

ADVANCING SOCIAL DEVELOPMENT  
IN CHINA

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*Contribution To The 11<sup>th</sup> Five Year Plan*



United Nations  
China

UN COUNTRY TEAM CHINA  
OCCASIONAL PAPER Vol.1

October 2005

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**CONTENTS**

1	FOREWORD
2	FRAMEWORK
7	POLICY NOTE 1: HEALTH
10	POLICY NOTE 2: EDUCAION
13	POLICY NOTE 3: EMPLOYMENT AND ‘JOBFUL’ GROWTH
16	POLICY NOTE 4: SOCIAL PROTECTION
20	POLICY NOTE 5: HIV/AIDS



## FOREWORD

As the UN Reforms calls for, there are growing expectations for one UN voice at the country level and closer partnership with national counterparts in developing national plans and strengthening national capacities and systems.

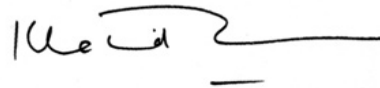
Drawing upon the UN Common Country Assessment and the UN Development Assistance Framework, the UN Country Team developed a policy proposal on social development for the 11th National Five Year Plan (2006-2010). The National Development and Reform Commission (NDRC) printed it in Chinese as a document for wide circulation within the government.

The paper highlights the key challenges, the underlying problems and specific policy actions that could form the core of the Five Year Plan (2006-2010) on social development. It includes five separate chapters with policy notes on health, education, 'jobful growth', social protection and HIV/AIDS. The framework emphasizes the crosscutting issues in social development, while the policy notes present policy recommendations in the respective areas.

Linkages between economic growth, poverty and social development are explored. It is argued that growth with equity and social development are increasingly becoming the catalyst for sustained economic growth, reduced poverty and social stability.

It is our hope that the analysis and ideas presented in the paper will contribute to the preparation of the Five Year Plan as it seeks to deliver on a harmonious 'Xiaokang' vision and to achieve the Millennium Development Goals. The UN system stands ready to assist China in this endeavor.

I would like to thank UN colleagues and agencies in China for their active and collective work on this document.



Khalid Malik  
UN Resident Coordinator

## FRAMEWORK

This framework note seeks to contribute to the 11<sup>th</sup> Five-Year Plan in the area of social development. The note builds on the UN Common Country Assessment and identifies key challenges, underlying problems and policy implications in advancing social development in China. The framework includes five separate chapters with policy notes that cover health, education, employment, social protection and HIV/AIDS. The framework emphasizes the crosscutting issues in social development, while the policy notes present policy recommendations in the respective areas.

The 11<sup>th</sup> 5 year plan is the next critical step in delivering on the Xiaokang vision. Yet in order for it to be effective, the Xiaokang vision itself requires further elaboration. In order to make growth more sustainable and put in place a development strategy which puts people first, a significant recalibration of incentives, policy instruments and capacities is likely to be essential.

This framework note examines the linkages between economic growth, poverty and social development, and how managing change carefully and investing in social development can contribute to social stability. These linkages are intensified by the large ongoing transitions in China, namely demographic changes, rapid urbanization, and structural changes in the economy.

It is argued that equity and social development are increasingly becoming the vital catalyst for sustained economic growth and reduced poverty in China. The note implies that growing disparities and inequities undermine the creation of a harmonious Xiaokang society and the achievement of the Millennium Development Goals. Reforms and modernization tend to produce winners and losers and can unleash conflicting claims on resources. Equally, a degrading environment can have a large impact on people's health, job opportunities and overall development.

### A. Key challenges

Although social indicators have been improving in the aggregate, China is facing four significant challenges: First, social development outcomes differ widely across China. Second, and increasingly, social development affects economic inequality and the potential for sustainable economic growth. Third, social development weaknesses closely relate to and influence poverty and vulnerability. Fourth, demographic changes and urbanization pose particular challenges to social development.

#### 1. Social development differs widely across China.

*Disparities in social development in China are large and widening on several accounts* (see Box 1).

##### **Box 1 Selected indicators to illustrate disparities in China's human development**

**Regional disparities:** While all 33 provinces and special regions are now in the UN's medium human development category, Shanghai's HDI is almost 55 % higher than Tibet's. Nationally, HDIs are steadily rising, but in some central and western provinces such as Tibet and Yunnan, human development achievements are deteriorating. The maternal mortality rate is 9.6 in Shanghai, 111 in Guizhou, and 399 in Tibet. Rates of vaccine-preventable diseases, such as measles, are 5-6 times higher in western provinces compared to eastern provinces, reflecting uneven immunization coverage.

**Rural-urban disparities:** Schooling is on average 2-3 years shorter in rural areas compared to urban areas. About 20 per cent of the rural population still drinks unclean water, and the rate is over 50 per cent in the poorest – class IV – rural areas, compared to nearly zero in urban areas. The prevalence of malnutrition in rural areas is two to three times higher than in urban areas. Over 60 per cent of rural residents report no access to information on health. Job creation in rural areas has been stagnant and even declining in the secondary sector.

**Disparities between migrant and resident populations:** Migrant families tend to be excluded from employment opportunities and social services. Two thirds of maternal deaths in urban areas appear related to migrant women who account for only 10% of total pregnancies.

**Gender disparities.** The sex ratio at birth has reached an imbalance of 117 males per 100 females. Girls suffer from lower access to health, which expands the gender gap in infant and under-5 child mortality. Women tend to be the first and the majority of those laid off.

*Such disparities, however, are not an unavoidable result of the transition from planned to market-based economy even in a country as populous and complex as China.*

Major improvements in social status of vulnerable groups could be achieved with relatively modest increases in public spending. For instance, over 75% of maternal deaths and 70% of mortality among children under 5 years are preventable with better access to basic inexpensive health care and health information. Gaps in educational attainment and skills can greatly diminish if the ratio of government spending on tertiary-secondary-primary education would change from the current 10:2:1 to something more balanced (by raising government spending on primary and secondary education and relying more on private spending in tertiary education).

## **2. Increasingly, social development affects economic inequality and the potential for sustainable economic growth.**

The relationship between social development and economic inequalities and future growth performance has been intensifying. Rapid introduction of new technologies puts a premium on education and skills. Education and skills are critical to achieving technology-led growth which increasingly forms the basis of sustainable economic development. Educational attainment and skills are linked to health and, along with labour market policies, shape job opportunities and income distribution. This also explains the rising income disparities between skilled and unskilled labour.

As future economic growth is likely to be driven not only by exports, but increasingly by private consumption, it depends on consumer confidence and spending (that is, willingness to save less). This directly reflects the extent of protection through insurance and social security schemes from adverse consequences of illness or temporary income loss. Furthermore, social security schemes facilitate continuing reforms of enterprises, banks and the public sector, which remain another important ingredient to sustainable economic growth. The economy can suffer from lack of attention to social development even in the short term, as the experience with SARS demonstrated.

The trend of rising economic inequalities has become worrisome. The Government is rightly concerned that current inequalities will further expand with implications for social stability unless policies are adjusted to offset such tendencies. Income inequalities are rising sharply, with the Gini coefficient at 0.46 in 2002. Other estimates place it already close to 0.5, making China among the more unequal societies globally. In most cases, countries with large income inequalities face significant challenges related to increased crime, drug use and HIV/AIDS, with considerable investments needed to tackle these problems.

## **3. Social development weaknesses closely relate to poverty and vulnerability.**

Poor health, lack of education and skills, and gaps in social protection contribute to poverty. Surveys suggest that 30 to 50 per cent of the poor report illness and injury being the main reason of poverty. This is related to the low coverage of medical insurance schemes – over two thirds of China's population fully depends on their savings to pay for health care. In fact, across the social insurance system, benefit schemes cover only 70% of the population. Together, education, health and labour market policies affect people's vulnerability to poverty and their ability to lift themselves out of poverty. Empirical evidence in China and elsewhere suggests that investments in education and public health help reduce poverty.

## **4. Demographic changes and urbanization pose particular challenges to social development.**

To date, China has benefited from a large work force of relatively young, mobile, healthy and educated workers willing to work for very low wages. That situation was the result of a high birth rate in the 1960s, access to basic education and health care across the country, and a relaxation of the 'hukou' system in 1979. Such a work force was ideal for making the transition from agriculture to basic industry. However, as this large work force ages, and parts of it are unable to meet escalating health and education expenditures, it will be less compatible with labour force needs of a more sophisticated industry.

Furthermore, if China wishes to make a transition to a service and high technology based economy, it will need to develop a labour force which meets the demands in these fields.

Two additional demographic factors impact on social development – and vice versa: migration and the imbalance in the sex ratio. Urbanization in 1953 was estimated at 13%, and in 2000 at 36%, with an estimated 140 million as a “floating population”, generally rural residents who live in urban areas. Currently, the proportion of the rural population is higher than the average for countries with China’s level of economic development. But arable land per capita to support the rural population is very low, and there is still excess rural labour force. A recent phenomenon is the increasing sex ratio imbalance at birth: 108 males per 100 females in 1982, rising to 117 in 2000. The male: female imbalance for young adults has not yet increased greatly, but will do so as those born from 1980 onwards reach marriageable age.

## **B. Underlying problems**

### **1. Inadequacies in the fiscal system**

*The extensive fiscal decentralization in China is creating bottlenecks and imbalances.* In government spending on education, health and social security, nearly 90% takes place at the sub-national level, of which the majority takes place at the sub-provincial level. Many governments, however, especially in poor areas, have fallen short of ensuring adequate delivery of basic social services, which often undermines the implementation of central government priorities.

*The central problem has become the large gap between expenditure and revenue assignments at the local level, complemented by an inadequate level of equalization grants.* The combination of pushing down expenditure responsibilities to lower levels and not providing adequate financial support has been contributing to inequalities. In the health sector, for instance, 2/3 of government spending benefits the urban population only; and annual government per capita health spending varies from about RMB200 in Beijing and Shanghai to less than RMB 20 in Henan and Hunan.

*Making the fiscal system more pro-poor becomes a compelling task.* Recent spending increases on education, health and social protection in poor areas, accompanied by measures to alleviate the tax burden on farmers, have helped but large gaps still persist.

### **2. Existing governance structures appear to work against equitable social development and social stability**

*At the local level, incentives often seem misaligned with the role of government in social development.* Targets and indicators used by the central government to evaluate local government performance seem to overlook access to and quality of social services and social development outcomes at the local level, and are part of the problem. More broadly, in many ways, the market has failed to meet social development needs and there seems to be little accountability for access to basic services and for outcomes.

*Furthermore, the accomplishment of more equitable development is complicated by unclear division of responsibilities across line ministries, institutions and different government levels and by weaknesses in their coordination.* In health, for instance, several ministries, institutions and different government levels play a role, but policies and regulations related to health are poorly coordinated and enforced. Important areas, such as environmental health, occupational health, promotion of healthy life styles, drug safety, food safety, patient safety, etc., suffer as a consequence. Rapid economic change is also leading to increasing numbers of people seeking legal or other forms of redress to their sense of inequity. Such conflicts, and lack of adequate resolution at the local levels, may lead to serious social unrest.

*Weaknesses in institutional capacity at the local level also contribute to the disparities.* Unequal enforcement of laws and regulations across China is a case in point, and particularly harmful with respect to the environment as well as social development and stability.

### **C. Policy recommendations**

Drawing on the brief analysis of the key challenges and underlying problems, crosscutting policy proposals are presented next. Specific policy recommendations in the areas of health, education, employment, social protection and HIV/AIDS are included in more detail in subsequent chapters.

***I. Continue efforts to reduce poverty with greater emphasis on the poor and vulnerable groups, such as ethnic minorities and women.***

***Dealing with poverty requires a broad based effort.*** The success of the Western Region Development Strategy points to the continuing value of infrastructure investments in opening up remote areas and communities to markets and increasing incomes. Equally, providing jobs for 7 million new entrants every year to the labour market requires flexible labour policies and innovative approaches which put more attention to off-farm employment opportunities and the creation of small and medium enterprises. As such, promotion of growth with and through jobs needs to become a priority.

***More emphasis needs to be placed on targeting localities and groups with weak social development.*** These groups include those vulnerable to poverty – namely, women and girls, minorities and migrants – as well as the poor. This implies that the government needs to place more emphasis on universal access to basic health services, primary and secondary education and basic insurance and social protection, while giving more room to the private market in the area of specialized health services and tertiary education. With respect to employment and social justice, key objectives include equality in terms of employment opportunities and human rights, and equal access to training and employment services, in particular for disadvantaged groups such as migrants, minorities and women.

***II. Address social development challenges and underlying problems in a holistic and strategic manner.***

***The solution to the challenges in one sector often lies in several other sectors.*** For instance, to improve health outcomes in poor areas, access to safe water, sanitation, promotion of hygiene and female education, nutrition and safe environment are as important as basic health services. Urbanization and demographic changes are likely to have significant consequences for health, education and social security schemes and appropriate actions need to be considered, such as adjusting the fertility policy, the minimum retirement age, and the design and coverage of social insurance schemes. A combination of approaches is needed to address the root causes behind complex challenges, such as, the growing male: female imbalance, or job creation, and to help balance cultural protection with social and economic change, and to reinforce social stability.

***Inter-sectoral approaches are required*** to promote human-centered urban development, promote urbanization patterns that are sensitive to the environment and regional conditions. Access to water, air and food are fundamental human rights and reducing inequality in these areas will substantially advance people's quality of life. Rapid urbanization and industrialization are putting additional pressures on already constrained resources. Deforestation and overgrazing are converting vast stretches of land into desert and forcing rural residents into cities. Linkages between human activities and disasters need to be addressed and loss of life minimized. Equally, empowering civil society and the private sector will support environmental protection and public service delivery.

***III. Reform the fiscal system to ensure adequate delivery of public services and more equitable social development.***

***Minimum standards of public service delivery need to be ensured through central government financing*** to achieve the vision of a Xiaokang society. For services that are to be fully or partly financed by the government, expenditure assignments need to be matched with revenues. For example, some centralization may enhance the delivery of core social services and be beneficial in view of efficiency and

administrative capacity as well as equity. Internationally, since social services like basic education and public health, generate important externalities for society as a whole, they are usually seen as responsibilities shared by central government and other levels of government. On the revenue side, regional equity would benefit from further reductions in tax rebates to richer provinces and further centralization of value added tax revenues.

#### ***IV. Align governance structures and capacities to the needs of equitable social development.***

***Decision-making processes across the government need to become more coordinated and inclusive.*** Policies to promote social development, along with economic growth with equity, will require high-level coordination to bring together relevant ministries and institutions to identify and address core challenges in a coherent and effective way. The development and implementation of government policies would also benefit from giving more room to the voice of non-government organizations and citizens across different localities and socio-economic groups.

***Set outcome targets and establish clear accountability for outcomes.*** To promote the alignment of incentives of local governments, the central government may want to correspondingly revise the targets and indicators used to evaluate local government performance. The performance of local officials and service providers is suggested to be evaluated on the basis of outcomes and access to and quality of public services in their localities. In this respect, the availability of relevant, reliable and timely information forms the basis of accountability and effectiveness in management and delivery of services. Independent groups could help promote accountability, and innovative approaches could be tried, such as, setting up and publicly monitoring targets on government functions and results. Accountability would also benefit from making the decision-making processes more open and transparent.

***Adequate and effective delivery of public services and public goods demands further building of institutional capacities.*** In China, the changing role of government requires changes in administrative approaches, supported by sufficient institutional capacity at the local level. International experience suggests that institutional capacity as well as incentives and information affect the choices and actions taken at the local level, which in turn affect the adaptation and implementation of national policies and achievement of outcomes. Social development across China is likely to improve with, for instance, better institutional capacity to monitor results and to enforce laws and regulations at the local level.

#### ***V. Invest in people as a priority in government budgets and view social sector expenditures as investments.***

***Increase social spending and ‘re-socialize’ health and education, especially for basic services and focusing on the poor and rural areas.*** Investing in people requires concerted policy actions involving a reallocation in government spending toward the poor and disadvantaged localities and population groups, and particularly at the local level, and a change in the government role and functions. The government needs to ensure equitable access to core public services and public goods as opposed to direct interventions in the enterprise sector or the market, and emphasize human capital and social development outcomes as opposed to physical capital and inputs. Social sector investments need to be made more cost effective by focusing less on infrastructure and more on service provision. Simultaneously, the government needs to examine opportunities for adjusting its role and functions in line with the development of civil society and the private sector.

## POLICY NOTE 1: HEALTH

### Key challenges

*As illustrated in the Framework, disparities in health outcomes in China are enormous and undermine the progress toward the creation of the harmonious society and the achievement of MDGs.* (Box 1 in the Framework gives examples of the existing disparities.)

*The Framework also shows examples how health links to poverty and economic development in China.* Currently, illness creates poverty and low income implies limited access to health. Surveys suggest that illness and injury is the key factor making people vulnerable to poverty. The exposure of households to the financial risk of ill health implies very high saving rates, particularly in rural areas, thus limiting the scope for private consumption-led economic growth. Health is also closely linked to economic growth as it affects the capacity to learn, develop skills and be productive at work, it. The linkages between health and productivity/economic growth have intensified with the ongoing urbanization and with the need to promote the development of the tertiary sector and support the exit of labor from agriculture.

*The spiraling cost of health care is another important challenge.* Health care cost has been growing rapidly, and the rising cost is mainly covered out of pocket. Real growth in total health expenditure since 1980 has reached an average annual rate of 12 percent. In this period, as a national average, total health expenditure per person increased 6-fold, from US\$9 to US\$53. Urbanization, changing life styles, and the aging of China's population are all adding to the trend. Assuming continued growth of China's economy at an average annual rate of 7-8 percent and continued growth of China's total health expenditure at an average annual rate of 12 percent, total health spending will exceed 8 percent of GDP by 2010. On average, out-of-pocket spending now covers over 60 percent of the total health cost while the government covers 15 percent. In rural areas, out-of-pocket spending accounts for 90 percent of the total health expenditures. For low-income groups, the rising health cost and dependence on out-of-pocket spending make health services inaccessible and has been the main reason for falling into poverty.

*These challenges mainly relate to three underlying problems. First, as discussed in the Framework, vast inequalities in health outcomes arise largely from the disequalizing nature of China's intergovernmental fiscal system.* The fiscal system fails to provide local governments in poor localities with sufficient resources to deliver basic health services for which they are responsible.

*Second, health service delivery is not cost-effective.* Hospitals receive 68 percent of government health spending, while government spending on basic health, such as preventive care, is low<sup>1</sup>. Furthermore, relatively more emphasis in the allocation of public resources is given on capital investment than operational cost (including the salaries of the providers of public health functions and services). Health care providers are forced to raise their own revenue, thus linking service delivery with the ability of the client to pay. The emphasis on curative care and weaknesses in the current price system for medical services, the provider payment mechanisms, and the pharmaceutical production and distribution systems all contribute to the rising costs and inefficiencies in health spending. Furthermore, the drive to generate profit and provide excessive services to those able to pay often compromises safety (over-prescription of antibiotics is one of several serious public health safety problems).

*Third, Government attention to basic health and safety seems insufficient and not well coordinated.* In many ways, the market has failed to meet health needs and government attention to basic health has proven insufficient. There seems to be little accountability for access to basic health and for health outcomes. Similarly, cost control and safety are not linked to performance assessments. Many line ministries, institutions and different government levels play a role in health, but policies and regulations

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<sup>1</sup> Basic health includes essential public health functions, essential public health services and essential clinical services, discussed in more detail under Policy Implications below.

related to health are poorly coordinated and enforced. Important areas, such as environmental health, occupational health, promotion of healthy life styles, drug safety, food safety, patient safety, blood safety, road safety, bio safety, disease surveillance and reporting, nutrition, tobacco control and other preventive and promotional programs suffer in consequence.

### **Policy implications and actions**

To support the creation of a *Xiaokang* and *harmonious* society, the 11<sup>th</sup> Five Year Plan needs to address China's health challenges. Overall, the Government needs to provide a clear vision, strong direction, and decisive leadership for all players involved in health with respect to the Government's priority objectives and role in health.

The overall priority objective in health could be defined as:

Promoting equitable access to basic health at an affordable cost.

To achieve this objective, the Government needs to 1) ensure financing for universal access to basic health, 2) develop and enforce regulation and governance structures that promote cost control and safety in health system, and 3) advance comprehensive, high-level coordination.

#### **1) Ensure financing for universal access to basic health**

Basic health involves essential public health functions, essential public health services and essential clinical services.

On the basis of public goods delivery as well as equity, full government funding is needed for *essential public health functions*, which include information dissemination for family planning and nutrition, promotion of healthy lifestyles and health care knowledge, preventive programs such as preparedness against avian and other influenzas, and actions to improve patient safety, blood safety, road safety, bio safety, occupational safety, access to safe water, sanitation, safe environment, and disease surveillance and reporting.

Government funding complemented by medical insurance schemes is needed to ensure universal access to *essential public health services*, which include immunizations, school-based health services, services for family planning and nutrition (food fortification and supplements to prevent micronutrient deficiencies), TB treatment and early intervention against HIV/AIDS.

In addition, government funding complemented by medical insurance schemes is needed for the most critical and cost-effective *essential clinical services*, comprising at least care in pregnancy and child birth (including emergency obstetrical care) and care for the common but preventable perinatal conditions and serious illness of young children.

Government needs to finance basic health by *reallocating health spending* and ensuring that public resources reach those levels of government responsible for service delivery and benefit the poor and vulnerable populations. In this respect, it will help if Government sets medium-term targets for public spending on health and develops a *medium-term health spending plan* that spells out programs to improve access to basic health.

Medical insurance schemes could be required to fully cover essential public health services and essential clinical services for those insured. RCMS specifically needs to cover essential health services in addition to catastrophic illness to promote its coverage and sustainability as well as equitable access to basic health in rural areas. Also, to raise the share of population insured, further initiatives offering simple and affordable medical insurance schemes need to reach private-sector employers, rural enterprises and self-employed.

Several mechanisms could be developed to promote access to basic health for those uninsured. One option would be to provide every citizen with a health card, on the basis of which citizens would obtain basic health services for free and providers would be reimbursed from government and applicable medical insurance schemes.

## **2) Develop and enforce regulation and governance structures that promote cost control and safety**

To promote *cost control*, hospitals and their services need to be better managed to reduce the cost of health care. Privatization needs to be complemented by proper cost control and quality monitoring mechanisms. Regulation needs to promote wise distribution and use of cost-effective health technologies. Health insurance can play an important role in controlling costs and ensuring affordability. Furthermore, to reduce demand for costly services, lower level health care services need to improve quality and gain people's trust. Finally, cost-controls need to be linked with performance assessment mechanisms.

With respect to *safety*, improvements can be achieved with a better use of licensing, accreditation, certification, and safety monitoring. Standard treatment protocols and pricing would help correct supplier-induced demand. National drug policy would support cost control as well as safety and quality. In addition, qualified health staffs need to be encouraged to work in primary local facilities and remote areas and to continue their training.

For the government to improve its *monitoring of results*, performance of local officials and service providers needs to be evaluated on the basis of access to and safety of health care in their localities. To support such evaluation, feedback needs to be collected from citizens, health service providers, and NGOs. Moreover, institutions need to be strengthened to enforce health laws and regulations at the local level.

## **3) Advance comprehensive, high-level coordination**

Only a coordinated approach to health problems will deliver the comprehensive health policy and effective health system reform that are needed. Ministry of Health would play a leading role with respect to Government health policy. A coordinating body, perhaps a high-level committee, possibly within the State Council, needs to direct health-related ministries and relevant institutions to work together more efficiently. The committee would ensure that public health functions within the numerous ministries and provinces are well coordinated. And it could make sure that other Government policies that affect health fit into the larger vision for a healthier China. That means issues controlled by other ministries, like environmental pollution, bio-safety, tobacco regulation and taxation, nutrition, traffic control and road safety, sanitation, and basic health education in schools, would be harmonized in line with Government health policy.

### **Examples of possible targets**

The 11<sup>th</sup> Five-Year Plan could set a target to significantly raise the proportion of population with access to basic health services. The National Health Services Survey offers a set of useful indicators in this regard.

To promote accountability, health targets and indicators need to be specified and monitored by province and city/county – for instance, “halving the number of people reporting non-affordability as the reason for declining to seek basic health service in each city and county,” and “halving the number of people without any access to safe water, sanitation and health information in each city and county”.

## POLICY NOTE 2: EDUCATION

### Key challenges

While China has achieved great improvements in education since Dakar Framework for Action (2000, Senegal, Dakar), it still faces big challenges to achieve education for all (EFA) goals by 2015. **Disparities of access and quality** are growing among regions and population groups. Many rural schools suffer from the lack of both physical and human resources and have been closed for lack of adequate resources and in some areas because of declining school-age population.

With the introduction of the “New Curriculum Reform” by the MOE in 2001 to implement the quality-oriented education, the Government has called for the change of examination-oriented education to the all-rounded development of students. However, there is the growing concern during the reform process of how to ensure and improve the **quality in basic education**. One of the biggest challenges is teachers’ training and education to meet the new requirements set for the new curriculum reform. To this end, an enormous amount of resources will be required to train 9.23 million (2003) schoolteachers under the nine-year compulsory education program. Moreover, there is a lack of systematic and regular mechanisms to assess the process and impact of training, as well as teachers’ performance. Apart from the focus on school’s infrastructural development, the other challenge is to define minimum qualitative aspects of school and classroom learning environment that is conducive to well-rounded development of children.

With the fast speed of urbanization and the restructuring of its economy, China is expediting the process of expanding and reforming the **technical and vocational education** targeting the newly emerging laborers, laid-off and migrant workers, rural people in western regions, and the new university and college graduates. However, the scale and the contents of vocational education and training do not meet the demands of social and economic development. Technical and vocational education and training face the challenge of system adjustment and content reform to accommodate the needs of specific target groups including rural migrants, laid-off workers and the new university graduates, as well as the challenge of meeting the requirements of a rapidly changing labor force working in agriculture, industry and services.

While the overall gap between male and female in education is diminishing, **gender differences** in rural school enrolment tend to be greater than in urban schools. Girls in rural areas are more likely to drop out at the secondary school level.

Although the Government has recognized the issue of **migrant children’s education** and has set the national policies to ensure these children to have access to schooling, how to ensure they can complete the basic education with good quality still remains an issue.

China consists of 56 national groups, with 55 so-called ethnic minority groups. The drop-out problem of the **ethnic minority children** poses the one of the biggest challenges to the 9-year compulsory education in the country. The major cause of dropping out among minority children is a lack of access to schooling in remote areas, especially for girls wishing to enroll in junior high school. Low professional standards in addressing the needs of children from ethnic minority areas and poor teaching quality result in low enrolment and high drop-out rates amongst these children.

### **Policy implications and actions**

To achieve the national goal of quality-oriented education and achieve the EFA goals the Government has committed, in particular the “two basics” in the country (basically universalizing 9-year compulsory education and basically eradicate illiteracy among young and middle-aged adults by 2000), the 11<sup>th</sup> Five-Year Plan has already given some attention to rural education, e.g. exemption of textbook fees for the children from poor families. However, the Government still needs to have a strong leadership role and commitment in its financial input to education, in particular to lessen the gap and disparities among regions and population groups. It should also develop the national guidelines on school quality under the framework of the well-rounded development. The policy suggestions to that end could be highlighted as:

- 1. Ensure and shift government expenditures to basic education.** Spending on education reached 3.19% of GDP in 2001, but still below the government’s goal of 4% for 2002. The national goals of universalizing 9-year compulsory education in all counties of high quality and by 2010 the illiteracy be eliminated among people aged 15-24, the adult illiteracy rates among people aged 15-50 reduced to less than 5% obviously need a huge amount government investment. Although the central Government has in recent years significantly increased its investment in education in the poor areas, it still needs more input, in particular to the western regions, considering that some local governments have had difficulties in financing basic services. Moreover, large scale teacher training, constructing boarding schools, provision of basic education materials (textbooks, classrooms, desks and chairs), using of ICTs in education and ensuring a safe and healthy school environment needs large investments in budget and resources. Central and provincial government should bear the major responsibility in this regard.

Special attention should be given to allocate budget and develop **the integrated approach to early childhood development (IECD)**. The national policy for IECD is that the average participation in 3-year preschool education should be more than 80%, with the remaining children receiving 1-year preschool education. To ensure implementation of the national policy on young child development, it is a must to ensure a minimum provincial and central budget allocation for promoting and monitoring of ECD services. National and sub-regional networks for advocacy on parenting practices should be developed with the joint collaboration of the health and education sectors; ECD resources centers and community- and home-based approaches to ECD be created; comparable systems of flexible education be developed to enable dropout children to acquire nine years of equivalent education.

- 2. Draw up practical, cost-effective and sustainable school quality guidelines** to enable the implementation of its well-defined agenda of all-rounded development and classroom environment that promotes children’s active learning capacities so as to enhance learner interest, quality, relevance of school and learner achievement levels. The scope of the new curriculum needs to be expanded to include the rights-based approach and learning that is based on essential life skills to develop children’s self-esteem, problem solving and decision making skills especially for protecting themselves from vulnerabilities such as HIV/AIDS, drug abuse, internet abuse etc.

For the overall quality improvement, it is apparently most important to strengthen the **capacity building** of the education policy makers and administrators at various levels, in particular at the implementation level in order to put the well-planned agenda into practice. **Teacher education and training** should be reformed to strengthen the technical capacity in the education sector in provincial areas and a systematic teacher and peer support and supervision system established at local levels to promote interactive and student centred teaching/learning practices on a continuous basis. This will help improve the retention levels of children in schools in rural and ethnic

minority areas. Comprehensive tools for assessing and monitoring results of inputs in school quality improvement under the new curriculum reform process need to be developed.

Another important factor that the Government should put on agenda for quality improvement is to create **child-friendly schools** that are inclusive for all children, that can provide hygienic school sanitation facilities, safe school environment, emphasis on play, sports and physical education, which is particular needed in the western regions. Gender-sensitive school and classroom learning environments and school completion of girls need to draw the special attention.

- 3. Strengthen and adjust vocational and technical education and trainings (TVETs)** at different levels to make it geared to skill needs. Special targets need to be focused, including rural labors, migrant and laid-off workers, and the new university graduates. Major policies include decentralizing management of TVETs to local authorities (city level), promoting enterprise-organized TVETs, introducing flexible courses that meet the demands of modern agriculture and scientific development, promoting cooperation among schools, enterprises, and farmers, and encouraging network development between eastern and western regions and rural and urban areas through distance education and training. Institutional coordination among different sectors must be encouraged to lessen the waste of already limited resources and make the TVETs more cost-effective. It is also strongly encouraged to introduce entrepreneurship education for youth, who could have better understanding of role of enterprises in the market economy, so that they may consider business start-up as a potential option for employment after graduating from schools.
- 4. Adjust the data and statistics system** that complies with the internationally recognized definitions and EFA monitoring indicators for calculating the status of education. A sustainable monitoring and evaluation system and/or mechanism of EFA progress need to be concretized among different sectors.
- 5. Provide and ensure good quality education for migrant and ethnic minority children.** Although the national policies allow migrant children to attend urban schools, there are still many impediments to enroll and keep the migrant children in the urban schools. The issue of funding and identifying the responsible government agencies for the education of migrant children must be addressed now more at the local (provincial and city) levels to provide these children with the free and compulsory basic education even when they move out of their home town. The government needs to address the issues like the legal status, quality of education, and physical conditions at the private schools for migrants to ensure they receive good quality education.

Although the government has provided subsidized and/or free textbooks, uniforms, and meals in boarding schools for the ethnic minority children, more local level resources should be largely mobilized and input to these efforts.

## **POLICY NOTE 3: EMPLOYMENT AND ‘JOBFUL’ GROWTH**

### **Key Challenges**

**Promoting ‘jobful’ growth is becoming a pressing imperative. At present there is insufficient number of jobs to meet demand.** China’s dilemma is that despite a record of high GDP growth, the process and pattern of that growth has not yet sufficiently accelerated job creation. Only 12 million jobs are available compared to an annual demand for 24 million, implying potential rising unemployment. There is a need to reconsider policies and strategies so that a greater level of employment can be generated at the same pace of growth.

The most immediate pressure on the demand side is laid off workers from SOE’s aged 40 to 50 who are constrained in their ‘reskilling’ potential. Another demand pressure is from rural to urban migrants due to rapid urbanization and stagnant rural development. New entrants, particularly university graduates, are also placing increasing pressure on the labour market. The main driver of employment growth has been the private sector, SMEs in particular, and the public investment programme concentrating on infrastructure development. The demographic trends and an aging population exacerbate all of this.

**Incompatible job supply and demand.** Despite the high number of job seekers and surplus labour overall, there exist pockets of labour shortage. The cause of this newly emerging phenomenon is insufficient skill match of job seekers to job requirements and in some cases it is due to worker flight from substandard employment conditions. There are reported skill shortages in fields such as high-end technology, financial services and executive management.

**Increasing informal economy.** A significant but as yet statistically undetermined amount of employment is being created/absorbed in the informal economy or in other non standard work, including, part time work and casual work. This can be both a problem and a solution to the labour surplus problem. It remains a problem as long as employment in the informal economy or non standard work in the formal economy remains unrecognized and outside protection of labour law and policy-making. It can be positive if it is used to create employment that is both flexible and protected meeting the needs of both employers and workers, particularly those among the unemployed.

**Particular categories of workers or groups of society are not being reached by employment opportunities.** The removal of traditional safety nets and the rise in user fees for education, health care, childcare, and other social services have strained household economies, especially for the poorest and most vulnerable. These changes have had a negative consequence on the situation of disabled persons, particularly the disabled poor and disabled children. Migrant workers and their families are excluded from employment opportunities and in some cases from basic social protection. Women have been disadvantaged as compared to men in terms of being laid off and having fewer reemployment opportunities.

**Existence of a dual labor market between rural and urban areas** Many of the restrictions on household registration system are being removed and rural to urban migration is being favored, there are still issues to be addressed, such as unemployment insurance and access to medical care and education and working conditions. Nevertheless, 60 % of all internal labour migrants do not migrate through registered recruitment agencies or the Ministry of Labour and Social Security (MOLSS), putting them at risk of exploitation. There is also the challenge of providing adequate employment and incomes to the agricultural workers in the rural areas in order to reduce poverty levels and mounting migration pressures.

**Lack of adequate safety and health protection and enforcement** Despite progress made in improving occupational safety and health in recent years, work safety is still a great challenge in China. A high number of hazards and occupational injuries and accidents occur, particularly in the mining, chemicals and transportation industries.

### **Policy implications and actions**

1. Develop a national policy based on the *decent work agenda* to promote and accelerate the creation of more and better jobs along with productivity growth. In so doing target the disadvantaged groups who are at higher risk of extended periods of unemployment and lack of income (laid off, older workers, low skilled migrants, disabled, disadvantaged women, minorities, rural labour). It may be necessary to provide state assets to encourage new investment in interior provinces (Western and Northeastern provinces) with potential for employment creation. Where applicable, the linkages should be strengthened between coastal provinces and interior provinces. A target would be to keep unemployment from rising beyond 6%. Job creation targets should be spread across urban and rural areas.
2. Promote policies and strategies to create and sustain small and medium sized businesses. This requires giving this area as great an attention as received by high tech and large industries. Employment intensity of SMEs tends to be higher than larger firms. Also SMEs are more location diverse, making it easier to employ people from rural areas. In addition to SME support services, it will also be important to extend supporting credit and financial policies and regulatory environment to assist business start-ups. Once meeting the target of reaching 100 urban cities, SME training services should target the rural areas where other infrastructure development such as investment in tourism is taking place. Public-private partnerships in economic development are key to policy environments conducive for SME development in local areas.
3. Develop innovative approaches which make ‘business work for the poor’, drawing upon the recommendations of the Commission on the Private Sector and Development set up by the UN Secretary General (2004). These include bringing micro-enterprises into the formal economy, reducing barriers to growth of many small and medium enterprises and ensuring that firms are not protected from competitive pressures so that incentives to innovate and be more productive are there.
4. Reconsider the fast pace of implementation of the policy on transformation and closure of SOE’s based on criteria of employment as well as financial sustainability. Where feasible, undertake restructuring to SOE’s to allow them to become economically sustainable and to maintain acceptable employment levels.
5. Accelerate towards developing an efficient, equitable and unified rural and urban labour market to support continued economic and social stability and sustained economic growth. Promotion of safe migration flows should be accompanied by employment services, education and health investment to service the migrants and their families in new locations. The establishment and functioning of employment services should be regulated and monitored.
6. Efforts for job creation and development of the required human resources should be concentrated where China can be really competitive and innovative. Develop and adopt a national policy on vocational training and skill enhancement to promote employability and productivity. This should take into account the need to accelerate the development of skills for the new market orientation and to improve the match between skill development and new job requirements. The rural labour force also needs to enhance its knowledge and skills in agricultural production. This implies greater

allocation of resources to education and targeted training and development and use of labor market information. The indicator should be on skills produced to match need and not only on amount of money spent on training. Government should encourage effective partnerships among government and social partners, employers and workers in particular, in order to move forward in identifying and financing and providing needed vocational training and skill development.

7. Develop a national wage policy that establishes a living minimum wage that is enforced and enforceable and that also is aimed at reducing the growing gap in incomes within urban areas and between rural and urban and eastern and western regions.
8. A policy to promote decent work means that the enterprises should be inspected and labour rights enforced. The policy should be to dissuade and punish the establishment of substandard employment conditions. There is a great need to provide equitable protection of rights of migrant workers through a new regulatory framework and improved industrial relations system covering them. Considering the rapidly growing number of labour disputes, changing employer-employee relationship and challenge of building harmonious society, the need for improved industrial relations process and mechanisms - primarily genuine collective bargaining at the enterprise and tripartite social dialogue at higher levels - become an essential prerequisite. Crafting an environment conducive to uphold the rights at work remains an area for more concerted effort by tripartite partners.
9. Improve labour dispute settlement mechanisms with special attentions given to expeditious and just resolution of labour disputes and facilitating voluntary negotiation between the two parties. Indicator should be improved efficiency of dispute process and increased voluntary settlement of disputes. Indicator should be an increase in the successful rate of mediation of labour disputes.
10. Establishing a national coordinated programme on occupational health and work safety and preventing and reducing occupational accidents and fatalities through strengthening and improving inspection and enforcement of health and safety laws and encouraging investment in equipment and other incentives to provide safe, healthy and environmentally friendly enterprises. Indicators on health and safety should not only focus on reducing deaths, but also on reducing occupational accidents and diseases and risks.

## POLICY NOTE 4: SOCIAL PROTECTION

### **Key challenges**

China faces two major social protection challenges: expanding the social security system to provide universal coverage; and protecting vulnerable groups from abuse, exploitation and discrimination. First, although the social security system has seen a significant extension of coverage in recent years,<sup>2</sup> the scope of coverage is still narrow and is still essentially concentrated in the resident urban labour force. The system is encountering difficulties in expanding further, due to high costs, weak local delivery capacities and financial sustainability problems, which will become more serious in the future as a result of the long-term ageing of the population. These problems are compounded by the high degree of decentralization of the system and the linkage of the finances of the social security system to the fiscal system at each level of government, which has made it difficult to redistribute social security resources from surplus to deficit areas.

Social security schemes are especially sparse in the rural areas – and highly variable in their coverage and benefits from one locality to another. They are geared mainly to relieving severe poverty. The traditional pillars of rural social security, land plot and family, are becoming less effective, and the liberalization of trade in agricultural commodities creates new risks, exposing Chinese farmers to international prices and increased volatility in returns, especially for farmers in areas where it is difficult to adjust cropping patterns. Rural anti-poverty programmes address only a small proportion of the vulnerable rural population, while old-age pensions and cooperative medical insurance respectively cover less than 10% and 20% of the rural population.

Second, while the growing market economy has resulted in new opportunities and economic benefits for the majority of the population, it has also brought new kinds of economic, social and psychological pressures, especially to the most vulnerable and marginalized groups. The removal of traditional safety nets and the rise in user fees for education, health care, childcare and other social services have strained household economies, especially for the poorest and most vulnerable. Among those most seriously affected are migrants, the disabled and children.

Although important reform measures have already been taken to address the discrimination faced by migrant workers and their families, compliance with the new laws and regulations is uneven, as is the budgetary support for their effective implementation. Despite the relaxation of the *hukou* system, many migrants still face discrimination in their access to public services, including education and health care. The country's 60 million persons with disabilities are another group facing serious disadvantages and discrimination, particularly in access to education and employment, with resulting high risks of social exclusion, poverty and illiteracy, despite the efforts made in recent years to promote their rights and provide legal protection.

The rapid economic and social changes have also exposed a growing number of children to neglect, abuse and exploitation. Among those most vulnerable are the 20 million migrant children and 23 million “left-behind” children (children of migrants left with relatives in the rural areas). Orphans, including a growing number of AIDS orphans, are also especially vulnerable. Poverty and marginalization among segments of the population have created conditions for a large rise in the number of street children (officially estimated at 150,000 but possibly much higher) and such problems as the abandonment of

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<sup>2</sup> According to the MOLSS, the urban old-age, unemployment, medical, work injury and maternity insurance schemes covered 160 million, 110 million, 120 million, 68 million and 44 million workers respectively while 54 million farmers were insured under the special pension program for rural population.

children, acts of violence against children and the abduction and trafficking of children. Another consequence is the growing number of children in conflict with the law. The sexual exploitation of girls and young women, at times linked to trafficking, is also an issue of grave concern – and could become significantly worse in the coming years due to the large sex ratio imbalance at birth, as the shortage of females is expected to increase the demand for trafficking of women and girls for marriage and sex work.

### **Policy response**

To mount an effective response to the challenges outlined above, the UN System in China proposes that consideration be given to measures in the following policy areas:

**Achievement of sustainable universal social security coverage.** While additional resources and improvements in delivery capacity are needed to implement the existing mandatory coverage of urban employees, new legislation backed up by adequate resources is needed to reach farmers, workers in rural enterprises and workers engaged in the informal sector and in flexible forms of urban employment. The newly introduced “golden social security project” aiming at establishing a nationwide information network of the social security system should permit the mobility of workers while maintaining their social insurance cover. More resources are required for inspection and coordination with other public agencies to link the delivery of business licenses and occupational and safety certificates with social security cover. Regarding delivery capacity, the quota restrictions on the recruitment of staff of the local Social Insurance Bureaus, which are enforced by the local and provincial Personnel Committees, need to be relaxed, in order to hire more staff to register workers, collect contributions, enforce compliance, award benefits, improve monitoring and in general deliver better services. The staffing to deliver MLSP benefits to poor households in rural areas especially needs strengthening, since the increased financial resources allocated by the provinces to cover benefit expenditure have not yet been accompanied by corresponding improvements in delivery capacity.

Insurance costs are high, creating strong disincentives to both employers and employees.<sup>3</sup> These costs include the high burden of transition costs to pay pensions and unemployment benefits to the workers of former state owned enterprises (SOEs). As these past accrued liabilities diminish, the prospective cost of the system could decrease significantly to more reasonable levels. Resources must nonetheless be found to cover the entire projected costs of social security benefits, particularly in light of the ageing of the population. There will gradually be fewer and fewer working age people to contribute to social security and to support each elderly beneficiary under the social security pension and health insurance programmes.<sup>4</sup>

The rapid projected decrease in the labour force suggests that it will be essential, from a long-term planning perspective, to reconsider the current fertility limitation policy as a matter of urgency, as any adjustment will take 20 to 30 years to have a real impact.

A key reform should be the establishment of mechanisms for the redistribution of social security resources. At present, social security revenues are retained at the local level (except in a few well-off areas where resources are pooled at the provincial level), making it impossible to allocate resources rationally at a national level to cover deficits incurred in poorer provinces. Along with increased budget allocations, a system of inter-provincial transfers could cover the projected expenditure of the Minimum Living Standard Programme (MLSP) and annual social security deficits across all regions. At the same

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<sup>3</sup> Retirement, medical care, and unemployment insurance require 28% of staff payroll on average from employers. For employees, 10% of their salary needs to be contributed to social security.

<sup>4</sup> Income replacement and health needs will significantly grow as people over 65 years old will increase from 7% of the population in 2000 to about 20% by 2040.

time, the social security system needs autonomy, as part of a wider fiscal reform, so that it can pool allocate resources to cover benefits and other expenses.

The challenges facing the social security system underscore the importance of developing strong statistical, financial information and planning systems, to meet the challenges of ensuring long-term sustainability while extending social insurance coverage to currently excluded social groups. The international labour standards provide a guiding framework for the design and implementation of new or revised policies, and steps need to be taken to move towards their ratification and application.

**Addressing the vulnerability of the rural population.** Possible options are the establishment of minimum income support, including for the elderly, and insurance schemes in rural areas. The first could replicate the approach taken by Zhejiang, which has extended the urban MLSP to rural counties. Internationally, allowing the elderly to qualify for the same minimum income support under a household-based rural income maintenance scheme has been proven an effective and administratively feasible alternative to expanding contributory pensions to the self-employed rural population. The rural population also needs insurance against the financial costs of medical care and universal access to basic health services, as discussed in the chapter on health. Special measures are also needed to provide support for rural orphans and guarantee their access to health and education. To address other sources of vulnerability, such as losses arising from weather conditions or volatility in commodity prices, protection schemes could be provided mainly by the private sector, with government oversight.

**Protection of migrants.** As highlighted above, various measures are needed to ensure the effective implementation of the government's commitment to extend social security coverage to migrant workers and to establish a system of transferable pensions that would meet the needs of migrants in a context of increasing labour mobility. These measures are especially important for providing health insurance, so that migrants and their families have adequate access to health services. Likewise, the government decision in 2003 to integrate migrant children into normal urban schools needs to be accompanied by adequate budgetary outlays so that the new regulations are fully implemented. Measures are also required to protect migrants from exploitation and hazardous working conditions, since 60% of migrant workers do not use registered recruitment agencies or MOLSS services. In particular, more attention needs to be devoted to providing adequate legal protection for the large numbers of women, many of them migrants, employed as domestic workers.

**Protection of persons with disabilities.** Although progress has been made, much remains to be done in this area. A participatory consultation process is needed for the planned revision of the Law on Protecting Disabled Persons' Rights. The numerous different standards relating to various categories of disabilities need to be integrated so as to achieve consistency and improve coordination to help persons with disabilities get equal access to employment, education, justice and other services and participate fully in social life.

**Protection of children from neglect, abuse and exploitation.** To mount an effective response to the range of protection issues concerning children in situations of neglect, abuse and exploitation, it is becoming essential to develop a strong network of child protection services at community level. This should go hand in hand with the development of social work, which needs to be recognized as a discipline and profession rather than as a form of charitable activity by laypersons. At the same time, much more could be done to complement the role of the state in child protection by creating a more conducive legal environment for civil society organizations to play their part, notably in mobilizing additional resources, providing protection services and monitoring problems of neglect, abuse and exploitation. The legal barriers to the registration and action of NGOs need to be reviewed and relaxed.

**Combating sexual exploitation and trafficking.** These problems may worsen in coming years as the imbalance in the gender composition of the population increases. Official statistics predict that the

country will have 40 million bachelors by 2020. Bride trafficking and the exploitative sex industry are likely to flourish unless the issue of the sex ratio is addressed decisively through relaxation of fertility controls, implementation of the ban on sex identification of fetuses and actions to combat ingrained gender biases. Early signature and implementation of the Protocol to Prevent, Suppress and Punish Trafficking in Persons, especially Women and Children, supplementing the UN Convention against Transnational Organized Crime, will be an important contribution to the global fight against trafficking.

## **POLICY NOTE 5: HIV/AIDS**

### **Key challenges**

In many countries, HIV/AIDS has emerged as a non-traditional security threat. China is no exception. Without concerted actions to address HIV/AIDS, the efforts of the Chinese government to create a moderately prosperous, balanced and harmonious 'Xiaokang' society could be jeopardized. The impact of AIDS on overall economic growth is likely to be small, but the impact on individuals, families, and in some cases communities is already profound in certain provinces and autonomous regions, most notably Henan, Yunnan, Xinjiang and Guangxi. This includes not only the loss of savings or employment opportunities but also a loss of hope – for the mostly young (drug users and sex workers) who become infected by the virus and their families.

Several factors in China are fuelling the epidemic, including shame, fear, stigma and discrimination associated with AIDS, low awareness of HIV within the general population, high mobility, migration, rural poverty, availability and affordability of prostitution, and in many regions, injecting drug use. Policies pursued in China over the last two decades have created enormous economic wealth, but also a fertile ground for HIV to spread in a way that spells trouble for the future development and stability of the country.

Addressing HIV/AIDS requires political will and personal commitment, balancing societal wellbeing and public security, and confronting difficult issues of sexuality and morality. Dealing with AIDS requires addressing poverty and the inequality between men and women. Therefore, countering the AIDS epidemic is fundamentally a political issue that has to be guided at the highest level of the state.

### **Policy implications and actions**

1. **Sustain leadership and commitment at all levels and by all sectors.** The leadership and commitment that have been demonstrated by senior leaders of the Chinese Government to HIV/AIDS need to be sustained. Most of all, however, leadership and commitment are needed at the provincial and lower levels. There is also a need for more systematic involvement of non-health sectors, including non-government organizations, mass media, the corporate sector as well as academic and other institutions. This is necessary in order to move beyond a predominately health-focused response to HIV/AIDS in China.
2. **Improve planning, coordination, monitoring and evaluation.** Good planning, strong coordination, ongoing monitoring and periodic evaluation are a prerequisite to an effective response to AIDS. At the national level, *one coordinating authority*, the State Council Working Committee on AIDS should be used to its full potential, and its equivalents at provincial and lower levels should be strengthened along with the two other critical elements of a successful response – *one action plan* at each level (instead of several competing plans) and *one monitoring and evaluation system* for all AIDS activities (instead of multiple overlapping frameworks).
3. **Strengthen surveillance and information systems.** In order to obtain more reliable information on the size, trend and impact of the epidemic, it is essential to further strengthen surveillance and information systems. This includes expanding the number of sites from which data are obtained as well as broadening the scope of surveys on knowledge, attitudes, practices and behavior, and, measures of the impact of HIV/AIDS. Data analysis and dissemination capacities also need to be strengthened. No country in the world has been able to identify all HIV cases through testing

and further efforts are therefore needed to strengthen the estimation of the total number of HIV and AIDS cases as well as projections for the future.

4. **Reduce vulnerability and risk behavior among specific groups.** In order to reduce the transmission of HIV in China, prevention interventions need to target drug users with methadone treatment as well as clean needle and syringe exchange; 100 percent condom use for sex workers, their clients, and men who have sex with men; and, improved access to voluntary counseling and testing services. Life skills training for individuals in environments that make them vulnerable or predispose them to risk taking behaviors are also required to reduce HIV. International experience shows that targeted HIV prevention interventions are more effective in reducing HIV transmission than mandatory HIV testing, detention or imprisonment of injecting drug users and sex workers.
5. **Enhance awareness and knowledge of HIV/AIDS.** The overall level of awareness and knowledge of HIV/AIDS in Chinese society remains comparatively low and more concerted efforts are needed to strengthen HIV/AIDS awareness. The involvement of mass media is particularly important in order to reach people with appropriate messages about HIV/AIDS. Messages developed on HIV/AIDS need to be well designed and reflect local cultural contexts. Involvement of target populations in the selection of communication channels and messages tends to increase knowledge retention and improve health practices. Special efforts should be aimed at minority, rural and high risk populations where the risk for HIV infection is high.
6. **Reduce fear, stigma and discrimination of people living with HIV/AIDS.** Fear, stigma and discrimination against people living with HIV/AIDS remain pervasive, and need to be addressed by increasing awareness and knowledge of HIV/AIDS. In addition, efforts such as legal reform, capacity building and support are also needed to reduce discrimination against people living with HIV/AIDS, and to facilitate their involvement in the response to the epidemic. International experience suggests that the involvement of people living with HIV/AIDS is an important way to strengthen the response by taking into account the unique needs and concerns of people living with HIV/AIDS in the development of policies and programmes.
7. **Enable stronger engagement by civil society and the business sector.** Experience from countries such as Brazil, Uganda and Thailand, which have effectively reduced the spread of HIV, show that non-governmental and community based organizations as well as the private sector – through workplace policies and programmes – are essential partners in an effective response to HIV/AIDS. Legal and other barriers that prevent the involvement of NGOs and community based organizations need to be removed. Communities who come together in the fight against HIV/AIDS need to be supported and the involvement of non-government entities in the response against the epidemic needs to be strengthened.
8. **Improve treatment, care and support for people living with HIV/AIDS.** Although significant progress has been made in treatment, care and support of people living with HIV/AIDS, much more needs to be done to expand coverage and improve the quality of services provided. A number of issues, including incentives for health care providers, the reliance on user fees, integration of family and community treatment and care, and health care providers' attitudes toward people living with HIV/AIDS need to be considered. It is also essential that HIV testing is not only free of charge, but also voluntary and confidential, and linked to good quality and easily available counseling and treatment.
9. **Enhance measures to protect women and girls from HIV.** The last few years have seen a significant increase in the proportion of women and girls infected with HIV in China. This

increase indicates that more gender-specific prevention interventions have to be developed that address the particular needs of women and girls. These include measures that target women and girls who are at high risk, such as sex workers – but also their clients – as well as women and girls who are economically disadvantaged. Interventions should include economic empowerment, building of skills for negotiating safer sex, and promotion of HIV prevention measures which women themselves control.

10. **Reduce the impact of the AIDS epidemic.** All over the world, HIV/AIDS has profound impacts on societies and communities, and continues to worsen social and economic disparities. Women, children and the elderly, particularly the poor must have access to essential health, education and welfare services to prevent the widening of social and economic disparities. Efforts should be combined with the promotion of family and community support for people affected and/or living with HIV/AIDS, especially children and other vulnerable populations, and countering stigma and discrimination, as part of overall efforts to halt and reverse the spread of AIDS.