

PART VI

DEEPENING REFORM ACROSS THE BOARD TO IMPROVE THE SOCIALIST MARKET ECONOMY

We will uphold and improve the basic socialist economic system, fully leverage the decisive role of the market in allocating resources, give better play to the role of the government, and promote better interplay between an efficient market and a capable government.

Chapter 19 Energizing All Market Entities

We will work unswervingly to consolidate and develop the public sector as we encourage, support, and guide the development of the non-public sector with a view to cultivating more vigorous, innovative, and competitive market entities.

Section 1 Accelerating Adjustments to the Layout and Structure of the State-Owned Sector

With a focus on facilitating national strategies and adhering to the principles of expanding some areas and contracting others and prioritizing objectives, we will accelerate improved distribution, structural adjustment, and strategic reorganization of the state-owned sector, strengthen its competitiveness and innovation, its capacity to steer and influence the economy, and its resistance to risk, as we boost the strength, quality, and scale of state-owned capital and SOEs. We will enable the state-owned sector to play a key strategic role, with the focus on strengthening strategic security, leading industry, and improving people's wellbeing and public services. We will adjust and revitalize stock assets, and optimize allocation of incremental capital. We will ensure that state-owned capital is channeled to industries vital to national security and economy, to key sectors essential to people's wellbeing, such as those providing public services, developing emergency capacity, and improving public welfare, and to future-oriented, strategic emerging industries. For the state-owned sector in fields of full competition,

we will set higher goals for earnings from state capital operations, introduce hard budget constraints, improve liquidity, and refine the mechanism for optimizing the allocation of state-owned capital. We will establish a long-term mechanism for adjusting the layout and structure of the state-owned sector and provide guidance on the adjustments to the layout and structure of the sector where necessary.

Section 2

Encouraging SOEs to Operate under a Modern Enterprise System with Chinese Characteristics

We will uphold the overall leadership of the CPC over SOEs, promote unity between the efforts to strengthen the Party's leadership and improve corporate governance, and move faster to establish a transparent, coordinated, and well-balanced corporate governance mechanism with effective checks and balances and with power and duties prescribed by law. We will strengthen the role of boards of directors and ensure that they exercise power appropriately and their principal role in business operation and decision making. In line with the requirements of improving governance, strengthening incentives, highlighting main businesses, and improving efficiency, we will deepen the reform of mixed ownership of SOEs, carry out in-depth transformation of their operational mechanisms, and explore the establishment of governance mechanisms and regulatory systems different from those of wholly state-owned or wholly state-invested companies. We will introduce a tenure system and contract-based management for the manager-level personnel, improve the market-based salary distribution mechanism, and provide flexible and diversified incentives in the medium and long term.

Section 3

Strengthening the Supervision System of State-Owned Assets with a Focus on Capital Management

We will ensure the flexible and appropriate authorized operation and supervision of state-owned assets, and guarantee the all-round transformation of supervision principles, priorities, and modes. We will improve the way capital is managed, fully implement list-based management, authorize and decentralize powers in a categorized manner, pay attention to the performance of duties through corporate governance, and strengthen interim and ex-post supervision. We will deepen the reforms in state capital investment and management companies, and guarantee a rational division of rights among the government and state asset regulatory agencies, state capital investment and management companies, and shareholding enterprises. We will build a robust supervision mechanism with coordination and efficiency and strengthen corresponding accountability so as to prevent the loss of state assets. We will accelerate the centralized and unified management and supervision of for-profit state-owned assets.

Section 4

Creating a Better Development Environment for Private Enterprises

We will strengthen the legal environment, policy environment, and market environment, to support the development of private enterprises, and protect their property rights as well as the rights and interests of entrepreneurs fairly and in accordance with the law. We will ensure that private enterprises have equal access to resources and production factors according to the law, that they are able to compete in an open, fair, and equitable manner, and that they enjoy equal legal protection. We will

further relax market access for private enterprises, and remove barriers in public bidding and other fields. We will innovate policy tools for private enterprises in obtaining financing, improve the supporting system for credit enhancement, and offer equal treatment for private enterprises in terms of credit rating and the issuance of bonds to lower overall financing costs. We will improve the policy system for promoting the development of micro, small, and medium-sized enterprises and individual businesses, and give them more preferential tax treatment and credit support. We will build a cordial and clean relationship and continue to standardize channels of communication between government and businesses. We will continue to improve the long-term mechanism for preventing and resolving payment arrears to SMEs.

Section 5

Promoting High-Quality Development of Private Enterprises

We will encourage private enterprises to reform, innovate and improve their operational and management capacity. Those qualified will be given guidance to operate under a modern corporate system. We will support private enterprises in carrying out basic research and scientific and technological innovation, participating in the R&D of key core technologies, and tackling issues relating to major national science and technology projects. We will improve the mechanism for private enterprises to participate in the implementation of major national strategies. We will encourage the operation of private enterprises in accordance with laws and regulations, and their active fulfillment of social responsibilities and participation in social welfare and charity undertakings. We will advocate entrepreneurship and implement the plan for promoting the healthy growth of younger-generation private entrepreneurs.