

REPORT ON THE WORK OF THE GOVERNMENT

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Fellow Deputies,

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

I. Review of the Work in 2008

The year 2008 was truly eventful. Our country's economic and social development withstood severe challenges and tests that were rarely seen before. Under the leadership of the Communist Party of China (CPC), the people of all our ethnic groups faced difficulties squarely, worked with courage and determination, surmounted all difficulties and obstacles, and made new achievements in reform, opening up and socialist modernization.

– The national economy continued to maintain steady and rapid growth. GDP topped 30 trillion yuan, an increase of 9% over the previous year. Overall price rises were held in check. Government revenue was 6.13 trillion yuan, an increase of 19.5%. Grain output rose for the fifth consecutive year and totaled 528.5 million tons, a record high.

– Reform and opening up were further deepened. New breakthroughs were made in reforms in key areas and crucial links, such as the fiscal, taxation, financial and pricing systems and administration. Imports and exports totaled US\$ 2.56 trillion, an increase of 17.8%. Paid-in foreign direct investment reached \$92.4 billion.

– Development of social programs was accelerated, and the living standards of the people continued to rise. A total of 11.13 million more urban residents entered the workforce. Urban per capita annual disposable income reached 15,781 yuan, an increase of 8.4% in real terms, and rural per capita net income reached 4,761 yuan, up by 8% in real terms.

– Great victories were won in the fight against massive natural disasters. The Beijing Olympics and Paralympics were held successfully, and the Shenzhou VII manned space mission was a complete success.

These achievements signify that we have taken new and solid steps along the path of socialism with Chinese characteristics. They have greatly fortified the courage and strength of the people of all our ethnic groups to surmount difficulties and will definitely encourage us to bravely forge ahead on the new historical course.

Last year, we accomplished the following important work:

1. Making timely and resolute adjustments to macroeconomic policies and doing everything possible to maintain steady and rapid economic development

We maintained the right direction, focus, intensity and pace of macro control, and adopted a series of policies and measures to promote steady and rapid economic development. In a complex and volatile situation, we actively responded to the severe impact of the global financial crisis and worked hard to make our macro control more proactive, targeted and effective. In the middle of the year, when energy and grain prices on the international market were high, world economic growth slowed, and exports from and economic growth in China's coastal regions began to decline, we promptly shifted the priority of macro control to maintaining steady and rapid economic development and controlling price hikes, and adopted relevant fiscal, taxation and financial measures. In September, the international economic situation started to deteriorate sharply and its negative impact became increasingly felt in China. We again resolutely shifted the focus of macro control to preventing economic growth from slowing down too quickly. We implemented a proactive fiscal policy and a moderately easy monetary policy. We raised export rebate rates three times, lowered the benchmark interest rates on savings and loans for

financial institutions on five occasions, reduced required reserve ratios four times, suspended the individual income tax on interest earnings from savings, reduced securities transaction stamp tax rates, cut taxes and fees on housing transactions, and increased credit support to small and medium-sized enterprises. In accordance with the requirement that we act fast, be forceful, take targeted measures and stress implementation, we promptly introduced ten measures to further boost domestic demand and promote economic growth, and implemented them without delay. We adopted a succession of policies and measures to encourage financial institutions to support economic development, promote sound development of the textile and other light industries and the real estate market, expand consumption by improving distribution, maintain steady growth in foreign trade, and keep the employment situation stable. At the same time, we stepped up efforts to formulate plans for restructuring and revitalizing key industries. Together, these measures have played a crucial role in alleviating serious problems affecting economic performance, enhancing confidence, stabilizing expectations and maintaining steady and rapid economic development.

We continued to strengthen our work related to agriculture, rural areas and farmers without any letup. Central government budgetary spending on agriculture, rural areas and farmers was 595.5 billion yuan for the whole year, a year-on-year increase of 163.7 billion yuan or 37.9%. This included 103 billion yuan, twice the figure for the previous year, in direct subsidies to grain producers, general subsidies for agricultural production supplies, and subsidies for superior crop varieties and the purchase of agricultural machinery and tools. We significantly raised minimum grain purchase prices three times, with the total increase exceeding 20%. We implemented a temporary policy for purchasing and stockpiling major agricultural products. We intensified the protection of arable land and the construction of agricultural water conservancy projects, and increased overall agricultural production capacity. We supported the production of hogs, oilseeds and dairy products. These policies and measures played an important role in maintaining and stimulating the enthusiasm of farmers, ensuring the supply of major farm products and increasing rural incomes, and

provided strong support for maintaining overall stability in economic and social development.

We unswervingly promoted independent innovation and economic restructuring. We launched 16 major national science and technology projects, and established a number of new national engineering centers, key laboratories and enterprise technology centers in such fields as information technology, biotechnology and environmental protection. We successfully developed a number of key technologies and major equipment in the areas of regional aircraft, automobiles powered by new energy sources and high-speed railways. The central government invested 116.3 billion yuan in science and technology, an increase of 16.4%. Significant steps were taken in reorganization of the telecommunications and civil aviation industries. We continued to eliminate backward production facilities. Last year, we shut down small thermal power plants with a total capacity of 16.69 million kilowatts and closed 1,054 small coalmines. Investment in infrastructure and basic industries was increased, and a number of major projects in energy, transportation and water conservancy were completed or launched. Steady progress was made in implementing the master strategy for regional development, and economic development in different regions became better coordinated.

We steadfastly promoted energy conservation, emissions reduction and ecological and environmental protection. The central government allocated 42.3 billion yuan to support development of ten key energy conservation projects and environmental protection facilities. The daily sewage treatment capacity rose by an additional 11.49 million tons in urban areas, and desulfurization equipment was installed in coal-fired power plants with a total capacity of 97.12 million kilowatts. Energy consumption per unit of GDP fell by 4.59% from the previous year; chemical oxygen demand fell by 4.42%; and sulfur dioxide emissions fell by 5.95%. For the past three years combined, total energy consumption per unit of GDP dropped by 10.08%; chemical oxygen demand dropped by 6.61%; and sulfur dioxide emissions dropped by 8.95%. We built on the achievements in returning farmland to forests and restoring livestock pastures to grasslands, and carried out ecological conservation projects such as protecting virgin forests and

developing the Sanjiangyuan Nature Reserve in Qinghai Province. We implemented the plan to prevent and control water pollution in major river valleys and regions and issued the white paper *China's Policies and Actions for Addressing Climate Change*.

2. Balancing economic and social development and strengthening all aspects of social development with the focus on improving people's lives

Efforts were intensified to increase employment and improve the social safety net. We improved our policy to stimulate and expand employment by encouraging business startups, and enforced the minimum wage system. The coverage of all social security schemes continued to expand, with 17.53 million more urban workers subscribing to basic old-age insurance, 20.28 million more subscribing to basic medical insurance, and the unemployment, workers' compensation and maternity insurance steadily expanding to cover more workers. Pensions of enterprise retirees rose by 110 yuan per month per person. We launched trials to reform the basic old-age insurance system for employees of government-affiliated institutions. We actively explored ways to establish a new system of old-age insurance for rural residents and made steady progress in making social security available to rural migrant workers in urban areas and farmers whose land has been expropriated. We comprehensively improved the system of cost of living allowances for both urban and rural residents, and provided allowances to 66.19 million residents. We raised living allowances for low-income groups and university students in a timely fashion. Preferential treatment enjoyed by key entitled groups was increased substantially. We intensified efforts to develop low-income housing and renovate shantytowns, thus alleviating some of the housing difficulties of the low-income population. An additional of more than 48 million rural people gained access to safe drinking water.

Further progress was made in promoting fair education for all. Free compulsory education became available to all students, urban or rural, throughout the country, and all rural students receiving compulsory education obtained free textbooks. The standards for repairing and renovating school buildings in the central and western regions were raised, and the government

allocated 3.25 billion yuan to provide heating to rural primary and secondary schools in the north. Development of vocational education was accelerated. The national financial aid system for students was further improved. The central government spent 22.3 billion yuan and local governments increased funding as well to assist more than 20 million students. Grants of 1,500 yuan per student per annum were given to secondary vocational school students from rural areas or needy urban families, benefiting 90% of the current student population in these vocational schools.

Steady progress was made in reform and development of the pharmaceutical and health care system. A total of 814 million people, accounting for 91.5% of the rural population, now benefit from the new type of rural cooperative medical care system. The number of selected cities participating in trials of the basic medical insurance system for urban residents increased from 88 to 317, and the number of participating individuals increased by 73.59 million to 117 million. Significant progress was made in developing a system of community-based health services in urban areas. We continued to expand the coverage of the reward and assistance system for rural families complying with family planning regulations, and implemented the “lower birthrate equals faster prosperity” program in more places in the countryside.

We accelerated the development of culture and sports. Public cultural infrastructure facilities were improved, the cultural industries developed rapidly, and reform of the cultural management system was constantly deepened. We mobilized all resources and hosted a distinctive and high-level Beijing Olympics and Paralympics, thus fulfilling the century-old dream of the Chinese nation, and Chinese athletes competed hard and brave and scored excellent achievements in the Games. This greatly aroused the patriotism of all our people and strengthened the cohesiveness of our nation.

We continued to strengthen democracy and the legal system. The system of local-level democracy was further improved. Significant progress was made in enhancing law-based government. Last year, the State Council submitted eight bills, including a draft of the Social Insurance Law and draft amendments to the Law on Protecting Against and Mitigating Earthquake Disasters, to the Standing

Committee of the National People's Congress for deliberation. It also formulated or revised 30 administrative laws and regulations. The Regulations on Making Government Information Public was fully implemented. The public security system for crime prevention and control was strengthened. We battled against secessionist and terrorist activities, protected China's national security and maintained social stability. Our work related to ethnic minority, religious and overseas Chinese affairs further improved.

3. Vigorously advancing reform and opening up and injecting fresh vitality and impetus into economic and social development

Institutional restructuring of the State Council was basically completed and that of local governments is progressing steadily. Comprehensive rural reforms continued to deepen, and reform of collective forest rights was instituted throughout the country. SOE reform was deepened. The transformation of the Agricultural Bank of China and China Development Bank into joint stock companies proceeded smoothly. The new Law on Corporate Income Tax went into effect, and real estate taxes were unified for domestic and overseas-funded enterprises and Chinese and foreign individuals. After years of deliberation, reform in pricing, taxes and fees for refined petroleum products was smoothly introduced. A plan for reform of the pharmaceutical and health care system was devised and referred to the general public for comments. These innovations in systems and mechanisms have laid a solid foundation for our long-term development.

The country opened wider to the outside world. We vigorously implemented the strategy of competing on quality and diversifying export markets. We increased efforts to establish innovation bases to invigorate trade through science and technology and bases for providing services outsourced from other countries. We supported the export of products with Chinese trademarks and intellectual property rights. We improved the policy system for the processing trade. We steadily opened service industries wider to the outside world and provided more guidance to orient foreign investment in China. We integrated existing funds and set up new ones designed to promote external economic and technological cooperation. We promulgated regulations on managing overseas contracted

projects and rectified the system of administration of cooperative overseas labor services. We actively promoted energy and resources cooperation overseas, further expanded our assistances to other countries, and the pace of enterprises going global was accelerated. Further progress was made in the development of free trade zones, and in our economic dialogues with major trading partners and mutually beneficial cooperation with other developing countries.

Fellow Deputies,

A massive earthquake that shocked the world struck Wenchuan on May 12. Under the firm leadership of the CPC Central Committee and the State Council, people of all ethnic groups in China, especially in the quake zone, worked as one and fought in unison against the earthquake disaster. The people's army rushed to the frontlines without thinking of their own safety. We launched an earthquake rescue and relief operation that accomplished its work faster, mobilized more personnel and committed more resources than ever before in China's history. We steadfastly gave top priority to saving people's lives. We pulled 84,000 survivors out of the rubble. We promptly repaired damaged infrastructure, and resolutely unblocked the Mount Tangjia quake lake to avert potential secondary disasters. We did our utmost to prevent an epidemic from occurring and ensured that there was no major outbreak of diseases after the deadly earthquake. The central government allocated 38.4 billion yuan for quake relief and 74 billion yuan for post-earthquake recovery and reconstruction. We promptly introduced a host of policies and measures to support the quake zone. We energetically organized one-to-one assistance to designated areas affected by the earthquake. People from all sectors of society in China made generous donations, both in cash and in kind; our compatriots in Hong Kong, Macao and Taiwan as well as overseas Chinese contributed generously to the disaster relief campaign; and the international community provided us with earthquake rescue and relief assistance. All this combined to form a boundless source of strength for the Chinese people to overcome the disaster. This hard struggle against the earthquake produced uncountable touching and brave exploits and fully demonstrated the great indomitable and unyielding spirit of the Chinese people, thus writing a heroic chapter in the history of the nation.

None of the achievements we made last year came easily. They were the result of overall planning and correct leadership of the Party Central Committee with Comrade Hu Jintao as General Secretary, as well as the concerted and strenuous efforts of the whole Party, the entire army and the people of all our ethnic groups. On behalf of the State Council, I hereby express our sincere gratitude to the people of all our ethnic groups and to the democratic parties,

mass organizations and people from all sectors of society. I also express our sincere thanks to compatriots in the Hong Kong and Macao Special Administrative Regions and Taiwan and to overseas Chinese, as well as to foreign governments, international organizations and friends in other countries that take an interest in and support China's modernization drive.

While acknowledging our achievements, we must be clearly aware that we face unprecedented difficulties and challenges.

First, the global financial crisis continues to spread and get worse. Demand continues to shrink on international markets; the trend toward global deflation is obvious; and trade protectionism is resurging. The external economic environment has become more serious, and uncertainties have increased significantly.

Second, continuous drop in economic growth rate due to the impact of the global financial crisis has become a major problem affecting the overall situation. This has resulted in excess production capacity in some industries, caused some enterprises to experience operating difficulties and exerted severe pressure on employment. Factors leading to decline in government revenues and increase in government expenditures have increased. It has become more difficult to maintain steady agricultural development and keep rural incomes growing.

Third, institutional and structural problems that have long hindered healthy economic development still remain, and some of them are still prominent. Consumption demand is insufficient, and development of tertiary industries is sluggish. Our capacity for independent innovation is weak. Consumption of energy and other resources is high. Environmental pollution is serious. Disparities in development between urban and rural areas and between regions are widening.

Fourth, some problems affecting the vital interests of the people have not been fundamentally alleviated. There are still many problems demanding urgent solution in the areas of social security, education, health care, income distribution and public security.

Fifth, order in the market is not well standardized; market oversight and law enforcement are not fully in place, and the social credit rating system is still in

need of improvement. A number of serious and major incidents concerning food and workplace safety have occurred, which have inflicted serious loss of life and property on the people and taught us a sobering lesson.

We need to thoroughly appreciate how serious and complex the international and domestic economic situations are, be more mindful of potential perils and crises, fully exploit favorable conditions and actively respond to all challenges so that we can successfully accomplish all our tasks and prove worthy of the great expectations and trust conferred on us by the people.

II. General Plan for the Work in 2009

This year is crucial for the implementation of the Eleventh Five-Year Plan. It will also be the most difficult year for China's economic development since the beginning of the 21st century. We face arduous tasks in promoting reform, development and stability.

An analysis of the overall international and domestic situations shows that China is still in an important period of strategic opportunities. Challenges and opportunities coexist, as do hardships and hopes. Neither the fundamentals of China's economic and social development nor its positive long-term trend has changed. We are fully confident that we will overcome difficulties and challenges, and we have the conditions and ability to do so. Our confidence and strength come from many sources: from the scientific judgment and correct grasp of the situation of the central leadership; from the policies and measures that have been formulated and implemented to respond to challenges and promote long-term development; from the huge demand generated by the development of infrastructure, the upgrading of the industrial structure and consumption patterns, environmental protection, and the development of the ecosystem and social programs in the rapid process of industrialization and urbanization; from the support of such factors as our ample capital and labor resources, our sound financial system in smooth operation, vigorous enterprises and flexible macro control policies; from our material, scientific and technological base and institutional conditions that have been created in the 30 years of reform and

opening up; from our unique political and institutional advantages that enable us to mobilize resources to accomplish large undertakings, the stable, harmonious social environment we enjoy, and the enthusiasm and creativity of the whole nation from top to bottom to promote scientific development; and from the powerful spirit of the Chinese nation, which always works hard and persistently to make the country strong. As long as we closely follow the Party's leadership and firmly rely on the people of all our ethnic groups, we will be able to overcome any difficulties, minimize the adverse impact of the global financial crisis and promote sound and rapid economic and social development.

To carry out the work of the government well this year, we must hold high the great banner of socialism with Chinese characteristics, take Deng Xiaoping Theory and the important thought of Three Represents as our guide, and thoroughly apply the Scientific Outlook on Development. We need to make ensuring steady and rapid economic development the main task of our economic work. We need to strengthen and improve macroeconomic control, vigorously expand domestic demand, particularly consumer demand, change the pattern of development and speed up strategic economic restructuring, and deepen reform and improve our work of opening to the outside world. We need to improve the people's lives, increase social harmony and promote all-round progress in socialist economic, political, cultural, social and ecological development.

We have set the following major targets for this year's national economic and social development: GDP will grow by about 8%; the economic structure will further improve; urban employment will increase by more than nine million persons; the urban registered unemployment rate will be held under 4.6%, urban and rural incomes will grow steadily; the rise in the CPI will be around 4%; and the balance of payments will continue to improve. It needs to be stressed that in projecting the GDP growth target at about 8%, we have taken into consideration both our need and ability to sustain development. In China, a developing country with a population of 1.3 billion, maintaining a certain growth rate for the economy is essential for expanding employment for both urban and rural residents, increasing people's incomes and ensuring social stability. As long as we adopt the right policies and appropriate measures and implement them

effectively, we will be able to achieve this target.

To ensure success of the government's work this year, we must act on the following principles.

First, we must boost domestic demand to sustain economic growth. We need to steadfastly take reversing the downward trend in economic growth as the primary goal of macro control, and make boosting domestic demand a long-term strategic principle and a basic point of departure for stimulating economic growth. We will work to increase effective demand, shore up weak links, and give full play to the leading role of domestic demand, particularly consumer demand, in driving economic growth.

Second, we must adjust the structure of the economy to raise it to a higher level of development. In changing the pattern of development, we will continue to focus on economic restructuring and independent innovation. We will turn pressure into impetus for growth, unwaveringly protect and develop advanced productive forces, shut down backward production facilities, integrate factors of production and create more room for development. We will balance our efforts to sustain economic growth, adjust the structure and improve economic performance to raise the overall quality of the national economy and strengthen the basis for its further development.

Third, we must press ahead with reform to make the economy more vigorous. We will continue to take deepening reform and opening up as the fundamental driving force for promoting scientific development. We need to further emancipate our minds, intensify reform in major areas and key links, eliminate obstacles embedded in systems and mechanisms and stimulate greater creativity for development.

Fourth, we must give top priority to ensuring people's wellbeing and promote social harmony. The more difficulties we face, the greater attention we should pay to ensuring people's wellbeing and promoting social harmony and stability. We will continue to ensure that maintaining and improving people's lives is always the starting and end point of our economic work. We will implement an even more proactive employment policy and closely integrate efforts to stimulate growth with efforts to expand employment and improve

people's lives in order to ensure that all of the people share in the fruits of reform and development.

III. Major Tasks for 2009

This year, our government work will give high priority to dealing with the global financial crisis and promoting steady and rapid economic development. We will take a coordinated approach, stress key areas, and fully implement a package plan to ensure steady and rapid economic development. We will dramatically increase government investment by launching a four trillion yuan two-year investment plan, for which the central government has pledged 1.18 trillion yuan, and implement a structural tax reduction in order to stimulate domestic demand. We will also implement a massive plan to adjust and reinvigorate industries to raise the overall competitiveness of the economy; vigorously promote independent innovation and provide scientific and technological support to increase the sustaining power of development; and significantly increase social security benefits, expand urban and rural employment and promote development of social programs. To implement this package plan, we will concentrate our efforts on the following seven areas.

1. Improving and strengthening macro control and maintaining steady and rapid economic development

We need to adhere to a flexible and prudent control policy to make our macro control more responsive to changes and more results-oriented. We will reverse the slowdown in economic growth as soon as possible and maintain steady and rapid economic development.

We will implement a proactive fiscal policy.

First, we will significantly increase government spending. This is the most active, direct and efficient way we can expand domestic demand. There will be a large discrepancy between government revenues and expenditures this year. On the one hand, a slowdown in economic growth and the reduction of tax burdens on enterprises and individuals will inevitably slow the growth of government revenues. On the other hand, we must significantly increase investment and

government expenditures to stimulate economic growth, improve people's lives and deepen reform. To cover the shortfall arising from the decline in government revenues and growth in expenditures, we have set this year's central government deficit at 750 billion yuan, 570 billion yuan more than last year. In addition, the State Council will allow local governments to issue 200 billion yuan worth of government bonds through the Ministry of Finance, which will go into provincial budgets. These will add up to a 950 billion yuan deficit, accounting for less than 3% of the GDP. Although the deficit will increase significantly this year, the constant drop in government deficits in previous years provides room to issue more bonds this year, and the ratio of the cumulative balance of outstanding government bonds to GDP, which is around 20%, is within the acceptable range of what our overall national strength can bear and is therefore safe.

Second, we will carry out structural tax reduction and promote reform of taxes and fees. We will reduce tax burdens on enterprises and individuals by a variety of means such as tax cuts, rebates and exemptions to encourage enterprise investment and consumer spending and invigorate the micro-economy. Preliminary calculations indicate that the burdens on enterprises and individuals will fall by approximately 500 billion yuan this year as the result of comprehensively carrying out VAT reform; implementing existing preferential tax policies on small and medium-sized enterprises, the real estate industry and securities transactions and export rebate policies; and rescinding or suspending 100 administrative charges.

Third, we will optimize the structure of government expenditures. We will continue to increase investment in key areas, strictly control regular expenditures, and do everything we can to reduce administrative costs.

We will follow a moderately easy monetary policy and give monetary policy a more active role to play in promoting economic growth.

First, we will improve financial control. We will increase the broad money supply by about 17% and grant over five trillion yuan in additional loans to ensure that the supply of money and credit meets the requirements of economic development.

Second, we will improve the credit structure. We will strengthen monitoring

and guidance of the flow of credit, increase financial support for weak links such as agriculture, rural areas and farmers as well as small and medium-sized enterprises, and effectively resolve the problem some businesses have in getting financing. We will strictly control lending to industries and enterprises that are energy intensive or highly polluting or have excess production capacity.

Third, we will improve the mechanism for transmitting monetary policy and guarantee the smooth flow of funds. We will make full use of the advantages and special features of all kinds of financial institutions, innovate and improve financial services, satisfy reasonable requests for financing, and create a synergy for finance to promote economic development.

Fourth, we will strengthen and improve financial oversight and supervision. All kinds of financial enterprises need to strengthen risk management and become better able to withstand risks. We will ensure that there is a proper balance between innovation, opening up, and oversight and supervision in the financial sector. We will strengthen monitoring and supervision of cross-border capital flows and maintain financial stability and security.

We need to make our fiscal and monetary policies more consistent and coordinated with our industrial, trade, land, investment and employment policies to create a control synergy.

2. Actively boosting domestic demand, especially consumer demand, and strengthening the role of domestic demand in driving economic growth

First, we will expand consumption, especially individual consumption. We will continue to adjust income distribution, raise the proportion of the national income that goes to wages, increase the proportion of government spending dedicated to improving people's lives and expanding consumption, and increase subsidies to farmers and low-income urban residents. We need to cultivate areas of high consumer demand and expand consumption in new areas. We will improve the policy on automobile consumption, accelerate development of markets for second-hand cars and car rental, and guide and promote rational spending on automobiles. We will vigorously expand consumption that makes people's lives easier, such as community-based businesses, property management and household services; accelerate development of tourism and leisure

consumption; increase consumption in culture, recreation, sports and fitness services; and vigorously expand consumption in new areas such as the Internet and animation. We will improve consumption policies and the consumption environment. We will accelerate the project to encourage retailers to open stores in more townships and villages, and encourage commercial chains to open more outlets in rural areas. We will intensify the development of consumption facilities and service networks in both urban and rural areas, rectify order in the market, and safeguard the legitimate rights and interests of consumers. We will promptly work out and introduce policies and measures to encourage consumption, and vigorously develop consumer credit. We will do all the work of implementing the programs for bringing home appliances, agricultural machinery, and automobiles and motorbikes to the countryside well, and we will make effective and flexible use of the 40 billion yuan in central government subsidies provided to get enterprises to increase their sales and enable farmers to enjoy real benefits.

Second, we will maintain rapid growth in investment and improve the investment structure. The central government plans to invest 908 billion yuan this year. Government investment will focus on projects to improve people's lives such as those for developing low-income housing, education, health care and culture; projects to conserve energy, protect the environment, improve the ecosystem, upgrade technologies, and make scientific and technological innovations; projects to make key infrastructure improvements, including farmland improvement and water conservancy projects, railways, and freeways; and post-earthquake recovery and reconstruction. We must channel government investment to areas where it best counteracts the effects of the global financial crisis and to weak areas in economic and social development, and no government investment will be made in the regular processing industries. We will promptly work out and introduce preferential policies to encourage and guide non-governmental investment. We need to support non-governmental investment in areas favored by state industrial policies and encourage enterprises to increase spending on R&D and technological upgrading through proper release of information and improved guidance. All government money comes from the people, and we must spend every penny responsibly. We will make every effort

to ensure that all construction projects meet high quality standards and are built to last and be passed on to our future generations as valuable legacy.

Third, we will promote the steady and healthy development of the real estate market. We will adopt even more vigorous and effective policies and measures to stabilize market confidence and expectations, keep real estate investment stable, and promote steady and orderly development of the real estate industry. We will speed up implementation and improvement of policies and measures to promote development of low-income housing projects. We will strive to solve the housing problems of 7.5 million low-income urban families and 2.4 million families living in shantytowns in forests, on reclaimed land and around coalmines within three years. This year, the central government will allocate 49.3 billion yuan for the construction of low-income housing to increase funding for developing low-rent housing and improving housing conditions in shantytowns, and increase housing subsidies for the central and western regions by an appropriate amount. We will expand the pilot program for renovating dilapidated houses in rural areas and build permanent housing for nomads in ethnic minority areas. A pilot program will be launched in selected places where conditions permit to use the idle portion of the housing accumulation fund to support development of affordable housing. We will vigorously develop public rental housing. We will effectively implement credit, tax and other policies to support people in purchasing homes and making home improvements. Individuals who meet relevant criteria and apply for bank loans to support the purchase of a second home for personal use will enjoy similar preferential lending policies that apply to the purchase of first homes. We will implement the policy to reduce or exempt the business tax on housing transfers to varying degrees based on the age of the housing. We will expand consumption and supply of ordinary commercial housing, and increase credit support for building small and medium-sized condominiums at low and medium price levels. We will speed up development of the market for second-hand homes and the home rental market. We will encourage and guide local governments to stabilize and develop their real estate market in light of local conditions, and strengthen supervision of the housing market by type. We will continue to rectify order in the real estate market, and

standardize transactions. We will help rural migrant workers in cities solve their housing problems. We will deepen reform of the urban housing system to meet people's multilevel housing demand, and strive to ensure adequate housing for everyone.

Fourth, we will accelerate recovery and reconstruction of areas hit by the Wenchuan earthquake. We will promptly and fully implement the master plan for post-earthquake recovery and reconstruction. The central government will allocate 130 billion yuan for this purpose this year. We will quickly rebuild homes for quake-affected urban and rural residents by combining repair and reinforcement of existing housing with construction of new housing. We will basically complete reconstruction of rural houses collapsed or badly damaged during the earthquake, and ensure quake-stricken residents can move into new houses by the end of this year. We will accelerate rebuilding of schools in the quake zone and ensure that more than 95% of the students whose school buildings were destroyed in the earthquake will have permanent school buildings. We will continue work to repair and rebuild infrastructure such as transportation, communications, energy and water conservancy facilities. We will effectively prevent and control geological disasters, restore the ecosystem, improve the environment, and resume cultivation of damaged arable land. We will speed up industrial rebuilding and development in the quake zone on the basis of the plan to adjust and reinvigorate key industries. We will continue to provide one-to-one assistance and special aid to the quake zone and manage and use funds, goods and materials for post-earthquake reconstruction well. We will intensify and accelerate post-earthquake reconstruction and strive to basically reach the targets in two years that had originally been set for three, so that residents of the quake zone can begin to live a happier life as soon as possible.

3. Consolidating and strengthening the position of agriculture as the foundation of the economy, and promoting steady development of agriculture and continuous increase in rural incomes

We will focus on the following five areas.

First, we will steadily develop grain production. We will effectively keep the area planted in grain crops stable, focus on increasing the yield per unit area and

optimizing the variety mix, and increase the country's grain production capacity by 50 million tons.

Second, we will adjust the agricultural structure based on market demand. We will support the production of important agricultural products in short supply, and improve the quality, profitability and competitiveness of agricultural products. We will speed up implementation of the new plan for developing agricultural products in regions with the most suitable conditions. We will support the growing of oil bearing and other cash crops in areas with the most suitable conditions. We will stabilize hog production, implement the plan for reinvigorating the dairy industry, and promote large-scale, standardized, healthy farming practices in animal husbandry and aquaculture. We will strengthen the prevention and control of major animal and plant epidemics.

Third, we will intensify development of agricultural infrastructure and projects designed to improve the lives of rural people. We will develop land on a large scale and comprehensively improve farmland, water supplies, roads, and forests. We will upgrade low- and medium-yield farmland and develop farm plots that meet high standards. We will speed up the reinforcement of large and medium-sized reservoirs and dangerous key small reservoirs. We will further improve irrigated areas and build more small water conservancy facilities. By the end of next year, we will have basically paved the roads linking all towns and townships across the country and all incorporated villages with the proper conditions in the eastern and central regions and will have completed the construction of roads connecting all incorporated villages with the proper conditions in the western region. In addition, we will provide safe drinking water to another 60 million people and methane to an additional five million households. We will continue to improve rural infrastructure, including power grids, postal service, and telecommunications, and intensify development of rural social programs.

Fourth, we will increase rural incomes in a variety of ways. We will vigorously develop modern agriculture with distinctive local features, support intensive processing and sale of agricultural products, develop rural secondary and tertiary industries, accelerate the development of small towns, and

strengthen county economies.

Fifth, we will intensify our efforts to alleviate poverty through development. This year, a new poverty line will be adopted and all low-income rural residents will be covered by the poverty relief policy. The threshold will be increased to 1,196 yuan per person on average, and coverage will be extended to include 40.07 million recipients. This marks the beginning of a new stage in China's efforts to reduce poverty through development. We need to improve state poverty relief strategies and policies, increase funding, and steadfastly make development the basis of poverty reduction. We will give priority to eradicating poverty at the village level, training rural residents for nonagricultural employment, and reducing poverty through industrial development and relocation of residents so that the poor get the basic necessities, escape poverty, and become prosperous.

We will take the following measures to comprehensively strengthen our work related to agriculture, rural areas and farmers.

First, we will greatly increase funding for agriculture and rural areas. Central government allocations for agriculture, rural areas and farmers will total 716.1 billion yuan this year, a year-on-year increase of 120.6 billion yuan. We will significantly increase funding for rural public facilities in the central and western regions, and relieve governments at and below the county level of the burden of providing supporting funds for them. Greater priority will be given to major grain-producing areas in implementing the policies and measures supporting grain production. More general transfer payments and financial rewards will be provided to major grain-producing counties and greater support given to projects for industrializing grain production.

Second, we will significantly raise minimum grain purchase prices and keep the prices of agricultural products stable at a reasonable level to encourage farmers to grow more. This year the floor price for the purchase of wheat and rice will be increased by 0.22 yuan and 0.26 yuan per kilogram on average respectively. We will apply policies in a timely fashion to temporarily purchase and stockpile major agricultural products to build up reserves of grain, cotton, edible oil and pork, and strengthen regulation of the farm products market.

Third, we will further increase agricultural subsidies. Central government funding for these subsidies will total 123 billion yuan, an increase of 20 billion yuan over last year. Direct subsidies to grain producers will continue to increase. We will increase subsidies for the use of superior seed varieties, raise subsidy levels, make subsidies available to all rice, wheat, corn and cotton growers, extend them more widely to canola and soybean farmers, and start to subsidize tea-oil tree planting. The central government will spend 13 billion yuan, a year-on-year increase of nine billion yuan, on subsidies to all agricultural and pastoral counties (farms) throughout the country for purchasing agricultural machinery and tools. We will promptly increase general subsidies for agricultural supplies to coordinate with price rises and changes in the acreage planted in various crops.

Fourth, we will speed up development of a new system under which various sectors of society provide services for agriculture. We will increase spending on agricultural science and technology, intensify efforts to expand application of innovations in agricultural science and technology and become better able to provide agriculture-related technical services. We will improve public service agencies charged with promoting application of agricultural technologies, preventing and controlling animal and plant epidemics, and monitoring the quality of agricultural products at the local level. We will support supply and marketing cooperatives, specialized farmer cooperatives and pacesetting enterprises in providing diverse production and operation services.

Fifth, we will stabilize and improve the basic rural operation system. We will ensure that existing land contract relationships remain stable and unchanged for a long time to come, and enhance and better protect the land contract and management rights enjoyed by rural residents, including migrant workers who are away from their home villages. The transfer of land use rights must occur on a compensated, voluntary basis and be conducted in accordance with the law. We will adhere to and apply the strictest possible systems for protecting arable land and economizing on the use of land, and do everything in our power to keep the total amount of arable land above the red line of 120 million hectares. Reform of the system of collective forest rights will move forward. Overall rural reform

will be deepened. We will accelerate reform of town and township government departments and work actively yet prudently to ease the debts of townships and villages.

4. Accelerating transformation of the pattern of development and energetically promoting strategic economic restructuring

This year we will focus on improving industrial restructuring in order to maintain economic growth and promote industrial upgrading.

First, we will conscientiously implement plans for adjusting and invigorating key industries such as the automobile, steel, shipbuilding, petrochemical, textile, nonferrous metals, equipment manufacturing, information technology, modern logistics, and light industries. We will carry out industrial restructuring and upgrading to resolve the prominent problems and conflicts that hinder their development.

Second, we will energetically adjust the structure of enterprises and carry out mergers and reorganizations. We will support superior enterprises in acquiring ones that are backward or have financial difficulties. We will encourage well-established enterprises to work with each other, and upstream and downstream enterprises to integrate their operations in order to raise the level of industry concentration and the efficiency of resource allocation.

Third, we will take more effective measures to support development of small and medium-sized enterprises. We will promptly implement financial support policies, improve the financing guarantee system, streamline loan procedures, and increase the scale of loans. Central government funding for supporting the development of small and medium-sized enterprises will increase from 3.9 billion yuan to 9.6 billion yuan. We will continue to implement preferential tax policies to encourage small and medium-sized enterprises to make scientific and technological innovations, upgrade their technology, and create more jobs. We will improve the system under which various sectors of society provide services for small and medium-sized enterprises.

Fourth, we will actively support enterprises in accelerating technological upgrading and develop innovation-based enterprises. The central government will allocate 20 billion yuan, mainly in interest subsidies, to support

technological upgrading in enterprises. We will encourage enterprises to apply new technologies, new production processes, new equipment and new materials so that they can adapt to market changes, develop more readily marketable products, undertake product innovation, and improve their product quality and the level of production and business operations.

Fifth, we will accelerate development of modern service industries. We will promote development of the banking, insurance, modern logistics, consulting, software and creative industries, and develop new types of services. We will upgrade traditional service industries.

We will vigorously promote scientific and technological innovation. We will integrate making technological innovation with boosting domestic demand, maintaining economic growth, making structural adjustments and raising the level of development. This year the central government will allocate 146.1 billion yuan to the science and technology sector, up 25.6% from last year.

First, we need to speed up implementation of the Outline of the National Program for Long- and Medium-Term Scientific and Technological Development, particularly, implementation of major science and technology projects. We will select and launch a number of projects that give strong impetus to scientific and technological development, have a widespread impact, and yield quick results, in order to quickly make breakthroughs in core and key generic technologies that can stimulate the transformation of industries and technological upgrading, and support invigoration of industries and long-term economic development.

Second, we need to deepen reform of the science and technology management system. We will get enterprises to play a key role in technological innovation, and encourage more scientists and engineers to work on the frontlines of economic development spreading technologies, doing product R&D, and starting technology based enterprises. We will get enterprises, universities, and research institutes to work more closely together to accelerate the application of scientific and technological advances in production.

Third, we will make the equipment manufacturing industry stronger and larger. We will implement the project to increase self-sufficiency in doing R&D

on manufacturing major equipment and implement a related system of government procurement. We will vigorously develop manufacturing of complete sets of major equipment, high-tech equipment and equipment needed in high-tech industries, raise the level of integrated innovation and make greater use of domestic components in the equipment manufacturing industry.

Fourth, we will support and promote R&D on technologies in new energy sources, biology, medicine, third generation mobile communications, the integration of telecommunications networks, cable TV networks and the Internet, energy conservation and environmental protection, and their industrial application. We will develop clusters of new- and high-tech industries, and create new areas of demand in society.

Fifth, we will continue to implement the strategy of reinvigorating the country through science and education, the strategy of strengthening the country through human resources development and the intellectual property rights strategy. We will continue to develop the national innovation system, intensify basic research and research in leading-edge technologies, and accelerate development of major infrastructure facilities and public platforms for science and technology. We will work vigorously to bring in high-caliber personnel and intellectual resources from overseas and intensify the training of all types of personnel. We will become better able to create, utilize, protect and manage intellectual property rights.

We will work tirelessly to save energy, reduce emissions, preserve the ecosystems, and protect the environment.

First, we will emphasize energy conservation in the three key areas of industry, transportation and construction; continue work on the ten major energy conservation projects; and implement energy-conserving measures for power generators, boilers, automobiles, air-conditioners and lighting products.

Second, we will energetically develop a circular economy and clean energy. We will steadfastly save energy, water and land. We will vigorously develop clean energy such as nuclear, hydraulic, wind, and solar power. We will promote the adaptation of clean coal technology for industrial application. We will strictly enforce national standards for energy consumption and environmental protection,

increase the use of energy-conserving technologies and products, and promote comprehensive utilization of resources.

Third, we will improve our policies for conserving energy and protecting the environment, and strictly enforce the system of standards, assessment system and monitoring system for energy conservation and emissions reduction.

Fourth, we will launch a nationwide campaign on the importance of energy conservation and emissions reduction, in which state organs and government-affiliated enterprises and institutions need to play an exemplary role.

Fifth, we will continue to intensify pollution prevention and control in key river valleys and regions; control the spread of stony deserts and desertification; carry out ecological conservation projects to build key forest shelterbelts, protect virgin forests, and bring the sources of dust storms affecting Beijing and Tianjin under control; and protect water, forests, grasslands, wetlands and other elements of the ecosystems. We will comprehensively improve the rural environment. We will rectify and standardize order in the exploitation of mineral resources and develop and use marine resources wisely.

Sixth, we will implement the national plan for addressing climate change and become better able to respond to it. We will intensify basic research in meteorology, earthquake science, disaster prevention and mitigation, and surveying and mapping and strengthen these areas.

We will comprehensively improve product quality and enhance workplace safety. This year we will launch a campaign to rectify and standardize order in the market and carry out the Quality and Safety Year campaign, which requires all industries and sectors to strengthen quality and safety supervision of all personnel and all processes in all areas. We will further tighten oversight and supervision of workplace safety in key industries and resolutely prevent serious and major accidents. We will make intensive efforts to improve food and drug safety, and improve and strictly enforce standards for product quality and safety. We will implement strict market access rules and product traceability and recall systems so that the people buy food and drugs with confidence and consume them with satisfaction.

We will continue to implement the overall regional development strategy of

promoting the large-scale development of the western region, reinvigorating northeast China and other old industrial bases, energizing development of the central region, and getting the eastern region to take the lead in development, and promote balanced development among regions. We will encourage all regions to work on the basis of local conditions, make full use of their advantages, and find a new path for development in response to the shock of external events. The eastern region needs to vigorously open up international markets, stabilize exports, and develop advanced manufacturing, modern services and new- and high-tech industries. It needs to accelerate industrial upgrading and institutional innovation, foster new areas of economic growth, create new advantages for participating in international cooperation and competition, and raise its capability for sustainable development. Special economic zones, the Pudong New Area in Shanghai and the Binhai New Area in Tianjin need to continue to take the lead in reform and opening up. We will increase support to the central and western regions and northeast China to improve their weak links in development. To remove bottlenecks in these regions, we will increase spending on infrastructure, ecological conservation and environmental protection, launch a number of key transportation and water conservancy projects, and accelerate development of a number of grain, energy, raw materials and equipment manufacturing bases that have distinctive local features and special advantages. We will accelerate development of key areas on a priority basis. We will promote the transformation of the economies of cities once dependent on now-depleted mineral resources in these regions. We will promptly formulate specific policies to encourage industries to relocate to the central and western regions, and formulate and implement a national plan for development priority zones. We will fully support the development of old revolutionary base areas, ethnic minority areas, border areas and poor areas.

5. Continuing to deepen reform and opening up, and further improving systems and mechanisms conducive to developing in a scientific manner

Reform and opening up provide an inexhaustible driving force for economic and social development. We will unswervingly carry out reform and opening up, resolve thorny problems hindering development by deepening reform, and obtain

opportunities for development as China opens wider to the outside world.

We will move ahead with price reform for resource products. We will continue to deepen reform of power prices and gradually improve the mechanism for determining rates for putting power on the grid, transmitting and distributing power, and selling power, and balance the prices of coal and power in a timely fashion. We will press ahead with reform of water prices, gradually increase the price of water for non-farming purposes supplied from water projects, and improve the system for collecting and managing water resource fees. We will accelerate the establishment of sound systems for paying for the use of mineral resources and for compensating for ecological damage, and actively carry out trade in pollution rights on a trial basis.

We will carry forward reform of the fiscal and taxation systems. We will comprehensively institute VAT reforms. We will extend the urban construction and maintenance tax and education surcharges from Chinese to foreign enterprises and citizens. We will reform and improve the system of resource taxes. We will carry out reform of the taxation system for the real estate industry. We will continue to bring order to administrative fees and government-managed funds and further standardize their management. We will deepen reform of the budgetary system to better coordinate the budget for the government's public expenditures, budget for use of state capital, budget for government-managed funds, and budget for social security programs and vigorously promote greater openness in budgetary work. We will improve the transfer payment system. We will promote the reform to place county public finances directly under the management of provincial governments.

We will carry forward reform of the financial system. We will deepen the reform of state-owned financial institutions, and steadily develop small and medium-sized financial enterprises under multiple forms of ownership and new types of rural financial institutions. We will actively encourage healthy development of informal financing. We will continue to carry out reform of capital markets, and stabilize stock markets. We will develop and standardize the bond market, and steadily develop the futures market. We will deepen reform of the insurance sector to make the most of its guarantee and financing functions.

We will carry forward market-based reform of interest rates. We will improve the RMB exchange rate regime, and keep the RMB exchange rate basically stable at an appropriate and balanced level. We will strengthen the mechanism for coordinating oversight and supervision in the financial sector.

We will carry forward reform of state-owned enterprises and support the development of the non-public sector of the economy. We will deepen the reform to introduce corporate and shareholding systems in large state-owned enterprises and establish a sound modern corporate structure. We will accelerate reform of the railway, power and salt industries, improve the administrative systems of the civil aviation and telecommunications industries, and formulate and introduce complementary policies for regulating reform of the telecommunications system. We will encourage, support and guide the development of the non-public sector. We will implement all the policies for relaxing controls over market access and energetically support the involvement of private capital in SOE reform and its entry into such areas as infrastructure, public utilities, financial services and social programs.

We will accelerate institutional reform in local governments and move forward with the reform of government-affiliated institutions.

We will strive to ensure steady growth in foreign trade. While stressing the importance of boosting domestic demand, we must not slacken efforts to promote export. In the face of the serious situation of a sharp decline in external demand and growing trade protectionism, we will straighten out and adjust our foreign trade policies and increase our support for import and export. We will continue to diversify our export markets and compete on quality, enhance traditional export markets, and energetically open up new markets.

First, we will fully employ internationally accepted fiscal and taxation policies to support our export. We will increase the Foreign Trade Development Fund to an appropriate extent, focusing on cultivating brand-name export products and supporting small and medium-sized enterprises in expanding their international markets.

Second, we will improve our financial services for importing and exporting. We will expand the coverage of export credit insurance, and encourage financial

institutions to develop export credit. We need to make innovations in financing guarantees for export enterprises.

Third, we will steadily carry out upgrading of processing trade. We will improve the climate for developing it, and adjust the list of commodities whose processing is classified as prohibited or subject to restrictions. We will encourage the relocation of export processing industries to the central and western regions.

Fourth, we will promptly improve policies and measures to encourage development of trade in services and energetically develop the outsourcing of international services to China.

Fifth, we will strive to expand imports, focusing on introducing advanced technology and equipment and increasing imports of key spare parts and components, and important energy sources, resources and raw materials.

Sixth, we will improve the level of trade facilitation. We will improve supervision and service in customs, quality inspections and foreign exchange and intensify the development of border ports.

Seventh, we will work for a favorable international environment for trade and economic cooperation. We will vigorously promote the Doha round of trade talks, accelerate implementation of the strategy of free trade zones, and properly handle trade frictions.

We will promote balanced development between foreign investment in China and Chinese investment overseas. We will keep the size of foreign investment in China steady and encourage more foreign investment in new- and high-tech industries, advanced manufacturing, energy-conservation and environmental protection industries, and modern service industries. We will further straighten out and standardize administrative fees for foreign-investment projects and the criteria for evaluating them. We will upgrade national development zones in the central and western regions and improve the opening of our border areas to the outside world. We will continue to implement the “go global” strategy, support all kinds of competent Chinese enterprises in investing overseas and undertaking international mergers and acquisitions, and encourage large enterprises to play a leading role in implementing the “go global” strategy. We will vigorously promote the establishment of trade and economic cooperation

zones, joint exploitation of resources, undertaking of contracted projects and labor service cooperation in other countries. We will increase financial support for enterprises engaged in overseas investment and economic cooperation, and expand channels for investment in other countries. We will expand the scope of the registration system for Chinese investment overseas, and strengthen risk control and supervision of enterprises' overseas investments.

6. Energetically developing social programs and vigorously ensuring and improving the wellbeing of the people

This year we will concentrate on accomplishing major tasks that are urgently needed in economic and social development and directly related to the vital interests of the people to improve their wellbeing.

We will do everything in our power to stimulate employment. We will make full use of the role of the service sector, labor-intensive industries, small and medium-sized enterprises, and the non-public sector of the economy in creating jobs. We will implement a more proactive employment policy, and the central government will allocate 42 billion yuan for this purpose.

First, we will give high priority to facilitating the employment of university graduates. Graduates who take jobs in public administration and public services at the community level in urban and rural areas will receive social security benefits and position subsidies. Those who either take jobs in villages or enlist in the army will receive tuition reimbursement and have their student loans forgiven. We will encourage institutions of higher learning, research institutes and enterprises undertaking key research projects to recruit qualified university graduates to do research work. Enterprises recruiting such graduates will receive relevant employment policy support from the government. We will speed up the establishment of startup industrial parks and incubation bases that require less investment and yield quicker results where college graduates can start their own businesses.

Second, we will expand employment opportunities for rural migrant workers in cities while stabilizing their existing jobs. We will stimulate their employment through government investment and the launch of major projects. We will encourage and help enterprises that are in a difficult situation to prevent layoffs

by renegotiating wage levels with their employees, adopting flexible employment and work hours, or providing job training for them. We will increase the export of organized labor services and guide the orderly flow of rural migrant workers. We will arrange for those that have returned to their home villages to take part in the construction of local public facilities.

Third, we will help urban residents experiencing difficulty finding work, members of zero-employment households and workers in disaster-stricken areas find jobs. We will create more public-service jobs.

Fourth, we will vigorously support individuals in starting their own businesses or finding jobs on their own, thus expanding employment by creating new businesses. We will adopt facilitating and preferential policies concerning market access, taxation, financing and land use to encourage more workers to become entrepreneurs. We will further lower the barrier for individuals, including rural migrant workers who have returned to their home villages, to start their own businesses and lend them more support in this area.

Fifth, we will further improve public services for employment. We will improve the release of employment information and provide more effective career and employment guidance. We will vigorously develop vocational training. We will increase policy support for skills training for rural migrant workers and urban residents experiencing employment difficulty.

We will move faster to improve the social safety net.

First, we will press ahead with institutional development. We will improve the basic old-age insurance system, continue to carry out the pilot projects to fully fund personal accounts for old-age insurance, and comprehensively carry out planning at the provincial level. We will formulate and implement a method for old-age pensions for rural migrant workers. The pilot projects for establishing a new type of old-age insurance system for rural residents will cover approximately 10% of the counties and county-level cities in the country. We will introduce a method for transferring old-age pension accounts for workers moving from one region to another, and improve the systems of unemployment, workers' compensation, and maternity insurance. We will improve the urban and rural social assistance systems.

Second, we will expand coverage of social security programs, focusing on coverage for employees in the non-public sector, rural migrant workers, farmers whose land was expropriated, people with flexible employment arrangements and freelancers. All rural residents entitled to cost of living allowances will receive them. We will increase funding for the national social safety net through multiple channels. We will strengthen supervision of social security funds to ensure their safety.

Third, we will increase social security benefits. We will continue to raise the basic old-age pensions for enterprise retirees by an annual average of about 10% per person for the next two years. We will continue to increase unemployment insurance benefits and workers' compensation. We will extend greater financial support to both urban and rural recipients of cost of living allowances and to childless and infirm rural residents who receive subsidies for food, clothing, medical care, housing and burial expenses, and increase subsidies and living allowances to members of entitled groups. We will vigorously develop social welfare and charity programs. The central government plans to spend 293 billion yuan on the social safety net this year, up 17.6% or 43.9 billion yuan over the estimated figure for last year. Local governments will also increase funding in this area.

We will continue to give priority to developing education. This year we will formulate the Outline of the National Medium- and Long-Term Program for Education Reform and Development to make comprehensive arrangements for education reform and development in China through 2020. This year, we need to focus on the following five areas.

First, we will promote fairness in education. We will implement free compulsory education policies for both urban and rural areas well. We will increase public expenditures on rural compulsory education to 300 yuan per primary school student and 500 yuan per junior secondary school student. We will progressively ensure that children of rural migrant workers have access to free compulsory education in the places where their families have relocated. We will increase living allowances for rural students receiving compulsory education who come from poor families and stay in school dormitories. We will strive to

basically clear the debts incurred in providing nine-year compulsory education in rural areas within three years. We will improve the national financial aid system for students and increase financial aid for secondary vocational school and university students from poor families to ensure that everyone enjoys equal opportunity to receive education and that no child is denied schooling due to financial difficulties.

Second, we will optimize the education structure. We will energetically develop vocational education, with the focus on supporting rural secondary vocational education. We will gradually make secondary vocational education free, beginning this year with rural students from poor families and students studying agriculture-related subjects. We will continue to improve the quality of higher education, develop high-quality universities and key disciplines, and guide institutions of higher learning to adapt their specialties, curriculums and courses to meet the needs of the market and China's economic and social development.

Third, we will improve the quality of teachers. We will apply a performance-based salary system for teachers in compulsory education and raise salaries for the 12 million primary and secondary school teachers. The central government will spend 12 billion yuan and local governments will also increase funding for this purpose. We will step up training for all teachers, especially rural teachers, and encourage graduates from teachers colleges and other colleges and universities to teach at community and village schools.

Fourth, we will advance well-rounded education. Education of all types and at all levels must focus on promoting all-round development of students. Reform of curriculums, textbooks, teaching methods and examination and evaluation systems should be accelerated to relieve primary and secondary school students of their excessive study load so that they will have more time to think, practice and create.

Fifth, we will implement a program to ensure that all primary and secondary school buildings are safe and promote standardization in the construction of rural primary and secondary schools. We will make school buildings places that are the safest and provide the greatest assurance to parents.

We will carry forward pharmaceutical and health care reform and development. We will ensure that public medical and health care services serve the public good and fully arouse the initiative of health workers. We will work hard to establish a nationwide basic medical and health care system for both urban and rural areas to begin providing universal coverage. We will focus on the following five areas starting from this year.

First, we will develop a system that ensures basic medical care. Urban residents will be covered by basic medical insurance for urban workers or basic medical insurance for non-working urban residents, and rural residents will be covered by the new type of rural cooperative medical care system. We will ensure that these programs cover over 90% of those eligible within three years. The central government will provide appropriate subsidies for retirees from closed or bankrupt state-owned enterprises in financially strained regions to get such insurance. We will continue to raise the standard for financing and increase government subsidies for basic medical insurance for non-working urban residents and the new type of rural cooperative medical care system, appropriately expand the scope of reimbursement and raise the proportion of costs reimbursed. We will improve urban and rural medical assistance programs and improve the level of assistance.

Second, we will establish a national system for basic drugs. This year, we will formulate and promulgate a unified national basic drugs catalog and adopt policies concerning their production, distribution, pricing, use and insurance reimbursement in order to ease the burden on patients for the cost of basic drugs.

Third, we will improve the community-level medical and health service system. This year, we will complete the building of 29,000 health clinics in towns and townships supported by the plan. In the coming three years, the central government will allocate funds to support the building of another 5,000 central health clinics in towns and townships, 2,000 county-level hospitals and 2,400 community health service centers in urban areas. We will support the construction of health care clinics in villages in remote regions and ensure that all incorporated villages have their own health care clinics.

Fourth, we will steadily promote equal access for all to basic public health

services. We will expand the scope of free public health services and ensure that the per capita public health service expenditure for both urban and rural residents is not less than 15 yuan, a level that will rise gradually in the future. We will appropriate more funds to prevent and control major communicable diseases, chronic and occupational diseases, and endemics.

Fifth, we will carry forward pilot reforms in public hospitals with the emphasis on reforms in their management system and their operation and oversight mechanisms. We will encourage every locality to seek effective ways to separate government administration from medical practice, management from operations, medical care from drugs, and for-profit from nonprofit operations. We will gradually eliminate the practice of hospitals subsidizing their medical services with drug sales and reform the mechanism of subsidizing public hospitals. We will encourage all localities to seek ways to establish a medical service pricing mechanism based on consultations among stakeholders and establish a system whereby relevant institutions, representatives of the general public, and experts oversee and evaluate the quality of medical services. We will give full play to traditional Chinese medicine and folk medicines of ethnic minorities in disease prevention and control. Governments at all levels will allocate an additional 850 billion yuan in the next three years, including 331.8 billion yuan from the central government, to ensure smooth progress in the reform of the system of pharmaceuticals and health care. Because this reform concerns the people's health-related rights and interests, we need to improve leadership, make plans and arrangements carefully, progress vigorously yet prudently, and effectively solve the problem of medical services being unaffordable and inadequate, in order to provide safe, effective, convenient and affordable medical and health care services for the people.

We will do our work related to population and family planning well and maintain a low birthrate. From this year on, we will introduce a policy in all rural areas to subsidize hospitalized childbirth, provide regular prenatal checkups and postpartum visits for women, and monitor the growth of infants and toddlers less than three years of age. We will intensify our efforts to prevent birth defects. We will increase the reward to rural women at or above the age of 60 who have

complied with family planning regulations from 600 yuan to 720 yuan per person. We will improve services for and intensify management of the floating population and better protect the rights and interests of women and minors. We will provide routine gynecological examinations for rural women. We will support and accelerate programs benefiting people with disabilities. We will continue to intensify our work concerning the elderly.

We will vigorously develop culture and sports. Developing cultural programs and promoting cultural enrichment will help not only enrich people's cultural lives but also expand avenues of consumption. We need to vigorously develop non-profit cultural programs and accelerate improvement of the system of public cultural services. We will intensify construction of key cultural facilities as well as community-based cultural facilities in both urban and rural areas, particularly the project to extend radio and TV coverage to all villages, and the construction of multipurpose cultural centers in towns and townships and small libraries in rural areas, and we will vigorously promote cultural projects that benefit the people. We will help accelerate the development of cultural industries, improve policy support for them and foster leading cultural enterprises. We will help philosophy and the social sciences flourish, and actively develop literature, the arts, radio, TV, film, the press and publishing. We will strengthen development and management of Internet culture and effectively protect our cultural relics and intangible cultural heritage. We will reform management and operation of nonprofit cultural institutions and transform for-profit cultural agencies into enterprises. We will build more and better community-based public sports facilities, vigorously promote mass sports activities, raise the level of competitive sports and develop the sports industry.

We will strengthen the development of democracy and the legal system. We will carry out political restructuring in an active yet prudent manner and develop socialist democratic politics. We need to improve democratic institutions, enrich the forms of democracy, expand its channels, and carry out democratic elections, decision-making, administration and oversight in accordance with the law. We will improve the mechanisms of self-governance by the people at the community level and expand the scope of community-level self-governance, improve the

system for community-level democratic administration and ensure that the people directly exercise their democratic rights and administer community-level public affairs and public programs in accordance with the law. We will increase publicity of and education in the law, intensify education about citizenship, and promote the values of socialist democracy, the rule of law, freedom, equality, equity and justice. We will coordinate development of urban and rural communities and promote the healthy growth of civic organizations. We will strengthen government work concerning the law, increase transparency in government legislation, expand public participation therein, and ensure that the law is enforced in a standardized, fair and civilized manner.

We will strengthen public administration and maintain harmony and stability in society. We need to pay special attention to safeguarding people's legitimate rights and interests, correctly handle problems among the people, properly deal with their complaints in a timely manner, and resolutely correct all actions that harm their interests. We will improve the mechanism for mediating, handling and resolving social tensions and guide the people in expressing their concerns relating to their interests by reasonable and lawful means. We will adhere to the system whereby leading cadres, especially principal ones, handle people's letters and receive people's visits in order to serve the people and resolve conflicts. We will improve the early-warning system for social stability to actively prevent and properly handle all types of mass incidents. We will launch intensive campaigns to ensure public security and maintain law and order through a full range of measures. We will be on high alert for and severely crack down on criminal offenses in accordance with the law in order to safeguard national security and social stability.

7. Intensifying government self-improvement and making the government better able to manage overall economic and social development

Achievements were made in reforming the government and intensifying its self-improvement over the past year, but they still fall considerably short of what the people expect. The functions of government have not yet been completely transformed. Administrative efficiency needs to rise. Formalism and bureaucratism are still pronounced. Corruption remains a serious problem in

some localities, departments and areas. Tremendous effort is needed to solve all these problems. We need to focus on the overall objectives of sustaining economic growth, ensuring people's wellbeing and maintaining stability, and intensify the work of government self-improvement.

We will continue to run the government in accordance with the law. We will standardize government administration, ensure that our administration is based on law and reason, executed through proper procedures, highly efficient, convenient for the public, honest and trustworthy, and that authority and responsibility are united. We will thoroughly implement the Administrative Permit Law, continue to carry out reform of the administrative examination and approval system, reduce the number of items it covers, especially investment examination and approval and project approval, and ensure that enterprises make their own investment decisions. We will promote fair competition, break regional blockades and industry monopolies, and organize and mobilize all social resources to promote economic growth. By ensuring that all government departments fully and properly execute their functions, we will create a favorable environment for development, and increase enterprises' confidence in investment, individuals' confidence in consumption and people's confidence in the development of the country.

We will make decisions scientifically and democratically. In all decisions we make, the procedures need to be lawful and standardized, the process democratic and open, and the results scientific and equitable. In formulating and implementing major government policies and decisions, we need to conduct thorough research and studies, heed people's concerns, solicit their opinions, pool their wisdom, act in accordance with objective laws, and make our policies and decisions more foresighted, scientific and effective. We need to make government affairs more open and transparent. We will ensure the people's right to stay informed about, to participate in, to express views on, and to oversee government affairs, and keep them informed as to what the government is thinking and doing so that we can win their thorough understanding, wide support and active participation. The government is investing a large sum of money and launching numerous new projects this year, and we will ensure they

receive proper oversight. We will prohibit image projects that waste both human and financial resources and vanity projects that are divorced from reality, and will never allow any organization or individual to exploit the surge in public spending for private gain. Governments at all levels must conscientiously subject themselves to the oversight by the people's congresses and the democratic oversight by the CPPCC committees at their corresponding levels. We will tighten professional oversight by supervision and auditing departments, and attach great importance to oversight by the public and the news media. We will strive to make sure that oversight takes place wherever administrative power is exercised and that government funds will be audited wherever they are used.

We will earnestly improve our conduct. Governments at all levels need to resolutely implement the policy decisions and arrangements of the central leadership, stay firmly grounded in reality, and work creatively to ensure all policies are carried out fully and effectively. Leading cadres need to conduct thorough research and studies to promptly discover and resolve problems, maintain close contact with the people, show concern for their sufferings, listen to their opinions, and help them solve their problems. Government employees need to always maintain high morale, embody a vigorous spirit and work with the people to meet challenges head on, break new ground through hard work and tide over bad times together.

We will strengthen our efforts to promote clean government and combat corruption. We will focus on standardizing institutions and limiting the exercise of power, and prevent and punish corruption at its source in areas and links prone to corruption. We will resolutely investigate and prosecute corruption cases and punish corruptionists in accordance with the law. We must discharge our duties with great diligence and, through our actions and achievements, build a government that is for the people and is pragmatic, clean and efficient to satisfy people's needs and win their trust.

Fellow Deputies,

Promoting unity among all ethnic groups and achieving common development and prosperity serves the fundamental interests of the people of all

our ethnic groups. We will fully implement the Law on Regional Ethnic Autonomy and ensure that the policies and measures of the central government supporting economic and social development of ethnic minorities and ethnic minority areas are effectively implemented. We will continue to increase support to ethnic groups with small populations. We will expand coverage of the “bring prosperity to border areas and residents” campaign to all border counties and the Xinjiang Production and Construction Corps’ regimental pastures and farms in border areas. We will support more rapid development of pastoral areas and ethnic minority mountain regions. We will unswervingly uphold national unity and further develop socialist ethnic relations based on equality, unity, mutual assistance and harmony.

We will fully implement the Party’s basic principles on work related to religions and enable religious figures and people with religious belief to play a positive role in promoting economic and social development.

We will diligently implement the Party’s policy on matters related to overseas Chinese nationals and support overseas Chinese nationals, returned overseas Chinese and their relatives in showing concern for and participating in the modernization and peaceful reunification of the motherland.

Last year significant progress was made in the modernization of national defense and the army. The People’s Liberation Army played an important role in safeguarding China’s sovereignty, security and territorial integrity, supporting its modernization drive, and completing urgent, difficult, dangerous and daunting tasks. In the coming year, we need to make our army more revolutionary, modern and standardized, focusing on enabling it to fully carry out its historic missions in the new stage and in the new century. We will strengthen ideological and political work in the army. We will effectively transform our military training based on mechanized warfare to military training for warfare under conditions of greater IT application, and continue to enhance the army’s ability to respond to multiple security threats and accomplish a diverse array of military tasks. We will modernize weapons, equipment and logistics support across the board. We will improve defense-related research, the weapons and equipment production system, the military personnel training system, and the army’s logistics support

system that integrate civilian with military purposes and combine military efforts with civilian support. We will actively and steadily carry out reform of the army to inject more vigor and vitality into army building. We will intensify the improvement of the People's Armed Police Force to make it better able to carry out its duties, respond to emergencies, combat terrorism and safeguard stability. We will strengthen defense mobilization and reserve forces. We will strengthen and develop unity between the army and the government and between the army and the people.

Fellow Deputies,

We will unswervingly adhere to the principle of "one country, two systems" under which Hong Kong people administer Hong Kong and Macao people administer Macao with a high degree of autonomy, and fully support the Hong Kong and Macao Special Administrative Regions in actively responding to the global financial crisis and maintaining their prosperity and stability. We will increase cooperation between the mainland and the two regions, consolidate Hong Kong's position as an international financial center and promote an appropriate level of diversity in Macao's economy. We will accelerate the pilot program for the mainland, Hong Kong and Macao to use RMB as the settlement currency for trade in goods. We will constantly deepen and expand cooperation between Guangdong, Hong Kong and Macao. We will accelerate construction of infrastructure such as the Hong Kong-Zhuhai-Macao Bridge, the Hong Kong-Shenzhen Airport Rail Link and the Guangzhou-Shenzhen-Hong Kong Express Rail Link. We will give Hong Kong and Macao greater access to the mainland's service sector. We will adopt effective measures to support development of Hong Kong- and Macao-funded enterprises on the mainland, particularly small and medium-sized enterprises, and help ease their difficulties. The great motherland will always provide strong backing to Hong Kong and Macao. We firmly believe that our compatriots in Hong Kong and Macao will surmount their current difficulties and create an even brighter future.

Last year important progress was made in our Taiwan-related work. Positive changes occurred in the situation in Taiwan, and major breakthroughs were made

in cross-Straits relations. Consultations between the two sides of the Taiwan Straits were resumed on the basis of the 1992 Consensus, and complete, direct and two-way mail, transport and trade links were established. The two sides enjoyed more frequent people-to-people exchanges, closer economic ties, more active cultural exchanges and broader common interests. Cross-Straits relations have embarked on the track of peaceful development. In the coming year, we will continue to adhere to the principle of developing cross-Straits relations and promoting peaceful reunification of the motherland. We will remain committed to the goal of peaceful development of cross-Straits relations, and work actively to build a framework for and strive to achieve new progress in the peaceful development of cross-Straits relations. We will continue to comprehensively strengthen cross-Straits economic cooperation to jointly respond to the global financial crisis. We will actively promote financial cooperation across the Straits, support the development of Taiwan-funded enterprises on the mainland, provide financing services for qualified ones, and encourage their independent innovation, transformation and upgrading. We will strengthen two-way investment and industrial cooperation and expand and deepen agricultural cooperation between the two sides. We will support economic development on the west coast of the Straits in Fujian Province and in other areas where Taiwan investment is concentrated. We will accelerate normalization of cross-Straits economic relations and facilitate the signing of a comprehensive agreement on economic cooperation, and gradually establish economic cooperation mechanisms tailored to both sides of the Straits. We will increase contacts between individuals, expand exchanges among all sectors of society, vigorously promote Chinese culture and consolidate the common cultural bonds between the two sides. We will work on the basis of the one-China principle to enhance mutual political trust between the two sides. Based on this, we are ready to make fair and reasonable arrangements through consultation on the issue of Taiwan's participation in the activities of international organizations. We are also ready to hold talks on cross-Straits political and military issues and create conditions for ending the state of hostility and concluding a peace agreement between the two sides of the Taiwan Straits. We are convinced that, with the concerted efforts of

the people on both sides of the Straits, we will achieve complete reunification of the motherland and the great rejuvenation of the Chinese nation.

Fellow Deputies,

Significant achievements were made in our diplomatic work last year. We joined hands with the international community in tackling the global financial crisis. We successfully hosted the Asia-Europe Meeting and enhanced mutual political trust and pragmatic cooperation between Asian and European countries. We actively advanced bilateral and multilateral diplomacy, and played a constructive role in global and regional hotspot issues. We stood firm in safeguarding China's sovereignty, security and development interests and in protecting the legitimate rights and interests of Chinese nationals and corporations overseas. Further significant progress was made in carrying out all-round diplomacy, and China's international standing and influence rose to a new height. In the coming year, we will continue to hold high the banner of peace, development and cooperation, adhere to the path of peaceful development and an independent foreign policy of peace, and pursue an open strategy of mutual benefit. We will increase friendly contacts with other countries in the world to create a favorable external environment for the steady and rapid development of China's economy. We will continue to deepen pragmatic cooperation with other parties, work with them to curb the spread of the global financial crisis, promote reform of the international financial system, and oppose trade and investment protectionism, in order to help bring about an early recovery of the world economy. We will continue to take the fundamental interests of the people of China and the world as our starting point and make new contributions to the proper resolution of hotspot issues and global problems. The Chinese government and people stand ready to work with the governments and peoples of other countries to jointly respond to risks and challenges, share development opportunities, and build a harmonious world of durable peace and common prosperity.

Fellow Deputies,

The tasks we face are arduous and formidable, and the responsibilities we bear are great and glorious. Under the leadership of the Party Central Committee with Comrade Hu Jintao as General Secretary, let us strengthen our conviction for victory, boldly meet challenges, work in a down-to-earth manner and press ahead resolutely to make new achievements worthy of the times, history and the people, carry forward the great cause of reform, opening up and modernization and celebrate the 60th anniversary of the founding of the People's Republic of China.