rivers are effectively preserved. We will expand the areas of natural forests under protection, and work in a planned way to put a stop to commercial logging in these forests. This year, we will return an additional 666,667 hectares of marginal farmland back to forest or grassland, and afforest 6 million more hectares of land.

In ecological protection, progress comes only through action, and success only through persistence. We must take a firm and unrelenting approach in this work, to ensure we always have blue skies, lucid waters, and sustainable development.

## VI. Improving Government

*We will fully promote the law-based governance of the country; move more swiftly to build an innovative, clean, service-oriented rule of law government; enhance the government's administrative capacity and public credibility; and modernize China's governance system and capacity for governance.*

*We will exercise governance in accordance with the Constitution and other laws and bring all government work in line with the rule of law.*

*The Constitution is the fundamental guide on which our every action should be based; governments at all levels and their employees must faithfully observe it. We must respect, study, abide by, and apply the law, and fully perform our duties in accordance with it. All government activities must have a legal basis, and no government body may assume any power which is not provided for by law. We will deepen reform of the administrative law enforcement system, enforce the law in a strict, well-regulated, impartial, and appropriate manner, press ahead with coordinated law enforcement, and fully implement the accountability system for administrative law enforcement. We must see to it that all violations of laws and regulations are investigated and prosecuted, and all failures to strictly and impartially enforce the law are rectified.*

*We will develop new ways of conducting regulation, strengthen services, and work to improve government performance.*

*In basic public services, we need to do all we can to use service procurement as the means of provision, and routine services that can be provided by a third party should be handed over to the market or society. We will work to ensure decisions are made in a sound and democratic way and place importance on the role of think tanks. We will fully put into practice transparency in government affairs and promote the use of e-government and online administration. All levels of governments must actively accept oversight by people's congresses and their standing committees at their respective administrative level; accept the democratic oversight of CPPCC committees; and earnestly solicit the views of deputies to people's congresses, non-CPC parties, federations of industry and commerce, public figures without party affiliation, and people's organizations. All our work must be subject to the people's oversight and be done in the way they expect it to be done.*

*We will exercise power in accordance with the law, encourage thrift and oppose extravagance, and work painstakingly to improve Party conduct, promote integrity, and fight corruption.*

We will work conscientiously to implement the CPC Central Committee's eight-point decision on improving Party and government conduct; work tirelessly to oppose formalism, bureaucratism, hedonism, and extravagance; and continue to strictly enforce the State Council's three-point decision on curbing government spending. As rent-seeking is a feature common to all types of corruption, we will shed powers to make government cleaner, truss up the institutional fencing, and resolutely eliminate any room for rent-seeking, thus eradicating the breeding grounds of corruption. We will intensify government supervision, make full use of auditing oversight, and strictly monitor public funds, public resources, and state-owned assets. Our tough stance on corruption is here to stay; our tolerance for corruption is zero, and anyone guilty of corruption will be dealt with seriously. We will see to it that every instance of corruption, should it be committed higher up or lower down, is severely punished.

*We will take an active approach to our work, focus on implementation, and work with diligence for the people.*

China's economic development has entered a new normal, meaning we must adopt a new attitude. All public servants, especially officials, should always treat it as their greatest responsibility to promote development that benefits the people,

*carry the task of modernization on their shoulders, and keep the wellbeing of the people at the forefront of their minds. Governments at all levels must fully perform their functions and responsibilities, ensure thorough implementation, and be creative in their work. We will work to improve the mechanisms for assessing performance, and commend those who perform well, admonish those who do not, and expose and hold to account those who are indolent, sloppy, or neglectful of their duties.*

*Fellow Deputies,*

*China is a unified country of many ethnic groups. Working to enhance and develop socialist ethnic relations featuring equality, unity, mutual assistance, and harmony is the joint responsibility and in the fundamental interests of everyone.*

*We will uphold and improve the system of regional ethnic autonomy, increase support for underdeveloped areas with concentrations of ethnic minorities, and aid the growth of ethnic minorities with smaller populations. We will work to boost development in border regions and improve living standards there. We will see to it that the fine traditional culture of our ethnic minorities and distinctively ethnic villages and towns are preserved and developed, and promote interaction, communication, and integration between ethnic groups.*

We will work to successfully mark the 50th anniversary of the founding of the Tibet Autonomous Region and the 60th anniversary of the founding of the Xinjiang Uygur Autonomous Region. With people of all our ethnic groups living together as one, sharing in a common cause, and developing together in harmony, the big family of the Chinese nation will enjoy greater prosperity, peace, and happiness.

We will fully implement the Party's basic policy on religion, promote harmonious relations between religions, protect the legitimate rights and interests of the religious community, and ensure that religious leaders and believers play a positive role in promoting economic and social development.

We need to ensure that overseas Chinese nationals, overseas Chinese nationals who have returned to China, and the relatives of overseas Chinese nationals who themselves live in China can all perform better the unique role they have to play in modernizing China, advancing its peaceful reunification, and promoting exchange and cooperation between China and other countries. We need to strengthen the bonds of attachment and affection of all Chinese, whether at home or overseas, to our motherland.

*Fellow Deputies,*

*Building a solid national defense and strong armed forces is fundamental to safeguarding China's sovereignty, security, and developmental interests. We must keep to the Party's goal of strengthening the armed forces under the new conditions, uphold the fundamental principle of the Party's absolute leadership over the armed forces, strengthen our efforts in all areas in a coordinated way to maintain military preparedness, and ensure border, coastal, and air defense stability. We will comprehensively strengthen modern logistics, step up national defense research and development of new- and high-technology weapons and equipment, and develop defense-related science and technology industries.*

*We will deepen the reform of national defense and the armed forces, and increase the level of rule of law in their development. We will strengthen efforts to modernize the armed police forces. We will raise public awareness of the importance of national defense, and improve mobilization for national defense and the building of reserve forces. We will coordinate national defense development and economic development and deepen the integration of the military and civil sectors. Governments at all levels must always take an active interest in and support the strengthening of our national defense and armed forces, and remain committed to consolidating*

*and increasing the unity between the government and the armed forces and between the people and the armed forces.*

*Fellow Deputies,*

*We will steadfastly carry out the principles of “one country, two systems,” the people of Hong Kong governing Hong Kong, the people of Macao governing Macao, and both regions enjoying a high degree of autonomy, and we will strictly comply with the Constitution and the basic laws of these two regions. We will give full support to the chief executives and governments of the Hong Kong and Macao special administrative regions in governing their regions in accordance with the law, growing the economy, improving people’s standard of living, advancing democracy, and promoting social harmony.*

*We will ensure that the mainland and the two regions develop more exchange and cooperation in all fields, and that the two regions continue to play their special role in the country’s reform, opening up, and modernization. We are confident that with the central government continuing its strong support for Hong Kong and Macao, and with continuous improvements to their own competitiveness, these two regions will enjoy long-term prosperity and stability.*

*We will adhere to our policies concerning Taiwan and work to strengthen the political foundation of both sides of the Straits, upholding the 1992 Consensus and opposing the independence of Taiwan, and keep cross-Straits relations on the right course in peaceful development. We will strive to make progress in discussion and dialogue between the two sides of the Straits, advance cross-Straits economic integration for mutual benefit, and promote local and youth exchanges. We will protect the rights and interests of our compatriots from Taiwan in accordance with the law, and see that the fruits of peaceful growth of cross-Straits relations benefit more people. We hope that our compatriots on both sides of the Straits will continue to strengthen mutual understanding and trust, deepen their bonds of kinship, bring hearts and minds closer together, and work together to achieve China's peaceful reunification. We are firmly confident that the peaceful growth of cross-Straits relations is a historical trend that can be neither resisted nor reversed.*

*Fellow Deputies,*

*We will continue to hold high the banner of peace, development, cooperation, and mutual benefit, and coordinate China's domestic and international efforts. We remain fully committed to peaceful*

development and pursuing a win-win strategy of opening up. We will resolutely safeguard China's sovereignty, security, and developmental interests, and protect the legitimate rights and interests of Chinese citizens and legal persons overseas. We will help develop a new type of international relations based on mutual benefit and cooperation, work to deepen strategic dialogue and practical cooperation with other major countries, and work to build a sound and stable framework for major-country relations. We will work comprehensively to make progress in neighborhood diplomacy and work to create a community with a common future with our neighbors. We will work to strengthen unity and cooperation with other developing countries and protect our common interests. We will actively participate in international and multilateral affairs and work to make both the international system and the international order more just and equitable. We will host events to commemorate the 70th anniversary of the victory in the world's war against fascism and in the Chinese people's War of Resistance against Japanese Aggression, and work together with other members of the international community to uphold the victory of World War II and international justice. China is willing to work hand in hand with all other countries to sustain enduring peace and build a more prosperous world.

*Fellow Deputies,*

*This is an era that has given to China a historic opportunity for development and prosperity. Let us rally closely around the Party Central Committee with Comrade Xi Jinping as General Secretary, hold high the great banner of socialism with Chinese characteristics, and work together to break new ground. Let us endeavor to accomplish this year's objectives and tasks for economic and social development. By doing so, we will make new and greater contributions toward achieving the Two Centenary Goals\* and realizing the Chinese Dream of the great rejuvenation of the Chinese nation.*

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*\* The Two Centenary Goals are to finish building a moderately prosperous society in all respects by the time the CPC celebrates its centenary in 2021; and to turn China into a modern socialist country that is prosperous, strong, democratic, culturally advanced, and harmonious by the time the People's Republic of China celebrates its centenary in 2049.*