**Excerpt of China Reform Report 2016**

Shenzhen Innovation and Development Institute

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**Keynotes in report:**

**General evaluation: overall design has been basically perfected, and breakthroughs have been made in certain areas.**

The Report generally evaluates China’s reform in 2016, indicating that the overall design of the structural reform has basically come into shape, and the top-level design of comprehensively deepening reform has matured. The mechanism of reform implementation has essentially formed; the passive situation at the local level has been improved. Nonetheless, there is much to do before the actual reform measures can be fully implemented.

The Report also indicates that, breakthroughs have taken place in some areas, while most areas are still undergoing reforms. The levels of reform implementation do not necessarily match the expectations of the central committee of the CPC. The report points out that the breakthroughs taking place in some areas of the reform agenda consist of three stages theoretically and practically: the first is the design stage, where major breakthroughs have been achieved in the contents of reform in the designing scheme; the second is the implementation stage during which the reform has progressed dramatically; the third stage pertains to the unexpected benefits deriving from the implementation of the reform agenda. In this sense, in the cause of comprehensively deepening reform in 2016, in respect of reform design, breakthroughs have been seen in various aspects of the reform agenda and the primary frame of the reform design has been established. As for the implementation of reform, notable progresses took place in some specific areas such as the anti-corruption campaign, administrative approval system reform and environmental protection while most of the targets on the reform agenda are still undergoing projects and awaiting advancements. There has to be some time for the effects of the reform to turn up, and during which the reform itself being examined by the society. Consequently, the social effects of reforms in economics, culture, society and environment remain to be tested.

The Report indicates that, according to the level of completion of reform targets and missions, the hundreds of measures for comprehensively deepening reform issued by the central committee of CPC can be divided into five categories generally. The first is that, a limited number of targets in the reform agenda were able to be implemented and received wide popular support; secondly, a limited number of targets in the reform agenda achieved major progresses and accomplished the goals set for the year; The third is that, the majority of reform plans are still in pilot and exploration stage, seeking breakthroughs. The forth is that, some reforms have inched forward, and are still in a stalemate. The fifth is that, a very small number of targets in the reform agenda remain in paper and have not been enforced.

**Evaluation on the critical areas of reform:**

1. Robust anti-corruption campaign has achieved notable progress; significant periodical results have been accomplished in the comprehensive strengthening of Party discipline.

The Report indicates that, since 2016, CCCPC cetnering around Xi Jinping has emphasized Party construction, and aimed to further the reform in its system. Remarkable achievements in Party construction can be captured, including: Maintain a tough stance on corruption with “thunderous might”; strictly supervise and implement the eight-point code of CCCPC and oppose “undesirable work styles such as formalism, bureaucracy, hedonism and extravagance”. Last year, China investigated 40,827 violations of eight-point code, punished 57,723 people, in which 42,466 including five provincial cadres and 551 prefectural cadres, were punished according to the Party discipline and laws,

Carry out “Party building studies” in a solid manner and consolidate the basis of comprehensive strengthening Party discipline. At the beginning of 2016, CCCPC issued *Educational Programs to Learn Party Constitution and Rules, Learn Series of Speeches and Be A Qualified Party Member* *among All Party Members*, strengthening the construction of grassroots Party organizations through “Party building studies”. The Party construction has gradually become institutionalized and normalized. Significant periodical results have been accomplished in the comprehensive strengthening of Party discipline, laying a good foundation for future improvements in the cultivation of party members.

Enhance communications among senior cadres and make innovations in the system and mechanism of cadre management. A series of regulations on cadres’ work have been issued to transfer the comprehensive strengthening of Party discipline to “cadre discipline”, which cover: improve the assessment and evaluation system of cadres through the perfecting of the indicators, methods and scientific nature of the system; enhance the selection and appointment system of cadres as well as the management and supervision system. Additionally, in order to deal with the problems of sloth administration, neglect of administrative duties and nonfeasance, the CCCPC issued *Accountability Act of Communist Party of China* in June 2016, urging the leading cadres of the Party to fully implement the CCCPC’s policies.

In 2016, CCCPC mandated a series of critical and influential inner-Party systems, including *Work Regulation on Local Committee of CCCPC*, *Work Regulation on Party Group of CCCPC*, and *Inner-Party Supervision Regulation of CCCPC*. The issue of these regulations plays a significant role in the coordination of relations between the Party and the government, integration of inner-Party relationships, regulation of the whole Party’s behavior and maintenance of unity and solidarity.

2. Supply-side reform has progressed, while no impressive achievements have been made in de-leveraging.

The CCCPC launched the supply-side structural reform at the beginning of 2016 as the principal line, to promote economic and social reforms. They deployed five major tasks of cutting excessive industrial capacity; destocking; de-leveraging; lowering corporate costs; shoring up the weak spots. The supply-side structural reform spares no effort to solve conspicuous contradictions and problems that prevail in critical areas and sectors of Chinese economy, promoting the structural optimization and industrial upgrading. The supply-side structural reform has great significance on transforming the pattern of economic growth, and sustaining the healthy development of Chinese economy.

Thanks to the hard work and efforts in the past year, the structural reform emphasizing on the aforementioned five major tasks has made impressive progresses. In cutting excessive industrial capacity, iron & steel industry as well as coal industry have reached the annual targets of 45 million tons of steel and 250 million tons of coal respectively, driving up the price of steel and coal, and ameliorating the overall performances of these industries. The entire industry of iron & steel turns losses into gains, and the coal enterprises recover the benefits. In respect of destocking, the areas of commercial housing decreased 23.14 million m2, and the finished goods inventory from industries above designated size has increased by 3.2% (compared with last year), and the rate of increase falls 0.1%. In de-leveraging, the asset-liability ratio of enterprises is 55.8%, which decreases by 0.4% compared with that of last year. In respect of lowering corporate costs, the overall costs have decreased slightly. The cost per hundred sales revenue (RMB) of industrial enterprises above designated size is RMB 85.52, which decreases RMB 0.16 compared with that of last year. In respect of shoring up weak spots, the rate of investment in areas including agriculture, water conservancy and ecological environmental protection increases significantly. That is to say, the supply-side structural reform with five major tasks has played a preliminary role in promoting the stable growth of Chinese economy.

In particular, the report points out that no substantial progress has been made in “de-leveraging” last year. The leverage ratio in the economy continues to rise. According to the data of social financing published by the Central Bank, the leverage ratio from 2008 to 2015 (the ratio of debt social financing and GDP) has increased rapidly from 126% to 210%, which reaches up to the high risk level. According to the data of social financing from January to November in 2016, however, the leverage ratio in 2016 does not decrease; rather, it increases by 8% to 218%. This data excludes the government debt. If taking government debt into consideration, the index has reached 260% by the end of 2015. China is among the countries with extremely high leverage ratio. A high leverage ratio will increase the asset bubble, and contribute to the accumulation of the systematic risk in financial area, inducing tremendously uncertain factors to the sustainable and stable development of economy.

3. Fully implement institutional reform in economy; reforms in critical areas are on the edge of breakthroughs.

“Reform of fiscal and tax systems is critical in the supply-side structural reform, which is of significance in the institutional reform solving the deep-seated problems of structural imbalance.” The Report reveals that, the reform of fiscal and tax systems in 2016 has actively been enforced, however, no big breakthrough has been achieved in general. The Report identifies that, among the three fiscal and tax reform missions initiated by the government in 2016, including “establish a system compatible with authority of office and duties of expenditure", “deepen the reform of budget management system” and “promote the reform of fiscal and tax systems”, major progress has been made in the reform of fiscal and tax systems. In 2016, the State Council has introduced the pilot to replace business tax with value-added tax nationwide, and published *Transitional Scheme of Adjustment of Division of Central and Local Value-added Tax after Comprehensive Launch of Pilot to Change from Business Tax to Value-added Tax*. According to the projection of relevant departments, the replacement of sales tax with VAT will reduce tax bearing of service industry of RMB 500 billion, and plays a positive role in stabilizing economic growth. To deepen the reform of resource taxes, promote the economical and intensive use as well as the optimal configuration of resources, and accelerate the construction of ecological civilization, in 2016, the Ministry of Finance also initiated the reform of resource taxes, including extending the range of resource taxes, carrying out pilot of reform of water resource and optimizing the tax of mineral resources. Certain progresses have been achieved in the reform of resource taxes.

The Report indicates that, in respect of deepening fiscal and tax reform, there has been no progress in two major reforms which are emphasized time and again by the parties concerned. The first one is to put forward gradually the reform of individual income tax which combines synthesis and classification. The second is the reform of division between central and local powers of office and duties of expenditure. No obvious promotion or important progress has been achieved yet. In this sense, no breakthrough has been made in the reform of fiscal and tax systems of top-level design of comprehensively deepening reform.

4. Reform of state-owned enterprises has been comprehensively launched, while no breakthrough has been made yet.

The Report points out that, after years of preparation, in 2016, the reform of state-owned enterprises has been comprehensively launched at last. The issue of *Guidelines on Promoting the Structural Adjustment and Recombination of Central Enterprises*, basically completes the design of plan system of comprehensive deepening reform of state-owned enterprises in new stage; comprehensively carrying out “Ten Reform Pilot”; China approved the reform plan on the transformation of government functions of SASAC, and CCCPC holds its ground on the Party’s leading role on state-owned enterprises and promotes the Party construction of state-owned enterprises in reform. State-owned enterprises including steel and coal have completed the annual plan of cutting excessive industrial capacity, and some central enterprises have carried out the recombination. State-owned enterprises have made remarkable progress in anti-corruption campaign, and the internal management has enhanced. They have reversed the downtrend in benefits. That is to say, since the 18th CPC National Congress, the reform of state-owned enterprise has come to the stage of comprehensive advancement from hesitation in the previous years.

According to the Report, from the overall point of view, reform of state-owned enterprises is still in the deadlock and key links of reform have not made breakthrough progress yet. Breakthrough of strategic layout and structural adjustment for state-owned enterprises, for example, has not been made yet. Inferior enterprises in the competitive fields still exist largely, including zombie enterprises. Mixed ownership reform of key fields such as petrochemical, electric power, railway, aviation and telecommunication industries, monopolized industries, and private capital participating in state-owned enterprises, have not made substantial progress. The construction of state-owned corporate governance structure and internal motive mechanism makes more and more people feel confused, causing loss of backbone talents. Enthusiasm of internal reform of the state-owned enterprise leaders is deflated.

5. The progress of reform of financial system slows down, and the systematic risk of financial field increases.

The Report points out that, in 2016, huge efforts have been put into reform of financial system, including deepening reform of governance structure of policy-oriented financial institutions such as the China Development Bank and the property rights system of the rural credit cooperatives. For reform and innovation of foreign exchange management system reform, it actively promote foreign exchange management; streamline administration and delegate power to the lower levels, strengthen construction of monitoring and management system on cross-border income and expenses; fight against various foreign exchange violations based on law; promote the trade and investment facilitation; steadily push forward the opening of capital market; implement reform of foreign exchange management for qualified foreign institutional investors to promote the opening of inter-bank bond market. For securities market, in August 2016, the State Council approved Shenzhen-Hong Kong Stock Connect Program, which was put into implementation on December 5, making capital markets in China take an important step with regard to legalization, marketization and internationalization.

The Report believes that in 2016, reform of financial system mainly keeps steady, and sets promoting stabilizing economic growth as the goal. For major reforms involved in financial system, there are no major reform measures in such as financial supervision system, securities market stock issuing system, capital market opening system and RMB interest rate liberalization, and we have nothing good or unusual to report effect of reforms. Due to various reasons, moreover, new problems have arisen in the financial field such as substantial depreciation of RMB; foreign exchange reserves decline with a large scale, a large number of private capital outflows; asset bubbles increase; the country’s financial leverage ratio does not fall but rise instead; financial capital changes from entities to the virtual ones, which bring new challenges to further deepen financial reform in the future.

6. Reform of administrative approval system continues, and we shoulder heavy responsibilities to transform the government functions.

The Report believes that, reform of administrative approval system has gained phased objectives after three-year efforts. On the basis of the reduction of one-third of approval items, the State Council continued to streamline administration and delegate power to the lower levels, and deepen the reform of administrative approval system in 2016. The State Council has issued the Decision on Clearing and Regulating the Second Batch of 192 Administrative Approval Department Intermediary Service Items of the State Council, Main Reform Points on Promoting to Streamline Administration and Delegate Power to the Lower Levels Combined with the Optimization of Service in 2016, Guidance on Promoting to Public All-round Government Affairs, Guidance on Accelerating Government Affairs Service on the Internet and other series of reform documents, which have achieved remarkable results. We cancel and decentralize a lot of approval items, and start to focus on standardized approval on the retained administrative approval items. During and post supervisions have then become the focus of government duties. Super ministry system reform is to be implemented, and substantial progress has been made in the reform of centralized approval and supervision. For government administrative practices, it emphasizes more on standardization and legalization, and the concept of administration according to law has gradually formed. And we also promote the construction of Internet Plus Government Services system.

The Report pointed out that, reforms of administrative approval system in 2016 and even a few years ago, provide more convenient public services for the masses, and their social reflections are relatively good. For the transformation of government functions, however, there have been no substantial breakthroughs in rationalizing economic power boundary of the government and promoting the determining role of market in resource allocation. The main objective for the reform of administrative approval system is to establish a limited effective government; make a clear distinction of power and functional boundaries of government in economic activities; eliminate excessive interventions and involvements by government in economic activities; hand over the development of economic functions mainly to enterprises and markets; change situation of resource allocation mainly led or controlled by the government; indeed let the market play a decisive role in resource allocation. In the past few years, however, the important goal of the transformation of government functions in administrative approval system reform has not been achieved yet. The government still possesses lots of resources in hand, which are either directly allocated by the government itself with administrative means, or monopolistically allocated by state-owned enterprises. Economic growth is mainly driven by government investment. And the functions of government have not really transformed from the center of GDP to remedy for market failure, maintain macroeconomic stability, strengthen public services, ensure fair competition and strengthen market supervision. In a sense, therefore, the transformation of government functions has a long way to go.

**Analysis**

**The cause of comprehensively deepening reform is locked in a stalemate, while supply-side reform enters the most difficult period.**

The Report also analyzes and judges the current situation of comprehensively deepening reform in China. The report notes that, the current reform of China presents three basic characteristics: the cause of comprehensively deepening reform has locked in a stalemate with no progress means retrogression and without retreat; supply-side reform (as the main line of reform of the economic system) has entered the most difficult period. The contradiction between steady growth and structural adjustment has become increasingly prominent; the cause of comprehensively deepening reform has reached the critical point of breakthrough at key points. Throughout overall situation of development and reform of China in 2017, the development has entered a new stage, while the reform has been at hard time. And the new period of comprehensive deepening reform is not only at the most difficult period, but also faces the critical point of breakthrough at key points, which has locked in a stalemate.

The Report notes that in 2017, we still will entangle and balance for maintaining growth, adjusting structure, stabilizing economy and promoting reform, with huge difficulty in balances, which means that we have entered the most difficult period. First of all, downward trend of economic growth in 2017 is unlikely to change. It is more difficult to maintain economic growth, which increasingly restricts the structural adjustments and reform promotion. Secondly, macro-demand management policies to stimulate economic growth in recent years have reached the risk areas. Thirdly, the contradiction of maintaining growth, adjusting structure, promoting reform and transforming the way has reached irreconcilable situation.

On the one hand, according to analysis of the Report, reform of China has locked in a stalemate, while supply-side reform at the most difficult period. On the other hand, from the overall situation and process of reform, after the previous four-year efforts, the cause of comprehensively deepening reform has reached the critical point of focusing on breakthroughs, driving overall situation and achieving decisive victory on the basis of the phased objectives, which have already equipped with conditions, foundations and political and economic environment for comprehensive deepening reform and making breakthroughs in key fields and links.

The Report suggests that, on the basis of phased objectives made by the cause of comprehensively deepening reform in the past few years; according to general objectives of improving socialism with Chinese characteristics and achieving modernization of the national governance system and capability decided in the 3rd Plenary Session of 18th CPC Central Committee, we shall concentrate wisdom of the whole Party and society to further emancipate our minds, break barriers of the interests consolidation, continue to combat corruption and build a clean government and strengthen construction of the Party. At the same time, the Party and the country shall pay more attention and focus more on the comprehensive deepening reform; concentrate wholeheartedly on development and promote reform in a down-to-earth manner; transfer key points of comprehensively deepening reform from the overall design, plan development and introduction of policies to the implementation introduced policies, making reforms really take root. In the implementation of reform measures, we transfer the overall deployment and the whole advancement to focus on key areas and key links, to strive for real breakthroughs. After several-years efforts, the cause of comprehensively deepening reform will achieve decisive results to 2020, so that brand new situation of socialist market economy in our country, democratic politics, harmonious society, advanced culture, ecological civilization and the Party construction will emerge, making fruits of reform and development benefit to all people more fairly. And it will also complete reform tasks put forward in Decision of the CCCPC on Some Major Issues Concerning Comprehensively Deepening the Reform in the 3rd Plenary Session of 18th CPC Central Committee; and form a institutional system with complete system, scientific norms and effective running, making the system at all aspects be more mature.

**Policy Recommendations**

1. Promote the construction of anti-corruption system to realize the strategic change from temporary solution to permanent measure.

The Report indicates that the current overwhelming victory of anti-corruption has taken shape and the initial goal of anti-corruption has achieved. Anti-corruption campaign is transformed from stage of investigation into cases - “temporary solution” to system construction - “permanent measure”. Apart from continuing to investigate corruption cases, the key for combating corruption and building a clean government is to further implement and launch an important anti-corruption system, and incorporate anti-corruption into normal system and regime of the Party and the state so as to truly realize the fundamental change from the temporary solution to permanent measure.

The Report recommends that, we shall incorporate the national supervision system into the national governance system and construction of governance capacity modernization. We shall implement the system of selecting, appointing, supervising and administering leading cadres of the Party and government that have been promulgated by CCCPC, realize and consolidate the fundamental improvement in construction of the Party conduct and of an honest and clean government through system innovation and construction. We shall also find a chance to promote personal property publication system of leading cadres. The problems involving in personal property publication system of leading cadres are complex and various factors shall be considered. System research is implemented in stages, and it is recommended to divide them into steps. For example, it can be implemented in leading cadres to be appointed, but also in the provincial and ministerial-level leading cadres and in leading cadres that have forged and concealed property before. Finally, we shall formulate laws and regulations on the basis of the pilot project and ripe conditions. We shall fully implement reporting, review and publication system for official family property and related matters.

2. Adhere to the “Reform First” to ease the excessive pursuit of economic growth’s pressure on supply-side reform.

If Chinese economy may continue to grow steadily and middle-income countries may become high-income ones, the Report notes that, can not rely on traditional industries as well as simple stimulus and extension of kinetic energy. We must conduct supply-side structural reform to achieve great change of old and new industries as well as kinetic energy. The adjustment of the excessive pursuit of economic growth, implementation of structural reform first and acceleration of transformation in economic growth mode, therefore, are strategic choice of China’s economic and social development. Thus, it is necessary to unswervingly implement the measures of structural reform focusing on five major tasks, which have been determined by CCCPC. In real economy, we must regulate a batch of “zombie enterprises” resolutely and solve rational construction and moderate ratio existing in assets and liabilities of some enterprise as soon as possible. to achieve balance between supply and demand as well as active and orderly market structure, besides, we shall also cut excessive industrial capacity and destock. We shall create a market environment for equal development of different ownership through streamlining administration and delegating power to the lower levels, open access, protection of property right, etc. In the virtual economy, we must first improve the financial system, strengthen credit and risk management; prevent financial risks, and solve the long-standing and recurring problem of credit assets transforming from entity to virtuality rather than simply expanding the scale of credit. In terms of factor allocation, it is necessary to adopt open access, equal competition and optimal utilization as criteria to create equal conditions for fair participation of various market entities, and to achieve the better function of the government through maximizing the effect of market decision. In the aspect of macroeconomic regulation, we shall focus on establishing the mechanism of “improving weak links”, properly deal with the relationship between the supply-side reform and demand side management through system innovation, and form the system of coordinated development between short and long terms, economy and society, as well as development and ecology.

3. Achieve reform in key fields of economic system through four breakthroughs.

To achieve reform in key fields of economic system through four breakthroughs, the Report suggests that, first of all, we shall take reform of resource allocation market as a breakthrough to form a pattern that market plays a decisive role in resources allocation as soon as possible. We shall strive to strengthen the decisive role of market in resources allocation and end the stalemate in resource allocation market-oriented reform as soon as possible through reform and innovation in a certain period of time. Next, we shall take regulation of “zombie enterprises” as a breakthrough, to adjust state-owned economic layout. The success of supply-side structural reform is mainly determined by the case that if the reform of state-owned enterprises can make a breakthrough. The Report suggests that, we can adjust and withdraw four categories of state-owned enterprises step by step through favorable opportunity of state supply-side structural reform: accelerate the withdrawal of the first category, namely “zombie enterprises” in industries with huge overcapacity such as coal, steel and building as well as raw materials. The second category is fields with fierce competition such as commerce, logistics, service industry, foreign trade and manufacturing industry. Generally, state-owned enterprises do not possess long-term competitive advantage in these fields. Apart from a few state-owned enterprises have make these fields stronger, better and larger, in principle, these enterprises mentioned above shall be gradually adjusted to withdraw. The third category is the enterprises with good profitability temporarily, which can survive and develop, but can not meet the overall development strategy of the national economy and the long-term development direction of state-owned enterprises. Real estate enterprises, for example, shall also gradually withdraw. The fourth category is the fields with large business risk and the internal dynamic mechanism of state-owned enterprises can not adapt to their risk tolerance. For example, the small and medium-sized state-owned enterprises that possess large bubble and systematic risk, high-tech enterprises that need huge investment and have great risk, etc., shall also gradually withdraw.

The Report suggests that we shall adopt “neutral regulation”, “fair access” and “equal protection” as breakthrough points to break industry monopoly really, and to create a development environment with equal and fair competition for all market entities of different ownership. We shall also adopt the decrease of leverage ratio, and capital reversal “transformation from entity to virtuality” as breakthrough points, to accelerate reform of financial system and prevent systemic financial risks.

4. Improve super-ministry system reform and deepen reform of national administrative control system.

The Report suggests that, apart from continuous promotion on reforms of streamlining administration, delegating power and “strengthening regulation and improving services”, we shall be committed to achieving the overall goal of national governance system and governance capacity modernization. According to the outstanding problems in the administration system of our government, it suggests to make breakthroughs in the following two basic aspects: first, to take a greater step in institutional reform of the super-ministry system in State Council, and consolidate reform achievements of streamlining administration and delegating power as well as approval system. The Report believes that, the governments at all levels possess various departments, the population supported by finance is large, the operating costs of the government are too high and financial burden is heavy. To further streamline institutions and deepen reform of super-ministry system, therefore, is an important task for deepening reform of the administrative system. With the reform of the administrative approval system in these years, besides, a large number of affairs managed by government are canceled, which has not only created a better environment for further deepening institutional reform, but is also a need of consolidating reform achievements of streamlining administration, delegating power and approval system.

Second, to further explore and implement operating mechanism of decision-making, implementation and supervision being in division of labor and interacting with each other in government. To further enhance coordination ability and authority of the government decision-making departments and define the relationship between decision-making and executive units. We shall enhance strong implementation of decision-making mainly through performance assessment rather than improving the administrative ranks or high appointment of cadres. At the executive level, besides, we shall break the monopoly in administrative system and public institutions, introduce social resources, encourage social participation, play the role of competitive mechanism, improve the bidding and tendering system of public services provided by government, mobilize resources and enthusiasm of all parties, and improve the supply efficiency and quality of public goods and services. Next, we must continue to improve the supervision mechanism. In addition to playing the role of supervision, audit and the internal supervision institutions of different departments, we shall improve social supervision. In particular, supervision by public opinions is an irresistible trend.

5. Adhere to the concept of “co-construction and sharing” to improve the people’s sense of gain from reform.

In 2017 or future, the Report suggests that, relevant departments and local governments shall focus on reform of social fields, strongly promote and strive to break through, improve the people’s satisfaction and sense of gain and enable reform to gain people’s advocacy, support and participation.

The Report suggests that social reform shall focus on the following fields: first, reform of income distribution system. We shall implement reform of allocation system taking the improvement of knowledge value as orientation, especially that of wage system in key livelihood fields, to standardize public services, benefit the people’s livelihood and lay a foundation for comprehensively deepening reform. Moreover, we shall reform the wage system for government departments and public institutions, and stimulate the enthusiasm of cadres and staff of Party and government. In the public sectors, we can start from the establishment of annual salary system for judicial staff, medical workers or teachers to achieve early results. We shall lay a solid public opinion foundation for public sectors to implement reform of salary system through supervising and guiding judicial official to enforce law impartially, supervising reasonable diagnosis and treatment of medical staff and demanding principals and teachers to exchange rotation.

Second, reform and development of education. For reform of education, we shall continue to promote and consolidate education popularization at all stages. On the one hand, we shall resolutely promote fair education, regard it as the reform goal and exclude resistance of vested interests. On the other hand, we shall conduct educational innovation through focusing on improving education quality, especially to explore “suitability” education and train the will and ability of students to solve problems.

Third, reform of health field. We shall focus on solving the problem of poor macroeconomic efficiency and equity; establish salary system of correct incentive for medical care professionals, taking strong measures to enhance attraction of grass-roots level and promoting graded medical services; promote integration and connection of the medical security system, and establish a system for equal access to basic medical and health services.

Fourth, reform of old-age security system. We shall promote integration and connection of old-age security system, improve fairness and guarantee sustainability. It is recommended to explore calculation and payment of basic pension, and implement reform of “personal pension account”. For calculation and payment of basic pension, we shall include the pension that reflects the principle of fairness and paid by the unit as per average social wage, and the pension that reflects the principle of efficiency and paid by individuals as per personal wage level, into personal pension account. When the individual receives the pension, the amount of basic pension is calculated according to deposit amount of personal pension account. We shall establish a new old-age security system symbolizing reciprocity of power and responsibility as well as incentive compatibility. Besides, we shall implement a positive aging program, adjust aging policies that regard the aged over 60 as passive receivers, provide reliable protection to the aged that need reveal of all the details, and help the elderly to be independent and confident.

Fifth, reform of poverty reduction and social assistance. According to requirements of CCCPC, we shall implement targeted poverty relief and alleviation, overcome formalism, carry out policies as per different people and local conditions, and improve effectiveness and sustainability of poverty alleviation.

6. Cancel approval mechanism of reform pilots and solve problems relevant to incentive mechanism.

The Report notes that, the cause of comprehensive deepening reform in a new stage has been implemented for almost four years, and many reforms have achieved phased objectives. From overall situation of reform, however, poor implementation of reform is still the most prominent problem affecting the cause of comprehensive deepening reform. Therefore, the Report proposes three specific suggestions:

First, we shall adjust the reform strategy, abolish approval mechanism of different reform pilots and establish test and exploring mechanism of regular reform.

In addition to the pilot of a few reform projects concerning whole nation and its future are approved by CCCPC and the State Council, we shall release approval and examination right on vast majority of reform projects. In principle, we shall not release approval right of pilot reform projects to departments of the State Council and provincial local governments. If departments of the State Council and provincial local governments need to grasp reform progress, the reform and exploration units only need to register and file in relevant departments. So trial and exploration of reform projects are of normality, projects that can pilot after approval are a case. Therefore, we can establish regular “independent reform and trial” working mechanism, and encourage local government, grassroots organizations and broad masses at all levels to boldly test and explore as per reform plans determined by CCCPC and State Council.

Second, we shall adjust pace of reform and no longer introduce or introduce few reform plans. Besides, we shall focus on implementation of reform work and try to achieve reform breakthrough**.** From 2017, in principle, apart from a small number of reform plans introduced by the Office of Central Leading Group for Comprehensively Deepening Reforms and the State Council, CCCPC, departments of State Council and local governments at all levels will no longer introduce in principle. We shall conduct classification analysis on hundreds of reform plans introduced in recent years, seize important reforms on key fields, concentrate and focus on implementation as well as make a breakthrough.

Third, we shall adopt reform of salary system in public institutions and state-owned enterprises as a breakthrough point, to strengthen the incentive mechanism of reform and solve impetus of reform. It is suggested to raise the wages of civil servant, mobilize civil servant’s enthusiasm to participate in and promote reform, and enable civil servant to share the fruits of reform and development in a reasonable way. We may promote key reform of the judicial, educational and medical as well heath fields through raising the salary of staff from judicial, educational and health systems and implementing annual salary system. Besides, we shall may improve salary system of state-owned enterprises, increase the salary level of leaders in state-owned enterprises, mobilize their enthusiasm to participate in and promote reform of these enterprises, and promote implementation of various programs relevant to state-owned enterprises.