COMMON COUNTRY ASSESSMENT 2004

Balancing Development to Achieve An All-Round Xiaokang and Harmonious Society in China

UN Country Team China
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China is at an important point in its history: the spectacular progress over the past two decades has resulted in dramatic reductions of the number of poor in China and in improving the lives of the Chinese people. Signs of progress are visible almost everywhere in China. Yet this progress brings its own challenges - the primary one being of rising inequality and the pressing need to re-balance development. Responding to these challenges, China has articulated its vision of 'Xiaokang' (the all around moderately prosperous society) with emphasis on a 'Harmonious Socialist Society', a vision closely connected to the promise of the Millennium Development Goals (MDGs).

China is rapidly becoming a global player, whether measured in trade volumes or international politics or for that matter multilateralism broadly. How China responds to these challenges is likely to shape not only the country's own future but also significantly influence that of its neighbours and the rest of the world. As such it represents a historic challenge for China and its partners. For the UN system in particular, it represents an opportunity to help China deliver on Xiaokang and the MDGs, strengthen multilateralism and reinforce global and regional stability.

This Common Country Assessment (CCA), produced by the UN Country Team, provides the analytical basis for looking at these challenges. Produced in close consultation with the government and other partners in China, it analyzes the current situation of the country and its future challenges. It draws upon the findings of China's recent MDG progress report (2003), and outlines the key elements of the Xiaokang vision, to be reached by 2020, and charts how this vision is playing into national policies and programmes.

China has put renewed emphasis on achieving balanced and human centered sustainable development. In 2003, it introduced the concept of 'five balances' to achieve the Xiaokang society. This interest in sustainable development has prompted the UN system in China to focus the CCA on the issues and challenges that are inherent in attaining such balanced development. Issues of pro-poor growth and of inequalities are highlighted in the analysis. Sex-disaggregated data to the extent possible have been integrated in each chapter. This CCA is a rights based perspective on these concerns and of protecting the vulnerable groups of society.

Based on this analysis, the CCA suggests priority areas for international cooperation, where the UN system and its partners can make a difference drawing upon their comparative strengths. The CCA serves as a key input to the preparation of the UN Development Assistance Framework (UNDAF) and the Country Programme Documents of the UN funding agencies.

The UN in China greatly appreciates the active participation and thoughtful comments from our partners, first and foremost the Chinese government and NGOs and also the many donor colleagues who took time to comment on drafts of the CCA. We would in particular like to acknowledge the work of the Ministry of Commerce for its able coordination of the CCA/UNDAF process.

This broad consultation and participatory process is strong testimony of the shared commitment of China and its partners to the achievement of common results in attaining the MDGs and establishing a Xiaokang society. We look forward to an active debate of the issues raised in this CCA.

Khalid Malik
UN Resident Coordinator
China has achieved remarkable economic growth over the past 25 years, lifting more than 300 million people out of poverty. Although levels of development vary sharply, all 33 provinces and special regions have achieved Human Development Index (HDI) values in the medium or high range. Life expectancy now exceeds 70 years. But the same economic progress that has led to these impressive achievements has also brought new challenges and concerns. Using an international poverty line of $1 income per day, in 2002, an estimated 88 million people remain poor. Reducing poverty further will require measures beyond an exclusive reliance on economic growth alone. Growth and shifts in production have caused new forms of poverty to emerge. These are especially visible in urban areas, particularly among laid-off workers from restructured or closed State-Owned Enterprises, and among migrant workers who are not yet fully employed. In addition, most of the country’s rural poor live in remote upland areas of western China, where achieving agricultural productivity gains has proven problematic.

Since there is no automatic link between growth and poverty reduction, deliberate policies are needed to deal with multi-dimensional inequalities. Major challenges facing China in balancing economic growth with social development as well as reducing the disparities include (i) creation of more and better jobs, (ii) promotion and protection of the rights of vulnerable groups, including migrants, women, children, elderly and disabled, (iii) promotion of the rights of ethnic minorities through culture based development, (iv) strengthening pro-poor fiscal policy and public service delivery, and (v) promotion of rule of law and good governance.

Challenges are also equally large in the environment as a result of unprecedented economic growth and development. Traditional approaches are not enough to overcome the challenges: innovative ideas and holistic approaches are needed to ensure the sustainability of environment and energy. The areas which require special attention include: (i) systematic approach to land degradation, (ii) mainstreaming biodiversity conservation into overall development, (iii) increasing water-use efficiency and ensuring safe drinking water, (iv) increasing energy efficiency and the use of renewable sources, (v) enhancing environmental governance, (vi) upgrading waste disposal and sanitation, and (vii) strengthening of disaster prevention and preparedness.

China’s population’s growth rate is presently at around 8 million, and the growth is projected to continue growing until 2030. With market liberalization and looser controls on movement within China, urbanization is accelerating and the migrant population is likely to continue increasing in the coming years. As traditional work-unit mechanisms disappear or became less effective, many groups are increasingly likely to fall outside the existing social safety nets. This demographic trend is expected to have a significant impact on China’s future development, especially in areas such as education, employment, social security system, and public health system. Key challenges in the social protection are (i)
expanding the social safety net to vulnerable groups, (ii) ensuring quality work conditions, and (iii) protection and empowerment of vulnerable populations.

China has made great achievements in the Action Plan for Education for All. But, major concerns remain: (i) improving quality of basic education, (ii) addressing growing disparities in education, (iii) promoting gender equality in education, (iv) ensuring education for children affected by migration and minority children, (v) matching education and skill needs, and (vi) strengthening higher education particularly for disadvantaged groups.

Thanks to the progress made over the past fifty years in controlling communicable diseases, China's overall disease profile now resembles that of a developed country. But, inequalities in access to quality health services and huge disparities in health outcomes remain. MDG targets for HIV/AIDS and TB control are lagging, and progress toward reduced childhood and maternal mortality targets is slowing. Emerging infectious diseases such as SARS and avian influenza as well as health-related trade issues such as food safety are increasingly important. Major challenges are (i) increasing public funding in health, (ii) making health care affordable for the poor, (iii) improving quality of health services, and (iv) strengthening inter-agency collaboration.

The Government has recently taken the challenge of HIV/AIDS aggressively. There are three aspect of the challenge. First, fear, stigma and discrimination are widely recognized as obstacles to mounting an effective response against HIV/AIDS. Second, a range of prevention programmes has been carried out in different parts of China, but coverage is limited. Finally, Antiretroviral treatment is being offered through clinics. But most people living with HIV/AIDS are unaware of their HIV-positive status, and access to confidential Voluntary Counseling and Testing is still limited.

The important question in managing China's relations with the rest of the world is whether its rise is a win-win proposition or a zero sum game. As China's "footprint" on the rest of the world grows, the role of China in the global partnerships with developing countries, particularly in supporting the MDGs, becomes increasingly important. Areas which need special attention are: (i) strengthening multilateralism, particularly through the ratification and implementation of international conventions, (ii) strengthening cross-border links, and (iii) strengthening South-South Cooperation.
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## Abbreviations

Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ABC</td>
<td>Agricultural Bank of China</td>
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<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AIDS</td>
<td>Acquired Immunodeficiency Syndrome</td>
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<tr>
<td>ARV</td>
<td>Antiretroviral</td>
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<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
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<td>CAS</td>
<td>China Academy of Science</td>
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<td>CCA</td>
<td>Common Country Assessment</td>
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<td>CCICED</td>
<td>China Council for International Cooperation on Environment and Development</td>
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<tr>
<td>CEDAW</td>
<td>Convention on the Elimination of Discrimination against Women</td>
</tr>
<tr>
<td>COD</td>
<td>Chemical Oxygen Demand</td>
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<td>CPC</td>
<td>Communist Party of China</td>
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<td>CRC</td>
<td>Convention on Rights of the Child</td>
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<tr>
<td>DALYs</td>
<td>Disability Adjusted Life Years</td>
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<tr>
<td>DOTS</td>
<td>Directly Observed Treatment Short-Course</td>
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<tr>
<td>ECCD</td>
<td>Early Childhood Care and Development</td>
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<td>EFA</td>
<td>Education for All</td>
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<td>FAO</td>
<td>Food and Agriculture Organization</td>
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<td>FDI</td>
<td>Foreign Direct Investment</td>
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<td>EPI</td>
<td>Expanded Program on Immunisations</td>
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<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>GIS</td>
<td>Government Insurance Scheme</td>
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<td>GMP</td>
<td>Good Manufacturing Practice</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<td>HDI</td>
<td>Human Development Index</td>
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<td>HIV</td>
<td>Human Immunodeficiency Virus</td>
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<td>Hukou</td>
<td>Resident Permit</td>
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<tr>
<td>ICESCR</td>
<td>International Covenant on Economic, Social and Cultural Rights</td>
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<td>ICCPR</td>
<td>International Covenant on Civil and Political Rights</td>
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<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IDU</td>
<td>Intravenous Drug Users</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>ILO</td>
<td>International Labour Organisation</td>
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<td>IT</td>
<td>Information Technology</td>
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<td>IUD</td>
<td>Intrauterine Device</td>
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<tr>
<td>LDCs</td>
<td>Least Developed Countries</td>
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<tr>
<td>LGOPR</td>
<td>State Council Leading Group Office for Poverty Reduction</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>LIS</td>
<td>Labor Insurance Scheme</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>MLSP</td>
<td>Minimum Living Standard Programme</td>
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<td>MMR</td>
<td>Maternal Mortality Ratios</td>
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<td>MOE</td>
<td>Ministry of Education</td>
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<td>MOH</td>
<td>Ministry of Health</td>
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<td>MOLSS</td>
<td>Ministry of Labour and Social Security</td>
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<tr>
<td>MSM</td>
<td>Men who have Sex with Men</td>
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<tr>
<td>MWC</td>
<td>International Convention on the Protection of the Rights of all Migrant Workers and Members of their Families</td>
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<td>NDRC</td>
<td>National Development and Reform Commission</td>
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<td>NER</td>
<td>Net Enrolment Rate</td>
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<td>NGOs</td>
<td>Non-Governmental Organisations</td>
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<td>NPA</td>
<td>National Programme of Action</td>
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<td>NPC</td>
<td>National People's Congress</td>
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<td>NPFPC</td>
<td>National Population and Family Planning Commission</td>
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<td>NBS</td>
<td>National Bureau of Statistics</td>
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<tr>
<td>PLWHA</td>
<td>People Living With HIV/AIDS</td>
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<td>PRC</td>
<td>People's Republic of China</td>
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<td>RCC</td>
<td>Rural Credit Cooperatives</td>
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<td>RCMS</td>
<td>Rural Cooperative Medical System</td>
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<td>RMB</td>
<td>Renminbi</td>
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<tr>
<td>SARS</td>
<td>Severe Acute Respiratory Disease Syndrome</td>
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<td>SEPA</td>
<td>State Environmental Protection Administration</td>
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<tr>
<td>SFDA</td>
<td>State Food &amp; Drug Administration</td>
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<tr>
<td>SME</td>
<td>Small and Medium Enterprise</td>
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<td>SO2</td>
<td>Sulphur Dioxide</td>
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<td>SOEs</td>
<td>State-Owned Enterprises</td>
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<td>SSC</td>
<td>South-South Cooperation</td>
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<tr>
<td>SWs</td>
<td>Sex Workers</td>
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<td>TB</td>
<td>Tuberculosis</td>
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<tr>
<td>TCDC</td>
<td>Technical Cooperation among Developing Countries</td>
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<td>TRIPS</td>
<td>Trade Related Aspects of Intellectual Property Rights</td>
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<td>TVEs</td>
<td>Township and Village Enterprises</td>
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<td>TVET</td>
<td>Technical and Vocational Education</td>
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<td>UEBMIS</td>
<td>Urban Employee Basic Medical Insurance System</td>
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<td>UN</td>
<td>United Nations</td>
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<tr>
<td>UNAIDS</td>
<td>United Nations Programme on HIV/AIDS</td>
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<td>UNCT</td>
<td>United Nations Country Team</td>
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<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
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<td>UNDADF</td>
<td>United Nations Development Assistance Framework</td>
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<td>UNDP</td>
<td>United Nations Development Programme</td>
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<td>Abbreviation</td>
<td>Full Form</td>
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<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
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<td>UNESCO</td>
<td>United Nations Educational, Scientific and Cultural Organisation</td>
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<tr>
<td>UNFPA</td>
<td>United Nations Population Fund</td>
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<tr>
<td>UN Habitat</td>
<td>United Nations Human Settlement Programme</td>
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<tr>
<td>UNICEF</td>
<td>United Nations International Children's Fund</td>
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<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organisation</td>
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<tr>
<td>UNIFEM</td>
<td>United Nations Development Fund for Women</td>
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<tr>
<td>UNODC</td>
<td>United Nations Office on Drugs and Crime</td>
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<tr>
<td>UNOHCHR</td>
<td>United Nations Office of High Commissioner for Human Rights</td>
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<tr>
<td>VCT</td>
<td>Voluntary Counseling and Testing</td>
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<tr>
<td>WASH</td>
<td>Water, Sanitation and Hygiene in Schools</td>
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<tr>
<td>WDI</td>
<td>Western Development Initiative</td>
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<td>WHO</td>
<td>World Health Organization</td>
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<td>WFP</td>
<td>World Food Programme</td>
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<td>WTO</td>
<td>World Trade Organisation</td>
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Over the past 20 years, China has achieved remarkable economic growth averaging roughly 9.4% annually. Equally impressive is that this growth has lifted more than 300 million people from poverty dramatically improved their lives. By 2003, China had a per capita annual income of USD 1,100. Although there are sharp variances in levels of development, all 33 provinces and special regions have Human Development Index (HDI) values in the medium development range. Life expectancy now exceeds 70 years.

However, major challenges remain. And, this very rapid progress had brought with it new challenges and concerns.

First, there are growing inequalities between urban and rural areas, between eastern and western region between rich and poor, and between men and women. While estimates vary, the Gini Coefficient now exceeds 0.4, the threshold considered by many to indicate potential social unrest.

Second, despite impressive progress in poverty alleviation, a large number of people remain poor, especially in rural areas (an estimated 30 million as of this writing). Reducing poverty further will require measures beyond an exclusive reliance on economic growth alone.

Growth and shifts in the productive structure are causing new forms of poverty to emerge. These new forms of poverty are especially visible in urban areas, particularly among laid-off workers from restructured or closed State-Owned Enterprises (SOEs), and also among migrant workers who are not yet fully employed. In addition, most of the country’s rural poor live in remote upland areas of western China, where achieving agricultural productivity gains has proven problematic.

Third, China’s transition to a market economy system has also created new challenges. As the economy becomes more market driven, many people remain to be included in the social safety nets. This trend highlights the urgency of finding new forms of social protection such as social insurance, as traditional work-unit mechanisms disappear or become less effective. Similarly, the public health system has been placed under severe stress, with coverage in rural areas falling from 90 percent to 10 percent between 1979 and 2002.

Equally important, China has undergone rapid and sometimes dramatic demographic transitions over the last half century. Its population of 1.3 billion grows by 7 million each year. Given the large number of women of child-bearing age, growth is projected to continue until around 2035. With market liberalization and looser controls on movement, migration has sharply increased:

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140 million Chinese are now migrants. Urbanization stands at about 41.8%. The proportion of rural population is higher than the average for countries with China's level of development, and arable land per capita is very low. These demographics are likely to have a significant impact on future development, especially in areas such as employment, pensions, education, and public health.

Other challenges include the 840,000 people infected with HIV/AIDS, a figure projected to grow to 10 million by 2010 if extraordinary measures are not taken. The government has attacked this problem aggressively and since late last year has begun mobilising its institutional strengths to contain and manage the spread of HIV/AIDS in China.

High population density and demand stemming from rapid economic growth over the last two decades have put considerable pressure on the environment. More than 90 percent of China’s grasslands are degraded, an estimated 75 percent of urban river water is classified as unfit for human contact, and several of China’s cities are cited as being among the most polluted in the world. Nevertheless, these challenges also point to opportunities as China attempts to balance economic growth with the imperatives of environmental protection. China’s current water and nitrogen use per hectare, for example, is two to three times the world’s average. A concerted shift towards more efficient strategies could raise productivity and make agriculture more sustainable.

China’s rapid growth is also having a dramatic impact on global and regional economics and trade. While its strong trading links with the US and Europe have been widely noted, less well known are China’s rapidly growing links with developing countries. For instance, trade volume with Africa, a modest $2 billion in 1997, had jumped to more than $20 billion by 2003.

The many challenges facing China have prompted the government to put renewed emphasis on its vision of achieving balanced development, referred to as Xiaokang—an “all-round, well-off society”—by 2020. This vision originally focused on quadrupling per capita income, supporting the private sector, and making a commitment to improving governance and accountability. It has now been further clarified. At the 3rd Plenary Session of the 16th meeting of the Communist Party of China (CPC) in 2003, it was determined that Xiaokang would focus on achieving the following five balances: (i) between urban and rural areas; (ii) among different regions of the country; (iii) between economic and social development; (iv) between human development and the protection of natural resources; and (v) between domestic development and opening up.

This rare correspondence between Xiaokang and the Millennium Development Goals (MDGs) makes the UN’s role of potentially vital interest. This CCA provides the analytical base for dialogue and discussion between the UN system in China and the Government, and serves as a key input to the preparation of the UN Development Assistance Framework (UNDAF) and the Country Programme Documents of the UN funding agencies.

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3 National Population and Family Planning Committee of China, 2004
PART I

GROWTH WITH EQUALITY TO BUILD AN ALL-ROUND XIANKANG SOCIETY
The result of China’s economic reforms has been to propel the country’s average annual per-capita GDP growth to 9% (from 1979 to 2002) and its industrial growth rate to 11.5%. These numbers make China the world’s top performer in terms of economic growth. This high, sustained growth accounts for much of the dramatic reduction in poverty achieved over the last two decades. Remarkably, China has already reached the Millennium Development Goal of halving income poverty. According to official statistics, the number of rural people living in extreme poverty dropped from 250 million people (30.7% of the population) in 1978 to 85 million (9.4% of the population) in 1990. It then fell further, to 28 million or about 3% of the population by year-end 2002. Based on the international poverty line of US $1 of income per day, the number of China’s poor is estimated to have dropped from around 490 million (49%) in 1990 to 88 million (6.9%) in 2002 (Figure 1.1).

Recently, however, economic growth has become less able to sustain poverty reduction. By any measure, and despite significant improvements in infrastructure and production conditions in poor areas, the pace of poverty reduction has slowed significantly since the late 1990s. Furthermore, while millions of households have been lifted out of the most extreme form of poverty, most continue to face poor living conditions and remain highly vulnerable to natural calamities and sudden shocks.

In response, the central government has scaled up its investments in targeted anti-poverty programmes, which increased from nearly US $1.2 billion in 1994 to US $3.6 billion in 2003. But while the number of poor people in targeted poor counties reportedly fell by 38 million between 1994 and 2000 (NBS, 2001), the number of poor living outside designated poor counties increased from 25% in 1986 (LGOPR) to 46% in 2000 (NBS, 2001).

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5 China’s poverty line represents the lowest level of income needed to maintain basic subsistence, i.e. to eat or cloth oneself. In 2000, the poverty line was adjusted upward from 300 yuan per capita to 635 yuan per capita. The National Bureau of Statistics (NBS) has recently added a new poverty line which raised the share of non-food expenditure. This new poverty line of 865 yuan per capita is close to the US$1 (PPP 1985) per day but the previous one, demarcating extreme poverty, remains the one which is primarily used.
The Asian Development Outlook 2004 Update for China reports that the share of subsidized loans reaching the poor would have dropped from 70% in the mid 1980s to about 20% today. This suggests that the scaling-up of investments in poverty reduction programs needs to be matched by further efforts to improve coverage of targeted interventions and reduce leakage. The government’s approach to the design and management of anti-poverty programmes has already started to move towards a broader involvement and mobilization of poor people at the local level. Notably, within the next 10 years, China plans to shift its targeting strategy completely from the county to the village level. Village development plans will be prepared with the active participation of households.

Multiple factors underpin the poverty reduction-adverse trend in China’s economic growth process, but the following developments deserve particular emphasis:

First, the ability of economic growth to generate jobs has been significantly reduced. The decrease in the share of wages as a percentage in total GDP (from 17% in 1978 to 12% in 2002) is especially revealing. The average number of new jobs created each year fell from 13.6 million in the first half of the 1980s to 8.1 million in the second half. Since 1995, new job creation averages 6.5 million—markedly below the 10 million annual increases in the total labour force.6

Table 1.1 Labor Force and Employment

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<tbody>
<tr>
<td>Labor force 1/</td>
<td>429.0</td>
<td>653.2</td>
<td>688.4</td>
<td>739.9</td>
<td>744.3</td>
<td>753.6</td>
<td>760.8</td>
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<td>Employment</td>
<td>423.6</td>
<td>647.5</td>
<td>680.7</td>
<td>720.9</td>
<td>730.3</td>
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<td>1.3</td>
<td>1.0</td>
<td>1.0</td>
<td>0.9</td>
<td></td>
</tr>
<tr>
<td>Unemployment 2/</td>
<td>5.4</td>
<td>5.7</td>
<td>7.9</td>
<td>19.1</td>
<td>14.1</td>
<td>16.2</td>
<td>16.4</td>
</tr>
<tr>
<td>Urban Employment</td>
<td>105.3</td>
<td>170.4</td>
<td>190.4</td>
<td>231.5</td>
<td>239.4</td>
<td>247.8</td>
<td>256.4</td>
</tr>
<tr>
<td>Registered Unemployment</td>
<td>5.4</td>
<td>3.8</td>
<td>5.2</td>
<td>6.0</td>
<td>6.8</td>
<td>7.7</td>
<td>8.0</td>
</tr>
<tr>
<td>Registered Unemployment rate (in percent)</td>
<td>4.9</td>
<td>2.5</td>
<td>2.9</td>
<td>3.1</td>
<td>3.6</td>
<td>4.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Rural Employment</td>
<td>318.4</td>
<td>477.1</td>
<td>490.3</td>
<td>489.3</td>
<td>490.9</td>
<td>489.6</td>
<td></td>
</tr>
</tbody>
</table>

Sources: National Bureau of Statistics, 2004
1/ Economically active persons 16 years and older, either working one hour or more in the reference week or looking for work.
2/ Difference between labor force and employment

If China cannot generate employment for its growing population faster than the work force grows, an all-round Xiaokang society will not be realized. Between 1990 and 2002, China’s working-age population above 16 rose

from 809 million to 985 million, while rural employment has remained stagnant. Over the same period, the private sector and enterprises with foreign or mixed ownership have become on a net basis the only source of good quality new jobs, but they lag behind the number of job seekers. Employment in the informal sector and self-employment has expanded more rapidly.

Those employment-adverse trends are likely to be exacerbated by World Trade Organization (WTO) membership. A large number of job losses are expected in the primary sector and in SOE-dominated capital-intensive industries such as automobiles, petrochemicals, machinery, and ICT. In agriculture, the implications of China’s WTO membership are profound, comprising tariff and export subsidy reductions as well as limitations on domestic farm protection. An authoritative Chinese source has estimated that almost 14 million crop farmers will be displaced.7

Second, as a result of economic restructuring, new forms of poverty have emerged. Urban and migrant poverty have become especially important concerns. The acceleration of reforms of State Owned Enterprises (SOEs) in the late 1990s alongside massive rural-to-urban migration has driven the rise in urban unemployment and urban poverty. Some 28 million workers lost their jobs between 1998 and 2003. By the end of 2003, there remained 2.6 million laid off workers, among which 1.75 million had not found new employment 8.

A recent research report, based on the 2000 National Census, indicates that 88 million of rural people worked outside their township of origin; of these, 70% had moved to urban areas. In 2002, the number of rural migrant labourers was estimated at 94 million.9 Since then, the figure has risen to 140 million (as of 2004) 10. Official statistics showed an unemployment rate of 4.3% for 2003, but alternative estimates more in line with international standards suggest a rate of around 10%. In 2003, about 22 million urban dwellers were reported to have incomes below the basic standard of living;11 however, this figure excludes the floating rural migrant population, which falls outside the current minimum living protection schemes. According to some recent estimates, the poverty rate among migrants was 50% higher than for urban residents in 1999 12.

Figure 1.2 Gini Coefficients for Income Inequality in China


Third, China’s economic growth pattern has been marked by rising and multi-dimensional inequalities, not only between men and women, but also between rural and urban populations. These inequalities have had a major impact on regional disparities. According to World Bank estimates, overall national income inequality as measured by the Gini coefficient rose from 0.35 in 1990 to 0.447 in 2001 (Figure 1.2). Other recent calculations based on household surveys post a Gini coefficient of 0.46 in 2002 13, making China the most unequal society in Asia. At constant 1990 prices, the urban-to rural income ratio widened from an already high level of 2.20 in 1990 to 3.1 in 2002.14

Inequality is higher in rural than in urban areas because of a higher incidence of extreme and chronic poverty. The gap between urban and rural incomes has become the most prominent source of overall inequality in the recent period, followed by the gap between the affluent and more urbanized coastal regions and the poorer, more rural Central and Western regions. Remarkably, and despite high growth rates, the rural poor in Central and
Western provinces made up 85% of the country’s total rural poor in 1999, up from 77% in 1992. Per capita income of farmers in the Eastern regions are almost double those in the Western regions in 2000.15 While there remain important pockets of poverty in mountainous areas of some well-off coastal provinces, most of the country’s remaining rural poor live in remote upland areas of Western China. People with disabilities and minority people tend to be over-represented among the rural poor in those areas. Equally remarkably, 55 ethnic groups account for 8.4% of China’s total population but make up more than 40% of its absolute poor.16

Furthermore, rural-urban and regional income inequalities continue to be matched by equally salient inequalities in non-income poverty indicators, as shown by the composite Human Development Index (HDI). Shanghai, Beijing, Tianjin, and the Eastern coastal provinces continue to widen their human development gaps with the western and central provinces. Shanghai’s HDI is almost 55% higher than Tibet’s (see Table 1.2). In other words, Shanghai’s HDI is at the same level as that of Portugal and Greece, while Tibet’s HDI is equivalent to that of Ghana or Cambodia. Apart from income, the western and central regions also lag far behind their eastern counterparts in education and health. Nationally, the HDI level is rising steadily, but some western and central provinces such as Tibet and Yunnan have deteriorated in human development achievements. Tibet’s HDI fell from 0.59211 in 2001 to 0.586 in 2003, while Yunnan’s HDI dropped from 0.66585 in 2001 to 0.657 in 2003.

Table 1.2 Human Development Index by Province, 2003

<table>
<thead>
<tr>
<th>Province</th>
<th>HDI</th>
<th>Life Expectancy Index</th>
<th>Education Index</th>
<th>GDP Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shanghai</td>
<td>0.909</td>
<td>0.901</td>
<td>0.908</td>
<td>0.919</td>
</tr>
<tr>
<td>Beijing</td>
<td>0.882</td>
<td>0.864</td>
<td>0.926</td>
<td>0.856</td>
</tr>
<tr>
<td>Tianjin</td>
<td>0.855</td>
<td>0.849</td>
<td>0.890</td>
<td>0.824</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>0.817</td>
<td>0.835</td>
<td>0.836</td>
<td>0.778</td>
</tr>
<tr>
<td>Liaoning</td>
<td>0.808</td>
<td>0.823</td>
<td>0.881</td>
<td>0.721</td>
</tr>
<tr>
<td>Guangdong</td>
<td>0.807</td>
<td>0.833</td>
<td>0.836</td>
<td>0.752</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>0.805</td>
<td>0.843</td>
<td>0.823</td>
<td>0.748</td>
</tr>
<tr>
<td>Heilongjiang</td>
<td>0.786</td>
<td>0.821</td>
<td>0.850</td>
<td>0.686</td>
</tr>
<tr>
<td>Fujian</td>
<td>0.784</td>
<td>0.821</td>
<td>0.801</td>
<td>0.729</td>
</tr>
<tr>
<td>Jilin</td>
<td>0.776</td>
<td>0.804</td>
<td>0.874</td>
<td>0.650</td>
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<tr>
<td>Shandong</td>
<td>0.776</td>
<td>0.817</td>
<td>0.796</td>
<td>0.714</td>
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<tr>
<td>Hebei</td>
<td>0.766</td>
<td>0.794</td>
<td>0.834</td>
<td>0.670</td>
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<tr>
<td>Hainan</td>
<td>0.761</td>
<td>0.846</td>
<td>0.806</td>
<td>0.631</td>
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<tr>
<td>Xinjiang</td>
<td>0.757</td>
<td>0.788</td>
<td>0.827</td>
<td>0.656</td>
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<tr>
<td>Hubei</td>
<td>0.755</td>
<td>0.795</td>
<td>0.827</td>
<td>0.644</td>
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<tr>
<td>Shanxi</td>
<td>0.753</td>
<td>0.786</td>
<td>0.861</td>
<td>0.612</td>
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<tr>
<td>Hunan</td>
<td>0.751</td>
<td>0.794</td>
<td>0.843</td>
<td>0.615</td>
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<tr>
<td>Chongqing</td>
<td>0.745</td>
<td>0.783</td>
<td>0.845</td>
<td>0.607</td>
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<tr>
<td>Henan</td>
<td>0.741</td>
<td>0.800</td>
<td>0.809</td>
<td>0.615</td>
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<tr>
<td>Inner Mongolia</td>
<td>0.738</td>
<td>0.762</td>
<td>0.807</td>
<td>0.643</td>
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<tr>
<td>Jiangxi</td>
<td>0.732</td>
<td>0.753</td>
<td>0.847</td>
<td>0.594</td>
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<tr>
<td>Guangxi</td>
<td>0.731</td>
<td>0.810</td>
<td>0.808</td>
<td>0.575</td>
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<tr>
<td>Shaanxi</td>
<td>0.729</td>
<td>0.769</td>
<td>0.829</td>
<td>0.589</td>
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<tr>
<td>Sichuan</td>
<td>0.728</td>
<td>0.782</td>
<td>0.813</td>
<td>0.587</td>
</tr>
<tr>
<td>Anhui</td>
<td>0.727</td>
<td>0.800</td>
<td>0.793</td>
<td>0.588</td>
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<tr>
<td>Ningxia</td>
<td>0.712</td>
<td>0.783</td>
<td>0.759</td>
<td>0.594</td>
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<tr>
<td>Qinghai</td>
<td>0.684</td>
<td>0.730</td>
<td>0.713</td>
<td>0.608</td>
</tr>
<tr>
<td>Gansu</td>
<td>0.675</td>
<td>0.730</td>
<td>0.749</td>
<td>0.547</td>
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<tr>
<td>Yunnan</td>
<td>0.657</td>
<td>0.690</td>
<td>0.715</td>
<td>0.567</td>
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<tr>
<td>Guizhou</td>
<td>0.639</td>
<td>0.694</td>
<td>0.731</td>
<td>0.491</td>
</tr>
<tr>
<td>Tibet</td>
<td>0.586</td>
<td>0.680</td>
<td>0.478</td>
<td>0.599</td>
</tr>
<tr>
<td>China</td>
<td>0.746</td>
<td>0.773</td>
<td>0.819</td>
<td>0.646</td>
</tr>
</tbody>
</table>

Data Source: Estimates from the forthcoming national Human Development Report 2004, UNDP China

The rural poor in remote areas of Western China typically suffer from poor educational and health conditions, high dependency ratios, and low or even deteriorating land quality. The deterioration in land quality results from situations where the poor cannot reach subsistence levels of crop production. It is worth recalling here that 3% of the population are still food-insecure, consuming less than 2100 calories per person per day.

Further, the benefits of reforms in terms of economic growth have been unequally distributed between men and women. In particular, in some regions gender discrimination limits access to job opportunities and productive assets. Women represented 46% of total employment in 2001 but are underrepresented in urban enterprises. In particular, they have been disproportionately affected by the restructuring of SOEs in the second half of the 1990s. In all sectors that experienced an absolute decrease in employment since the mid 1990s, the decrease has been more pronounced for women than men.

SOE reform is also likely to have exacerbated the wage gap between men and women. Government assistance for laid-off women now emphasizes self-employment rather than reemployment. In fact, most self-employed women work in the informal sector, with low earnings and little security. The government is also promoting the growth of the service sector as a potential source of work for laid-off women workers; however, women find it difficult to compete in the new labour market, where employers can demand younger, more educated employees. Employers tend to prefer to hiring males to avoid the potential costs of employing women of child-bearing age. Those practices are not in conformity with the Labour Law and the Women’s Law as well as China’s obligations under the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

Against this background, raising rural incomes (especially in Western provinces) is an urgent task if China is to move quickly towards becoming a Xiaokang society. Rapid declines in rural poverty in the early 1980s and in the mid-1990s were concomitant with a sharp increase in agricultural prices and in rural-urban terms of trade. Official statistics indicate for instance that when the purchasing prices of agricultural products declined by 26% in 1997-2000, the growth rate of rural household incomes decreased from 4.6% to 2.1%. In the context of WTO membership, however, the scope for improving the terms of trade for agriculture through higher producer prices is rather limited. The alternative is therefore to improve agricultural productivity, especially factor productivity. As part of government’s Outline for Poverty Alleviation and Development in China’s Rural Areas (2001-2010), poor areas in the Central and Western regions have received special funds for the promotion and introduction of new technology in agriculture, with an emphasis on ecological sustainability. More recently, the government has introduced new practices of collaboration within the governmental institutions to promote innovation in farming methods.

Keeping in mind that underemployment in rural areas is currently estimated at 35% of the total rural workforce

17 “WTO Accession: Challenges for Women,” UNDP, UNIFEM, Japan, NDRC and CICETE, 2003
18 China Rural Statistical Yearbook, 2002
(170 million people), increasing rural labour productivity will be highly conditional upon a continuing shift of rural labour out of agriculture and rural areas. 19 How viable is this? This raises important issues in terms of food security and protecting the Chinese rural way of life, which are discussed in more detail in Chapter 3. In the context of overall migration flows, however, there are both push factors (lack of jobs in agriculture) and pull factors (more jobs in urban areas) that are likely to boost the flow of rural migrants towards cities in the coming years, with important implications for both rural and urban poverty incidence. 20 While the promotion of a non-discriminatory system of migration and broader coverage of social protection schemes can be considered critical in managing the urban-rural gap and tackling urban poverty, careful management of the urbanization process also appears necessary to accommodate expected increases in the number of migrants. For the overall process to be equitable, it must be ensured that the rural poor have the human capabilities needed to access non-farm job opportunities, and that migrants, in turn, have access to health and education.

The reduction of the tax burden on farmers is another key component of China’s ongoing efforts to lift rural incomes. A fee-to-tax conversion reform is being extended nationwide. The reform aims at reducing the number of informal levies imposed by local governments and simplifying tax collection. This is important because the poor have disproportionately borne the high tax burden resulting from the proliferation of informal fees and surtaxes. A complete elimination of agricultural taxes within five years is planned, starting in 2004. But while agricultural tax reform should begin to increase farmers' incomes, its ultimate effect on poverty reduction depends largely on whether the resulting decrease in local fiscal resources is matched by adequate resource transfers from central to local governments, especially in poor areas where the capacity of the local economy to generate revenues is limited. Furthermore, while the rural population accounts for two-thirds of total population, they account for just a tiny fraction of the overall fiscal expenditure. This results in rural areas lagging far behind cities in terms of provision of basic public services such as education, medical care, and infrastructure such as irrigation, roads, and communication. Not only does this bear negatively on living standards, it also severely restricts the ability of rural people, especially the poor, to access economic opportunities and increase their incomes. This situation underscores the importance of ongoing fiscal reforms (see Chapter 2).

Tackling regional development disparities between Eastern, Central, and Western Regions has also become an important focus of government policies in recent years. Interestingly, there are signs that the Western Region Development Strategy launched by the government in 2000 21 has resulted in some progress for reduced regional and inter-provincial inequalities. For instance, the GDP growth difference between Eastern and Western regions is reported to have narrowed from 5 percentage points in the 1990s to 0.88 percentage points in 2002.

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19 Meanwhile, access to non-farm jobs proves to be the major determinant of higher income in rural areas. The share of income from farming activities in total farmer's per capita annual income dropped from 75% in 1985 to 49.9% in 2000.

20 The government significantly eased restrictions on rural migration and employment of rural migrants in cities, except in few large cities. In 2002 and 2003, several official documents also called for a fair treatment of rural migrants and their family in terms of legal rights and social benefits.

21 The Western Region Development Strategy covers one province-level municipality and 11 provinces and autonomous regions: Chongqing, Gansu, Guangxi, Guizhou, Inner Mongolia, Ningxia, Qinghai, Shaanxi, Sichuan, Tibet, Xinjiang, and Yunnan.
GDP growth in Western regions reached 11.3% in 2003.\(^{22}\)

The Western Region Development strategy, as well as the strategy for the North Eastern Region, aims primarily at creating an enabling environment for socio-economic development through investment in transport, infrastructure, and utilities services; environmental protection; industries with local characteristics; training of professionals; and an environment likely to attract foreign and domestic investment. Recently, however, the government acknowledged the importance of further integrating human development dimensions such as health, education, and culture into the overall strategy.

\(^{22}\) Data Source: Leading Group for Western Region Development of the State Council. 2004
Balancing Economic Growth and Social Development

As the previous chapter illustrates, there is no automatic link between growth and poverty reduction. Deliberate policies are therefore needed to deal with rising unemployment, stagnant rural employment and incomes, and multi-dimensional inequalities. The following chapter addresses four major challenges facing China in balancing economic growth with social development. First, there is a need to create more and better jobs. Second, the fiscal system needs to become more pro-poor and to provide better public services for all. Third, China’s transition toward a market economy requires special measures to promote full and equal participation in society, especially by vulnerable groups, as well as ethnic and cultural diversity. Finally, to be able to deliver on growth with equity and social development, policy changes need to be backstopped by an efficient system of governance based on rule of law.

Creating jobs

Jobs are one of the essential links between growth and poverty reduction. China’s dilemma in this regard is that despite a record of high GDP growth, the process and pattern of that growth has not been good for job creation. China’s working-age population will have increased at an estimated rate of 13.6 million per year for the period from 2000 to 2005. An estimated 150 million surplus rural laborers still need to shift to non-agricultural industries and urban areas. Many analyses from sources including the Brooks (2004) indicate that adjustment to WTO accession will mean that even if China sustains a 7% growth rate, the unemployment rate could

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double to about 10% over the next three to four years before declining as SOE reforms take hold 24.

China will need to devise new policies that create jobs at a rate faster than growth rate of the labour force. At the same time, it will be important to ensure that the most vulnerable groups - rural workers, women, and the disabled - can access employment opportunities in higher paying sectors.

This has important implications for China’s industrial restructuring strategy. The service sector has considerable potential for growth and jobs: The World Bank estimates that the current share of services in China’s total employment is half the average for countries at similar economic levels. The National Development and Reform Commission (NDRC) estimates that 70% of new jobs in recent years were in the services sector.

Even if WTO entry does entail significant transition costs for agriculture by encouraging more imports of land-intensive products, it also promises to encourage Chinese farmers to shift from low-yielding and water-intensive crops such as rice to more labor-intensive crops such as vegetables, and to horticulture, animal husbandry, and aquaculture. This kind of structural shift would accord with China’s comparative advantage and could be a win-win situation that delivers benefits including higher labor productivity and greater labour use. Other benefits could include better management of water resources and enhanced protection of marginal farmland, the intensive use of which has seriously damaged the ecology of some areas. At the same time, such a direction also raises serious questions about the carrying capacity of the rural sector and the future of small-scale farming in China.

Promoting small and medium enterprises (SMEs) in the services and manufacturing sectors is another potential way to create new jobs. At present, the key issue is to provide necessary conditions for the establishment of SMEs such as easing restrictions, simplifying procedures, and providing effective financing. Retail and wholesale trade, insurance, transportation, media, and publications are potential new areas of SME-driven employment growth. A related issue is the creation of an environment for fair competition to encourage the development of service-sector SMEs. The policy of protecting SOEs from competition does not encourage the establishment of SMEs.

Second, policies to create job opportunities will have to be matched by commensurate efforts to enhance the employability of people. To improve the employability of the unemployed, the skill base of the workforce, especially those who have been laid off, will need to change. Laid-off workers from SOEs and traditional industries find it difficult to obtain employment in the emerging industries, either because of their relatively old age or their rudimentary skills. China is currently burdened by a serious oversupply of low-skilled labour with. Of the country’s 70 million industrial workers, low-skilled workers account for 60% and those with middle-level skills account for 35% of the industrial workforce. 25 At the same time, high-skilled personnel and senior managers are in short supply.

Finally, the challenge of creating jobs, especially for underemployed rural labourers, will be inextricably connected to the pace and pattern of China’s urbanization. Between 1990 and 2000, the urban population grew by about 54% to 456 million. This pace is likely to be maintained in the coming years, and this has important implications for urban planning encompassing housing, environmental protection, and development of physical and social infrastructure.

Promoting and protecting the rights of the disadvantaged and vulnerable groups

Ensuring gender equality and raising the participation of women in society

Goal 3 of the MDGs is to promote gender equality and empower women. This goal has widespread ramifications for women’s health, education, income, social position, mobility, and their ability to exercise their rights. This section looks at the issues of sex ratio imbalance, women’s participation in government and political decision-making, the female suicide rate, and violence against women.

One significant gender issue facing China is the adverse

sex ratio. The 5th national census highlighted the continuing trend for a seriously unbalanced sex ratio at birth, showing 116.86 boys for 100 girls, about 10 points higher than the global norm. The census also indicated a disproportionately high female infant mortality, the causes of which are complex. The persistence of these issues in a country with high rural-urban mobility casts doubts on previous explanations pointing either to China’s tradition of patrimonial marriage or to the need for male labour in agricultural communities. Moving towards recognizing and addressing the social and cultural root causes behind these numbers, analyzing the differences between provinces, and drawing upon the experience of other countries with similar issues all will help generate effective solutions.

There are high participation rates of women in government and public administration but few in decision-making roles (See Table 2.1). At the village level, the introduction of direct elections since 1989 has had the effect of reducing female representation. Although here are no national data to show women’s presence in village committees, data from many provinces show a decrease in the number of women elected to decision-making bodies at the village level.

<table>
<thead>
<tr>
<th>Table 2.1 Political participation by sex</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sex composition of members in decision making bodies</td>
</tr>
<tr>
<td>Members and alternates members of the Central Committee of Communist Party in 2002</td>
</tr>
<tr>
<td>Delegates of National People’s Congress in 2003</td>
</tr>
<tr>
<td>Leading cadre</td>
</tr>
<tr>
<td>Province (Ministry &amp; above) in 2002</td>
</tr>
<tr>
<td>Prefectural (Director General) in 2002</td>
</tr>
<tr>
<td>County (Director) in 2002</td>
</tr>
</tbody>
</table>

Rates of suicide for women are estimated to be 25% greater than rates for men, largely due to suicide deaths by young rural women (mostly by ingestion of agricultural pesticide). Suicide rates are three times higher in rural than in urban areas, across all age groups and for both men and women. These facts suggest the immediate and urgent need to reduce the incidence of suicide in China.

Two national surveys in the late 1990s on the status of women have shown that 25% of urban women and 33% of rural women have suffered from occasional or repeated abuse from their spouses. The Special Rapporteur on Violence against Women, Its Causes and Consequences noted that while awareness of this problem is growing, there are reportedly no shelters for victims of domestic violence.

Promoting the rights of ethnic minorities through culture and development
China is a country with enormous ethnic, cultural, and
social diversity. There are 55 ethnic groups in China representing 8.4 percent of the total population. China is a signatory to the Convention on World Heritage and home to 30 World Heritage sites. It has taken important steps towards recognizing, protecting, and preserving its rich cultural heritage. This includes ratifying the International Convention for Safeguarding of Intangible Cultural Heritage in 2004. Critically, China is making special efforts to understand and protect minority cultures. Yet the challenges are considerable with a seeming tension between culture, rapid modernization, and globalization. Recent initiatives to collect and document ethnic minority cultural heritage including folk tales, folk songs, traditional handicraft, social customs, and endangered languages need further attention and support. It is also important to highlight that poverty incidence is highest among ethnic groups, especially in the West and Southwest.

China’s top leadership increasingly recognizes the importance of integrating cultural development into overall national development plans and strategies. Chinese President Hu Jintao recently characterized China’s next development phase as “culture-based development.” This pronouncement marks a new chapter in China’s overall development thinking, one that now strives to promote cultural diversity not only as a means to sustainable development but also as an important development goal in itself. Such a framework of ”culture-based development” regards culture not as a rigid, stagnant body of beliefs, but as a dynamic process responsive to and potentially shaping social and economic change.

Culture plays an important role in framing people’s conceptualization of important social issues such as gender, justice, globalization, and governance. In China, the influence of various philosophical traditions, combined with social norms and practices, constitutes a powerful source of personal as well as social identity. China must address these challenges and find effective solutions to issues arising from investment in areas such as cultural tourism, eco-tourism, and the crafts industry, which directly impact the practices, ideas, languages, and tangible treasures that make up China’s rich cultural tapestry. A culture-based development strategy for China will not only need to consider the formulation of affirmative multicultural policies that explicitly recognize and accommodate different identities, but also will have to devise and implement equitable, innovative, and sustainable policies that balance cultural protection and economic growth. In the process, the enhancement of civil society participation and international cooperation and exchange will also be crucial.

**Strengthening pro-poor fiscal policy and public service delivery**

Balancing economic growth with social development will entail a change in the role of the government to ensure efficient delivery of public services in favour of the poor. Clearly this is a challenge for China. Since economic reforms began in 1979, public investment in health and education has not kept pace with the needs of the population, resulting in growing reliance on the private sector. This has had serious consequences for vulnerable groups: the poor, migrants, and the rural population. Out-of-pocket expenditures by households on both health and education have increased, as market forces have come to dominate these two crucial aspects of social life. Although rural household incomes are much lower than those of urban households, recent estimates suggest the tax burden on rural households (19.4% of overall income in 1999) is significantly higher than that of urban counterparts (12.8%; see Figure 2.1).

![Figure 2.1 Taxation of rural and urban households, 1995 and 1999*](image)


Public expenditures on health and education in China are low by international standards, reflecting in part the relatively low share of government revenue in GDP.

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30 In the speech marking the 55th Anniversary of the People’s Congress, 2004
Recent progress in revenue collection has enabled a gradual increase in social expenditures from a low of 13% of GDP in 1996 to 21.6% of GDP in 2003. More efficient revenue collection, combined with a growing recognition of the importance of funding the social sectors, has resulted in a steady increase in national spending on health and education. Spending on education reached 3.19% of GDP in 2001, below the government's goal of 4% for 2002. Spending on health stood at 5.4% of GDP in 2002.

As it has implemented the "Western Region Development Strategy" and the "Strategy of Rejuvenating/Developing the Nation through Science and Education," the Chinese government in recent years has significantly increased its investment in education in the poor areas. But large gaps still exist between the eastern and western regions. In response, central government has increased its financial transfers favouring central and western regions, especially the western region, and enacted reforms aimed at reducing the tax burden on farmers and increasing government subsidies to poor rural students.

The decentralization of fiscal responsibilities from 1980 to 1993 contributed to the uneven provision of public services between east and west, such that families everywhere increasingly shouldered the burden of growing out-of-pocket expenditures for public goods such as health and education. For example, the IMF estimates that annual per capita government health care expenditure varies from a maximum of about RMB 200 in Beijing and Shanghai to less than RMB 20 in the central provinces of Henan and Hunan.

It is centre-local fiscal relations that perpetuate these disparities. As in most large countries, local governments are responsible for social services delivery. A growing gap has emerged between available revenues and the expenditure responsibilities assigned to local governments. These responsibilities account for 70% of total budgetary expenditures, whereas resources available to local governments cover about 45% of total budgetary revenues, before transfers from the centre. Given that transfers from the centre are insufficient and that local governments are not allowed to directly borrow, local governments have had difficulties in financing basic services. This is especially the case in poorer provinces where revenue is lower than in the richer ones.

The 1994 fiscal reform did not resolve this fundamental imbalance. It succeeded in increasing the share of central government in total revenues. It also succeeded in raising the share of revenue in GDP to the current level of 21%. But the reform did not reduce the expenditures assigned to local governments. If anything, local governments' expenditure responsibilities increased. The ratio of local governments' expenditures to their revenues has increased from about 103% in 1991 (prior to reforms) to about 180% in 2002. The transfer system as currently constituted does not compensate local governments for revenue lost to the centre during the 1994 reforms, nor does it promote equalization across regions.

**Promoting rule of law and good governance**

Transparency, accountability, and public participation are essential elements of governance and an essential ingredient for sustained long term growth. China has been attempting to curb corruption using a two-pronged strategy: (1) investigating corrupt high-ranking officials and publicising convictions (which can result in death); (2) improving preventive measures by attempting to tackle corruption at its source. For example, the Ministry of Land and Resources together with the Ministry of Supervision passed a new regulation in August 2002 concerning the acquisition of rights to state-owned land. The regulation requires all transfers of the right to use state-owned land for commercial purposes to be decided in a bidding process. Such measures, combined with the current development of a code of conduct for civil servants, may help curb corruption over the long term.

Access to justice and adherence to the international human rights instruments to which China is a signatory (See Annex B) are important steps toward establishing a secure basis for strengthening the rule of law. This in turn will depend on the capacity of the Government to integrate international norms and standards into the domestic legal system. In 1980, China had only a few

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32 Ibid., page 36.
thousand lawyers and a few dozen law schools. Today there are more than 125,000 lawyers and several hundred law schools. The Chinese judicial system now has a nationwide presence with specialized chambers to address criminal, civil, economic, and intellectual property issues. As of June 2003, China had more than 2,600 legal aid institutions staffed by more than 9,000 full-time professionals. Approximately half of them are qualified lawyers. These legal-aid institutions have provided services to more than 710,000 people since 1996. The system will expand and improve partly because private legal aid is growing rapidly and partly because the establishment of a legal-aid system has become a government priority.

Considerable progress towards the rule of law has been made. But, it has been recognized that the professionalism, efficiency, transparency and fairness of legal proceedings need to be further improved. Work is also required in broadening access to justice and in strengthening procedures and the court system to effectively protect the rights of individuals. A further challenge is full enforcement of court rulings.

Significantly, the National People’s Congress in 2004 adopted a constitutional amendment which provides that "the State respects and safeguards human rights." This marks the first time the term human rights has been incorporated into the constitution, which formerly provided only for "citizen’s rights." The change indicates greater political willingness to improve human rights and paves the way for further reforms in legislation and law enforcement in line with international human rights standards.

Increased access to information for the general public is a vital factor in allowing the public to participate in overall development. Access to information is improving with journalists having more freedom to report about problems in society and an acknowledgement of the role of journalists as whistle blowers. E-communication has improved Chinese people’s access to information. Broadcasts, websites, and communication continue to be overseen by authorities. Further efforts are needed to strengthen access to information.

Provisions for public participation at the national level are explicit in current government policy. Government-organized NGOs (GONGOs) and mass organizations are active in their respective fields, and make valuable contributions toward serving their constituents. For a wider scope of civil society organizations to flourish, however, there must be a more supportive legal and institutional environment. Government is indeed beginning to recognize the value of civil society organizations (not least as service providers) and this recognition has gone some way toward making up for inadequacies resulting from the economic transition to a market economy-in health care, for example. Grass roots organisations working in areas such as environmental protection, women’s rights, and consumer rights are also able to operate relatively unrestricted. Furthermore, consultations with citizens is part of the policymaking process at the regional and local levels of government. Even so, bottom-up grassroots initiatives should be further incorporated into decision-making processes.

Priority Areas of International Cooperation

**Capacity building:** Improved capacity is needed in measuring poverty-related statistics and providing monitoring and analysis as part of anti-poverty programme impact assessments. Targeting methodologies should be improved to achieve better coverage; and policymakers must formulate sustainable pro-poor macro and regional development policies.

**Job creation:** SMEs could be exempted from income tax and business tax; regions could work out their own employment assistance plans. Special funds could be created for vocational education and for training the unemployed and laid-off; employment conditions could be improved. Implementing a comprehensive national programme for occupational health and safety is likely to be a key part of progress in this area.

**Social security:** Pilot programmes must be created to address inadequate coverage, particularly in the rural areas.

**Research and assessment:** Further assessment is needed of the impact of WTO membership on both income and human dimensions of poverty and inequality, including

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33 Constitution Article 33 amendment, March 2004
gender inequality. Better assessment of women's contributions to the economy is also required.

**Pro-poor fiscal policy:** Adjusting public finance to meeting rural needs in general may be viewed as top the priority in this area. This includes testing of "pooled" social security funds at the provincial or national level; analysis of WTO impact on rural sector employment and livelihoods; detailed assessments of the effects of the tax incentive structure on industrial performance, growth, and ultimately on employment. Greater domestic economic integration must be encouraged through an integrated financial sector and labour market, as well as better distribution channels. Other priorities include: identifying and supporting the government's public finance role in the health sector; developing and costing an essential health service package; promoting social medical care insurance system reform and development; establishing a medical assistance system; increasing taxes for health "bads," including tobacco and alcohol; and promoting further integration of micro-finance schemes into the formal financial system for broader outreach.

**Gender Equality:** Requirements in this area include advocacy on the sex ratio imbalance issue; promoting sex-disaggregated data and analysis on gender issues in China; encouraging inclusiveness and emphasis on gender matters in poverty reduction programmes; and pushing to update existing legislation to conform with CEDAW provisions.

**Culture-based development:** Priorities include understanding and protecting minority cultures, and expanding investment in cultural tourism, eco-tourism, and the crafts industry.

**Rule of Law and Governance:** Government must support the creation of an enabling environment for civil society development and sensitize duty-bearers at all levels to the status of those who are vulnerable and disadvantaged. Priorities include the following: promotion of transparent government, including codes of conduct for civil servants and the right to information for the public; ratification of key international human rights treaties; and harmonising national laws with international standards. Security personnel should be given rights-related sensitivity training to improve their operating methods, and vulnerable groups such as migrant workers must be given equal access to justice.
After two decades of double-digit growth, China’s economy continues to be one of the most dynamic in the world. However, this unprecedented economic growth and development is a source of great stress to the environment. Water, air, and land resources are all under pressure as a result of increased human activities. Desertification, soil erosion, and deforestation are manifestations of China’s depleted natural resource base. Many of China’s cities are among the world’s most polluted. Ever-worsening industrial pollution is affecting human health. Moreover, given the variety of climatic, physical, ecological, cultural, and economic circumstances, it is very difficult to define an “average China.” There is a sharp contrast between the poor western provinces and the fast-growing economic centers of the east coast. Whereas the vast areas of the West suffer from severe land degradation and relatively lower levels of development, the East is struggling to cope with the side effects of rapid industrialization. The three regional economic centers-Beijing, Shanghai and Guangzhou-cover only 3% of land area, but provide home for 20% of the country’s population and generate 45% of its GDP. Input demand required to fuel the activities in the East often puts pressure on the environment far away from the growth centers while providing inadequate compensation for the resource depletion suffered by the less developed areas.

China’s environmental challenges have global implications. China has become the second largest emitter of greenhouse gases, consuming 10% of world’s energy. China is not only importing resources, but also borrowing from future generations. In the search for high yields and bigger profits, the environment is often given second consideration. The challenge is to reverse the trend of unsustainable resources utilization. Securing food self-sufficiency has been a priority for the Chinese government in past decades, and this has put a heavy burden on the environment. Considering China’s size, any changes in its food security policies will have significant implications globally. On the other hand, as signatory to the main multilateral environmental agreements, China plays an important and visible role in international negotiations. For example, China has signed the Kyoto Protocol and taken concrete steps in setting up the Clean Development Mechanism (CDM).

Despite government’s strong commitment and the great efforts made so far-for example by introducing the Sustainable Development strategy in 1994 as part of

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Agenda 21—China faces significant, possibly growing challenges in environmental sustainability. Responsibility for environmental protection is spread over a number of line ministries, often making coordination efforts difficult. Furthermore, enforcement of laws and regulations at local level is hindered by the limited resources and monitoring capacity available to local authorities. Government alone will not have the capacity and resources to ensure environmental sustainability. Traditional approaches are not enough to solve China’s environmental challenges. New innovative ideas and holistic approaches are needed to ensure a sustainable future. Empowering civil society and the private sector to play an active role in environmental protection is key to ensuring a sustainable future for China.

Increasing Pressure on the Land
Desertification has accelerated in recent years due to low awareness of the importance of protecting ecosystems; over-grazing; deforestation; and destruction of vegetation caused by reclamation of steppe and rangeland susceptible to erosion. The rate of desertification has been accelerating, from 1,500 square kilometers per year in the 1950s through the 1970s, to more than 3,000 square kilometers per year in 2003. Most poor people live in areas of severe land degradation. This can be seen both as a cause and a result of poverty, since the poor land provides only marginal incomes. The root causes of land degradation relate to decreasing land per capita, poverty in fragile environments and sector-driven approaches.

With 22% of the world’s population, China has only 6.4% of global land area and 7.2% of farmland. Sustainable productive land management is therefore critical to the country’s long-term agriculture. More than 40% of the country is adversely affected by land degradation.  It is estimated that in 1999, the total direct cost of land degradation amounted to US $7.7 billion, or about 4% of GDP, while the indirect cost was US $31 billion. Regional impacts are greatest in the Loess Plateau area of Northwest China and in the extensive western region.

To counter this trend, the National People’s Congress passed a law in August 2001 to combat desertification. The government has also launched a campaign to convert farmland on steep slopes into forest or grassland (the "grain to green" programme). As a result, about 3.8 million hectares of land were converted between 1998 and 2002.

Combating land degradation must be systematic, especially in the highly affected west, and calls for a revision of the legislative and policy frameworks that impact on land resources. Institutional cooperation among agencies needs to be strengthened, as land degradation is a cross-cutting challenge. Considering that land degradation and poverty often go hand in hand, both challenges must be addressed simultaneously. It is crucial to involve local communities and make efforts to end their dependency on natural resources to ensure the sustainability of strategies, actions, and efforts.

Threatened Biodiversity
By any definition, China’s biodiversity is among the richest in the world because of its vast land area and diverse climate conditions. A conservative estimate of the total value of China’s ecological products and services is somewhere between US $257 billion and US $421 billion per year.

Since 1956, approximately 2,000 nature reserves have been established, representing 14.4% of the country’s total land area. These nature reserves protect about 70% of the endangered species, thus playing a key role for

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55 Land Degradation in China: Its extent and Impact, FAO
in-situ conservation. Forest coverage increased from 85 million hectares in 1949 to around 160 million hectares (16.6% of total land area) in 2003; however, reforestation campaigns are targeted to combat soil erosion, and as a result, the quality of forests has declined. New forests are basically monocultures that do not provide the diverse ecological environment and services of natural forests. Consequently, they are more susceptible to attacks of new and unique pest species.

Despite conservation efforts, the diversity of biological resources is being seriously threatened. Estimates from China’s Red Data Book of endangered species show that more than 10% of the country’s vertebrate species (more than 500) are threatened, and 15 to 20% of higher plants (4,000 to 5,000 species) are endangered. 37

Deteriorating forest and vegetation coverage are partially responsible for increasing floods, silting of reservoirs, dwindling fish stocks, and an overall loss of biodiversity, all of which have significant long-term implications for the economy. Economic development such as mining, and activities such as illegal hunting, have harmed biodiversity by reducing areas with a rich variety of species and degrading the natural habitat of plants and animals. The main drivers underlying biodiversity loss can be summarized as follows:

a) Demographic developments. The large-scale migration of people, from rural areas to urban areas, from agriculture to industry, and from poorer western regions to the east is generally seen as affecting positively biodiversity, as it relieves pressures on natural resources in rural areas. However, it is also contributing to a loss of indigenous knowledge. Moreover, it contributes to the expansion of urban areas into rural and agricultural areas, having negative impacts on biodiversity. The overall large population in China, and the limited resources per capita, also leads to high pressure on the resource base and on biodiversity. Although population growth rates have slowed, they are still high in many of the areas rich in biodiversity.

b) Poverty: This is considered a fundamental driver of biodiversity loss. For poor people, survival is the only issue. In China, the biodiversity rich areas correlate strongly with the high-poverty areas. Often, the benefits of unsustainable exploitation of biodiversity go disproportionately to the rich and the powerful, whereas the costs - in terms of degradation and scarce resources - are felt by the poor.

c) Economic development: The economic paradigm focuses on high levels of growth and often places growth before environmental protection. Moreover, the paradigm has also included ‘maximisation’ of growth, not sustainability or optimal growth, and this has had negative impacts on biodiversity.

d) Governance: More powers are being decentralised to local governments. It may take a long time before local governments are able to respond to changes in the national direction. The slow move to ‘rule of law’ is seen to have positive impacts on biodiversity conservation. For example, the adoption and implementation of the land-use law, which clarifies rights, is making a big difference. The slowly increasing participation of civil society and private sector in planning and management is also a positive development. Integration and coordination across economic sectors is slowly improving, and is expected to have a positive impact on biodiversity.

To reverse the trend of biodiversity loss, it is necessary to address the fundamental governance weaknesses in the current approach to biodiversity conservation. Biodiversity concerns need to be better integrated into overall planning and decision-making. At the local level, problems related to user rights and ownership of natural resources need to be solved, and farmers’ interest in protecting natural resources addressed. Effective mechanisms to increase public environmental awareness are needed as well.

Shrinking Water Resources
China suffers from regional disparities in water access, a problem exacerbated by the fact that most of the arable land is in water-scarce areas. Groundwater levels over large parts of the North China Plain have fallen due to over-use of water for irrigation and urban supply; water tables in some northern towns and cities are falling in

37 Biodiversity Committee, Chinese Academy of Sciences, 1992
the order of one meter per year. The bulk of available water is used in agriculture, which consumes more than three-quarters of total withdrawals.

Per capita freshwater resources in China are only one-quarter of the world average, and the scarce resources are not available where they are most needed. Currently about 70% of Chinese cities have water shortages, and about one in 10 cases is severe. About 80% of the available water is in the Yangtze Delta, where only 40% of the cultivated land is located. Although it has only 12% of the available water, the Northwest region furnishes water for 45% of the country’s cultivated land.

China suffers from very low water-use efficiency. This is true in all sectors, but particularly in agriculture, where traditional flood irrigation causes losses through evaporation of well over 50%. There are also significant water losses due to outdated water supply infrastructure, bad maintenance, and poor management practices. Inefficient water use in China is related to low water prices, management constraints, and agricultural self-sufficiency policies. 38

As a consequence of low water prices, little or no incentives exist for users to save on water by investing in water-efficient technologies and no driving forces call for a market that will develop water-saving appliances or commercial recycling of water. There is little support for a much needed structural adjustment in the direction of water-efficient agricultural and industrial production.

The water sector is managed by many agencies with sometimes contradicting mandates. Water governance is a critical challenge among the respective ministries when different sectors and regions are competing for the limited water resources for development priorities such as urbanization, food production, and sanitation. Existing laws, regulations, and management instruments do not appear sufficient to effectively address ecological destruction and water conservation.

Although 89.2% of industrial wastewater is treated and discharged in compliance with discharge standards, facilities for treating industrial wastewater are poorly maintained, often operating with outdated technology. Only 25.8% of domestic wastewater is treated39. Pollution affects 60% of rivers and 90% of urban underground water. 40 The government is well aware of these challenges. According to the Tenth Five-Year Plan, by 2005, the rate of centrally treated urban domestic wastewater will reach 45%, and by 2010 all cities must meet national standards. But to solve the urban wastewater problem, from 2001 to 2010 investments of more than US$ 30 billion are required, including US$ 14 billion in the Tenth Five-Year Plan alone.

Concerns have been raised that the Western Development Initiative could put added strain on water supplies in the arid Western regions. Other concerns relate to the sustainability of large planned water diversions from the southern Yangtze River to the water-stressed north, and their potentially harmful environmental impact. China intends to transfer 45 billion cubic meters of water from south to north by 2050—a volume equivalent to the annual flow of the Yellow River—at a total cost of around US $60 billion.

Marine water resources are increasingly under threat. China’s mainland coastline is more than 18,000 km long. The total output value of its major marine industries is significant and will continue to grow. These industries include ocean fishing, tourism, salt making, marine transportation, shipbuilding, and offshore oil and gas exploration. China has prepared an Ocean Agenda 21, but the challenges for governance of marine resources are many. The allocation of administrative responsibilities among central, provincial, and county-level authori-
ties is problematic, as is striking the proper balance between conservation and resource utilization. The main threats are unchecked offshore pollution, land-based discharges, oil leaks, overfishing, uncoordinated infrastructure development, and destruction of coastal wetland and mangrove ecosystems. Marine pollution is of regional concern for the other nations sharing the East Asian waters. As indicated by Figure 3.1, only about half of China's offshore seawater is clean enough for recreational purposes for people to have direct contact with it. The other half is too polluted and remains suitable for industrial and maritime purposes.

**Figure 3.1 Classification of Offshore Seawater Quality in 2002**

<table>
<thead>
<tr>
<th>Grade</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>IV</td>
<td>27.6%</td>
</tr>
<tr>
<td>III</td>
<td>14.4%</td>
</tr>
<tr>
<td>II</td>
<td>28.4%</td>
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<tr>
<td>I</td>
<td>21.3%</td>
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### Ensuring Safe Drinking Water

Goal 7 of the MDG asks countries to halve, by 2015, the proportion of people without sustainable access to safe drinking water. China has achieved significant progress in providing access to tap and safe drinking water with 96% of the urban population having access to tap water in 1999. Providing access to the rural population remains a challenge with a percentage of rural population having access at 33% in 2003, based on rural household survey data.

*The poor quality of drinking water remains a challenge in many parts of China, particularly in rural areas.* In addition to the recently identified problem of arsenic and fluoride contamination of the underground water supply, contamination of drinking water by bacteria and microorganisms is still a major concern. In many parts of China the strategy of striving for coverage first, and quality second has resulted in untreated water being supplied through centralized water supply systems.

Roles and responsibilities among government agencies in water management and wastewater treatment must

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be clarified. There is an urgent need to create incentives and technologies for improved water-use efficiency. The best available technologies and implementation of more effective monitoring systems are needed, and participatory approaches and community ownership should be encouraged. In marine areas, there is a need to support emission control systems, and emergency planning and clean-up actions. There is also a need for more funds, equipment, and training to produce qualified services and personnel able to monitor and improve drinking water quality.

Growing Energy Needs

In terms of energy, China is faced with the combined challenges of growing energy needs, lack of high quality energy sources, environmental pollution, and energy security. China is the second largest energy consumer in the world with a total energy consumption of more than 1.3 billion tons of coal equivalent (TCE) per year, accounting for 10% of global consumption. Per capita consumption of commercial energy is low-only 42% of the world average and less than 20% of the OECD average. To achieve the Xiaokang goals, the energy consumption scenarios range from 2.3 billion TCE to 3.1 billion TCE by 2020. If China follows the development path and pace of the developed countries, by 2050 (when China reaches the medium-level development and has an average per capita consumption of 3.5 TCE), its total energy consumption will be 5.25 billion TCE. China’s economy is expected to grow by at least 7% per year until 2020 - quadrupling the GDP from 2000 level - while energy demand is expected to only double within the same period.

In 2000, coal constituted more than 60% of China’s primary energy consumption. The other sources included crude oil 21%, hydro 8%, natural gas 3%, and nuclear 2%. Heavy reliance on coal has translated in negative environmental impacts, such as damage to land and underground water, air pollution, acid rain, and solid wastes. Furthermore, widespread use of traditional biomass in rural areas has led to land degradation, soil erosion, and ecological damage.

To meet the domestic shortage, China needs to import high-quality energy. Since 1993, China has been a net importer of oil. In 2000, China imported 59.96 million tons of oil, 26.7% of its oil consumption.

China’s annual greenhouse gas emissions represent 15% of the world’s total greenhouse gas emissions (development indicators, World Bank 2000). About 96% of CO2 emissions can be attributed to energy activities. China is the second-largest emitter of greenhouse gases - although the per capita emissions remain relatively low - and the largest emitter of sulphur dioxide (SO2).

Urbanization will further increase energy demand. The urban population is expected to grow from its current level of 30% of the total population to 70% by 2050. In 1995, the average energy consumption of an urban household was three times that of a rural household. Urban air pollution is expected to continue to increase. While large industrial plants may reduce their discharges, many township and village enterprises and other small and medium-size enterprises may not be able to keep up with the environmental regulations and their contribution to environmental pollution is expected to grow. Another important source of air pollution is the number of private vehicles which has quadrupled between 1991 and 1997 and could reach 47 million by 2020.

These environmental challenges translate in heavy economic costs for China. A WHO/UNDP study on environmental health impacts estimates that the annual costs from polluted air are about RMB 44 billion (US$5.3 billion), based on 1998 figures. Acid rain, an inevitable consequence of high concentrations of pollutants in the atmosphere, affects about 30% of China’s territory. It is estimated that losses to crops, forests, and public health from acid rain account for nearly 2% of the gross national product (GNP). With 60% of rural energy con-

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42 China’s Sustainable Energy Scenarios in 2020
43 China’s Sustainable Energy Scenarios in 2020
Consumption needs still being met by biomass resources, indoor air pollution in rural areas and among the urban poor is a serious problem, especially for women and children.

China’s Law on the Promotion of Cleaner Production took effect in January 2003. A pioneering law on this issue, it promotes cleaner production and sets the framework for rewards targeting producers adopting advanced technologies that improve energy efficiency. However, as in the case of the Environmental Impact Assessment Law, additional mechanisms for implementation are required.

There is a need for very tight monitoring of the Chinese energy matrix—energy production and consumption—with special attention to increasing energy savings and energy efficiency, and to intelligent use of renewable sources in the future. Support is needed to remove barriers to widespread energy conservation.

As illustrated by Figure 3.2, in 34.7% of the Chinese cities, the air is slightly polluted. In 31.2% of the cities, the air is "more polluted", affecting people's lives and posing health risks. One third of the cities have good air quality.

Figure 3.2 Grades of Urban Air Quality in China

![Figure 3.2 Grades of Urban Air Quality in China](image)


Upgrading Waste Disposal and Sanitation
Domestic and industrial solid wastes, including hazardous wastes, are putting increasing pressure on China’s limited capacity for treatment and proper disposal. In 2003, Chinese industry generated around 1 billion tons of solid waste; about 11.71 million tons were considered hazardous (12% of the total). Continuous industrialisation and urbanisation, combined with enhanced mobility and private consumption, has led to a greater demand for natural resources and generated more solid waste. In rural areas, excessive use of pesticides and chemical fertilizers are having a detrimental impact on human health and ecosystems.

China has also achieved great progress in the area of rural sanitation, getting closer to meeting the Goal 7 of the MDGs that requests all countries to raise the proportion of rural people with access to improved rural sanitation by 2015. In 1993, 8% of rural population had access to sanitation. It increased to 40% in 1999. But China's rural population still suffers from diseases associated with poor quality drinking water and sanitation. About 725 million people have no access to household facilities for the safe disposal of human excreta, and almost all the schools in rural areas have no access to sanitary latrines. Awareness of the importance of good hygiene practices is low, and hand-washing is not generally practiced. This situation has resulted in approximately 190 million children under age 14 being infected with roundworm, 40 million with hookworm, and 70 million with whipworm. Intestinal parasites are known to lead to anaemia, especially for girls, as well as delayed development and poor school performance. Diarrhoea and intestinal parasites are major contributors to malnutrition that affects about 17% of children in rural China. For the past two decades, diarrhoeal diseases and viral hepatitis—both associated with faecal pollution—have been the two leading infectious diseases in China.

During the 1999 National Conference on Women and Children, the State Council identified rural sanitation as one of the three priority goals in the National Programme of Action for children, and called for intensified support from local governments for improved sanitation. The limited financial capacity of local authorities have hindered the achievement of the objectives. The coexistence of multiple institutions responsible for water supply, sanitation, and health care have also lead to challenges in terms of coordination among various agencies.

Strengthening Disaster Management
China is prone to a variety of natural disasters that affect the lives and livelihood of its citizens—such as floods, earthquakes, landslides, typhoons, and drought. Losses caused by natural disasters are serious not only in human death and injury, but also in economic and property losses. In addition to natural disasters, human in-

44 Press Release WHO/58 26 August 2004
45 For Our Children and for Our Future, NPHCCO/UNICEF Advocacy Publication, 2001
duced disasters pose threats to the citizens. These hazards include fires, health epidemics, transport and industrial accidents.

Rapid urbanization and industrialization are putting additional pressures on the already constrained resources. If disaster risks are not minimized to a controlled level in the development process, the loss of lives and properties due to disasters will rise in China. The intimate linkage between human activities and disasters became increasingly clear to the public as a result of 1998 floods which partly resulted from large-scale deforestation and unsustainable land use practices. The SARS epidemic and its impacts on human development highlighted the urgency to upgrade basic health care.

It is clear that if disaster mitigation fails to be incorporated into development planning and processes, the economic losses arising from natural and human induced disasters will continue to be major obstacle to the achievement of the Xiaokang Society and the Millennium Development Goals.

**Priority Areas of International Cooperation**

**Land Degradation:** There is a need for a systematic approach to the challenge of land degradation. Inter-ministerial cooperation must be promoted. Poverty and land degradation must be addressed simultaneously, as they often co-exist. Local community participation should be encouraged to ensure sustainability.

**Biodiversity:** The overall enabling environment for biodiversity conservation requires strengthening. There is a need to mainstream biodiversity conservation into socio-economic sectors and development. Support should be provided for biodiversity inside protected areas, as well as for sustainably enhancing biodiversity outside of protected areas.

**Water:** There is a need to clarify the roles and relationships among government agencies in water management and wastewater treatment. Water-use efficiency should be improved; participatory approaches and community ownership should be encouraged. In marine areas, there is a need to support emission control systems, emergency planning, and clean-up actions.

**Energy:** There is a need to increase energy savings, energy efficiency, and the use of renewable sources, while pursuing efforts on industrial adjustments, developing energy-efficient processes, and promoting "circular economy" - a system that recycles by-products and minimizes emissions. Support is required in energy conservation and energy efficiency in the major energy consuming sectors.

**Environmental Governance:** Strengthening law enforcement has to be a priority. There is a need to enhance coordination across governmental agencies for environmental protection and a cross-sector mechanism should be established that allows for incorporating environmental concerns into the government agenda at various levels. Integration among institutions collecting information related to environmental impacts is also required. Empowering citizens and civil society to play a meaningful and active role in environmental protection is a key to ensuring environmental sustainability.

**Sanitation:** There is a need for a revision of traditional practices and attitudes toward the handling of animal and human waste in rural areas. Special focus should be given to sanitation and hygiene in schools.

**Disaster Management:** It is important to strengthen institutional capacity, improve inter-agency coordination, and raise public awareness. Basic training in disaster risk management for leaders and preparedness in communities are basic requirements for a more coordinated disaster management system. To strengthen the disaster risk management in China, stronger coordination among the domestic and international partners is required.
The near "marketization" of public health and public services is important evidence of the shift in government’s role in providing health and education in the last two decades. As highlighted in the first part of this CCA, challenges facing China in terms of economic growth, equity, poverty reduction and environmental sustainability, now require a scaling-up of public investment in social protection, education and health care for the poorest and most vulnerable. This includes children, disabled persons, the elderly, ethnic minorities, rural people, and migrants.

Careful planning for social investments and social protection appears especially needed in view of China’s demographics. China has the largest population in the world, and has undergone particularly rapid changes in the last half century. Therefore, the interrelationships between population and development are particularly significant.

Mortality rates have generally fallen steadily over the period, with the exception of a few years at 1959-60: life expectancy was estimated at 35 years before 1949, but rose to over 71 years in 2003. Fertility policy, and rates, have fluctuated, with peaks in the 1960s, then decreasing dramatically from 1970, when women had on average of around 6 children, to a level of around 1.8 since 1993.

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Figure II.1 Population Pyramid of China,2000

Source: population census 2000, prepared by Y. C. Yu for UNFPA

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46 Chinese Health Statistical Digest, Ministry of Health, PRC, 2004 (p.91)
47 China Population and Information Centre, July 2003 Basic data of China population since 1990
Urbanization in 1953 was estimated at 13%, and in 2000 at 36%. Migration was limited in the period 1949-1980, with the population divided into those with urban and rural residence permits (hukou). However, since 1980, urbanization has increased, with 140 million in the "floating population", generally persons with rural permits, but living in urban areas. Currently, the proportion of rural population is higher than the average for countries with China’s level of economic development, but arable land per capita to support them is very low, and there is still excess rural labour force.

There have long been more males than females in China in 2003, the difference was 40 million. However, a recent phenomenon is the increasing sex ratio at birth: 108 males per 100 females in 1982, rising to around 117 in 2000. The sex ratio for young adults has not yet increased greatly, but will do so as those born in 1980 onwards reach marriageable age.

In terms of age structure, the above trends have resulted in a population in 2004 with a proportion of people over the age of 65 which, at 7%, is still at the same level as for the world as a whole, a large proportion of people between 35-45, with a correspondingly large "demographic echo" of their children, aged 15-25, and a low proportion of young children.

The implications of these demographic dynamics are considerable, and pose major challenges for the future development in China in health, education, employment, and old age security. Given the large numbers of women of child-bearing age, annual growth is presently at around 8 million, and most projections foresee growth until after 2030, adding another 1-200 million to the population.

With respect to health, urban, richer, and older people have different health patterns and burdens of disease from their rural counterparts. The large number of people in middle age results in one of the lowest crude death rates in the world, since mortality is lowest for those aged 5-49.

Primary school population is decreasing, but there is a large proportion of young adults, with specific employment, education and health needs. About 20 million young people reach employment age every year, and this will continue for the next few years. After 2020, the proportion of older people will increase very rapidly, while at the same time the labour force will start to decrease. Thus the "dependency burden," which is today one of the lowest in the world, will increase to one of the highest in the world after 2020. There are also major challenges related to the floating population.

China has initiated a number of studies to ensure that future development plans are based on scientific data and research, and this would be one area for international cooperation.

Some implications of the trends are further discussed in the following chapters.

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48 China Population and Information Centre, July 2003 Basic data of China population since 1990
49 National Population and Family Planning Committee of China, 2004
50 China Population and Information Centre, July 2003 Basic data of China population since 1990
54 United Nations, World population Prospects, the 2002 Revision Volume II: Sex and Age, New York, 2003
After 1949, China established a comprehensive state-run security system covering many aspects of an individual’s life. With the 1978 reforms, the system underwent rapid modification, both in rural and urban areas. The current social security system comprises three elements: the social insurance system, the social relief system, and the minimum living standard programme (MLSP), a social assistance system. There has been much reform in the social protection system, but major problems persist. Related challenges fall under three broad headings: social security, quality of working conditions, and protection of vulnerable populations.

Expanding the social security for all

In March 2003, the government announced that "the State establishes a sound social security system compatible with the level of economic development".

Currently, only 30% of the population are covered by social insurance system and the MLSP. Thus, the challenge is how to extend coverage to the remaining 70% of the population. The number of covered persons has been continuously increasing as seen in the following table. Particular progress has been made for health insurance after the government established an Urban Employee Basic Medical Insurance System. The government has also developed a pilot program for a new Rural Cooperative Medical System (RCMS) to finance mutual assistance in health for the rural population.

### Table 4.1  Persons Insured by Social Security in China

<table>
<thead>
<tr>
<th>Benefit schemes</th>
<th>Insured persons in 2003 (millions)</th>
<th>Comparison to the previous year (millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old-age</td>
<td>154</td>
<td>+2.0</td>
</tr>
<tr>
<td>Unemployment</td>
<td>103</td>
<td>+1.9</td>
</tr>
<tr>
<td>Health care</td>
<td>109</td>
<td>+15.0</td>
</tr>
<tr>
<td>Employment injury</td>
<td>45</td>
<td>+1.4</td>
</tr>
<tr>
<td>Maternity</td>
<td>36</td>
<td>+1.6</td>
</tr>
</tbody>
</table>

Data source: ILO, 2004
Nevertheless, the scope of coverage by the social insurance system is still narrow and encountering difficulties in expanding further. By the end of 2002, only 110 million Chinese were covered by old-age insurance, less than half of the 239.4 million targeted by the social security system. The major reason for the lack of expansion in the insurance system is its high cost, the unwillingness of private sector firms (including foreign owned enterprises) to join the social insurance scheme, the poor awareness of social insurance of those individual businessman and those employees who engage in the form of flexible employment remains to be enhanced, and in some regions, the contribution rates for the employers are high. The core problem is that the insurance premiums to be paid by employers are high. Retirement, medical care, and unemployment insurance constitute about 28% of staff payroll for employers. For employees, the combined cost of the three types of insurance is 10% of their salary.

In the area of unemployment insurance, there is also a problem of financial sustainability. In 2001, eight provinces saw their unemployment insurance revenues fall below their expenditures. Considering that unemployment pressure will rise further, and the premiums/contributions will be further raised, the unemployment insurance system will continue to face severe financial difficulties. Also, since the late 1990s, revenues from retirement insurance in enterprises across the country have had insufficient funds to meet expenditures, and the annual deficit has been expanding year by year.

Another challenge in social security coverage is that the current recipients are mostly urban workers in the formal economy; this limits urban health insurance coverage to about 120 million workers. Large numbers of the workers in the informal economy and rural migrants are not covered, causing a great impact on their health and that of their families. To expand coverage the government decided in October 2003 to extend coverage to all urban workers and eventually to rural households through a new RCMS. The government also plans to establish a system of transferable pension benefits to cope with rapidly increasing migration.

Meanwhile China’s demographic dynamics have important ramifications for the social security system, since how it is designed and paid for now will affect its sustainability into the future. The proportion of those over 65 years old will increase from 7% of the population in 2000 to about 20% in 2040, necessitating extensive revision of the health service system at the community level (See Figure 4.1). Furthermore, the number of those over 80 years of age will increase from about 8 million to about 50 million. The ratio of working age people to support each elderly person will decrease, and therefore each working individual will be obliged to pay more to support the elderly.

**Ensuring quality work conditions**

The effectiveness of the current national system for protecting workers should be addressed during China’s transformation from a planned economy production system to a market economy.

The Labour Law of 1994 represents comprehensive legislation for the overall protection of workers. The number of labour disputes has risen sharply after the promulgation of the Labour Law: from 32,000 in 1995 to 188,000 in 2003.

With rural-urban migration having increased to estimated 140 million migrants living in places other than their native locations, the working conditions of migrants is an increasingly important issue. Nevertheless, 60% of all internal labour migrants do not migrate through registered recruitment agencies or labour and social security departments, putting them at risk of exploitation. Efforts will therefore be required to offer quality services to internal migrants. By the end of 1999, the informal sector provided work for at least 82 million people, equivalent to 12% of the overall workforce.

One form of employment strongly promoted by the government is so-called "flexible" work in the form of temporary contracts, part-time work, self-employment, and

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57 This labour law was effected from 1 January 1995
58 National Population and Family Planning Committee of China, 2004
59 The number of rural migrant workers reached 99 million in 2004 with an increase of 5 million than the previous year
60 Ministry of Labour and Social Security, 2003
domestic work. Although domestic work has been one of the sectors to absorb a large number of female migrants from rural areas, existing laws and policies concerning women’s rights have not adequately addressed the social protection of female domestic workers. The CEDAW Committee noted, in the concluding comments of its periodic reports, that Chinese government reports make no mention of women’s participation in the informal sector, and requested that this issue be addressed.

Despite progress made in improving occupational safety and health in recent years, work safety is still a great challenge in China. In 2004, 16,497 people died in occupational accidents in various industries, particularly mining, which killed 6,027 people. Mining accidents, particularly those in coal mining, have become a major concern to the government and the international community. One of China's worst coal mine accidents occurred on 28 November 2004, leaving 166 miners dead. The following day, 16 were killed in another accident and just a week earlier, 62 had died in a fire in an iron ore mine. These tragedies have special relevance in the context of the country's drive to increase national coal and mineral production. Despite recent disasters, the rate of fatalities has steadily fallen from 5 per million tons of coal mined in 2001 to 3 in 2004. But some of this is undoubtedly due to increased coal production. When measured against the risks borne by China’s 2.6 million coal miners, the reduction is probably less significant than it otherwise would be. Nonetheless, much money is reportedly being spent and new regulations promulgated.

Protecting and empowering vulnerable populations
While the growing market economy has resulted in new opportunities and economic benefits for many Chinese people, it has also brought new kinds of economic and psychological pressures, especially to the most vulnerable and marginalized families. Efforts have been made to develop ways to extend social insurance to rural migrant workers in some major localities, and China has adopted preferential policies to promote the employment of disabled people. But 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. There are around 60 million disabled people in China, mainly categorized as physically deformed, blind, deaf/dumbness, and mentally deficient. Disability restricts access to education and employment and tends to cause socio-economic exclusion. Among the disabled, the risks of becoming poor are higher than among others, and may lead households with disabled people into poverty. More than one-third of China’s 30 million rural poor are disabled, and 60% of them are illiterate. Most demand for rehabilitation of the disabled are not easy to be satisfied and living conditions of disabled persons are far below the average level. This gap is likely widened further in the future. Primary education enrollment rate for blind children is comparatively low at 59%. Some girls with disabilities are doubly discriminated. Although much progress has been made in promoting the rights of disabled children, many continue to face deeply rooted discrimination and to have limited access to education, health, and other basic services.

It is imperative to address this special vulnerable group’s needs so they can enjoy equitable access to the benefits of development. National support in this regard can be strengthened in a number of ways: by improving policies and legislation to establish a sound enabling environment; by strengthening the capacity of monitoring and evaluation through the establishment of monitoring systems, surveys, and assessments; by empowering the disabled to be active agents for development and social participation; and by mobilizing various social forces to support the disabled.

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61 CEDAW’s third, fourth and fifth periodic reports in 1997, 1999 and 2004 respectively
Although progress towards the protection and empowerment of the disabled has been made, several significant challenges remain. First, the current Law on Protecting Disabled Persons’ Rights was promulgated in 1990. The NPC’s Committee on Internal and Legal Affairs included the revision of this Law in the current Five-year legislation plan to ensure that the Law could better fit the new socio-economic situation in China. A more participatory consultation process could be adopted during the legislative revision process to solicit inputs from different sectors, both nationally and internationally. Second, to date there have been 12 different sets of standards reflecting degree of disability in China. Lack of coherence among these different standards hinders coordinated policymaking in various sectors to help disabled persons get equal access to employment, education, justice, and mainstreaming into the social life. It becomes an urgent task for the government to integrate the standards with international practices and to use these standards as a guideline for future policymaking and legislation. Third, the first nationwide sample survey on disabled persons was conducted in 1987, and the Second Sample Survey is scheduled to start in 2006. Drawing on the survey results, a National Assessment Report on Disabled Persons will be drafted by experts in coordination with the State Council’s Working/Coordination Group for Disabled People and NGOs. Monitoring of disabled persons’ situation in China is weak, however, particularly at the county and township levels. Strengthening local monitoring capacity through support in designing surveys, establishing indicators, and creating additional survey instruments is required for future policymaking.

Social protection for rural migrant workers and their families also deserves special attention. Although there have been a number of important policy reforms in recent years to address the discrimination faced by migrant workers and their families, compliance with new laws and regulations is uneven, as is budgetary support. Migrants are particularly vulnerable to being lured into exploitative situations during the process of migration and directly afterwards.

Another group affected by the rapid changes in China is the growing number of children who become victim to various forms of neglect, abuse, and exploitation. In particular, children of migrants (estimated to number 20 million) continue to face discrimination. Most abducted male children are also from migrant families. In addition, the neglect of children left behind in villages is a growing issue. The phenomenon of street children in urban areas is also growing. Although the Ministry of Civil Affairs indicates the number is 150,000, the actual number is estimated to be much higher. These can be children of migrant families or those who come to urban areas by themselves as a result of family breakdowns and limited opportunities in rural areas. China has adopted new policies and guidelines that promote de-institutionalization in providing protection and care for abandoned children through family- and community-based approaches such as residential care and foster families. Since the number of juveniles who are tried in juvenile courts each year is on the rise, this area needs special attention.

The protection of girls and women requires special attention. The majority of trafficking cases occur when girls and women migrate from their villages in search of work and are lured into sexual slavery or other unacceptable work. Furthermore, considering the sex ratio imbalance at birth (see Chapter 2), it is likely that there will be a substantial number of men in the future who do not have female counterparts in their age group. The shortage of girls/women will likely increase the demand for trafficking of women for marriage and prostitution.

The form of trafficking of women and children is believed to be changing. In China, trafficking is mainly understood as "selling and kidnapping of babies" or "selling and kidnapping women for marriage purposes". Current statistics therefore underreport trafficking for other purposes such as sexual and labour exploitation. The number of cases of kidnapping and selling women, particularly for marriage purposes, dropped from 17,963...

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Juvenile Restorative Justice and Application of Non-Imprisonment in China, Speech given by Gao Himjong, Senior Judge, Associate Chief Judge of Criminal Number 1 Division, Supreme People’s Court, PRC, July 3, 2002.
However, recent work by ACWF and ILO-IPEC suggests that girls and young women are increasingly trafficked for sexual and labour exploitation. For instance, the Nanjing Provincial Women’s Federation filed 15,729 cases of organizing, forcing and harbouring prostitution in the first 10 months of 2003. The number of trafficking in children also is on the increase. Many unknowns remain in the area of trafficking for sexual and labour exploitation, and further research is suggested.

The government is taking on this challenge with proactive measures. An 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 (See Annex B Conventions List) would be of top importance in the global fight against trafficking.

**Priority Areas of International Cooperation**

**Social security:** Maintaining the financial sustainability for the various benefit schemes; extending coverage of the social security system to the vulnerable population, particularly rural migrant workers.

**Quality of working conditions:** Addressing the rights of migrant workers from rural areas, particularly female migrants working in the informal sector.

**Protection of vulnerable people:** Developing a social risk management framework to protect vulnerable groups; enhancing the knowledge base in the area of child protection; revising the Disabled People’s Right Protection Law; establishing integrated standards of disability; and enhancing monitoring and evaluation capacity for the disabled. Emphasis should be placed on capacity building for institutions responsible for the disabled, including training of rights-protection workers, social workers, mass organizations and volunteers, particularly in the western region to support the disabled persons’ poverty reduction and mainstreaming into society. Also necessary: data collection by provinces and further research into the root causes and background of the trafficking in women and children in cooperation with the government and women’s organizations, as well as the signing and enforcement of all relevant UN Conventions and Protocols.

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65 ILO-ACWF project document on Preventing Trafficking in Girls & Young Women for labour exploitation within China (CP-TING project) (2004).
The Ministry of Education (MOE) has noted recent achievements in basic education in the Action Plan for Education for All (EFA). Significant amongst these are:

— Nine-year compulsory education covered 92% of the official residential population in 2003, excluding the migrant population.
— The rate of illiteracy has been reduced to less than 5% among young adults.
— The average basic education reached 8 years in 2001, compared with 6 years in 1990.
— The net enrolment rate for children of primary school age exceeds 98% and the rate for children entering junior high school from primary school exceeds 97%.
— The number of schools for children with special needs reached 1,551 with an enrolment of 364,740.
— The number of schools as well as enrolment has grown six-fold since 1988.
— The total enrolment in three-year kindergartens has increased to 37.4%.
— By 2001, 358 (51%) of 699 ethnic minority counties had reached the goal of "Two Basics," that is nine-year compulsory education and elimination of illiteracy among young adults.

66 Essential Statistics of Education in China, Ministry of Education 2004.4
Despite these achievements, major challenges remain. The challenge of financing education has already been discussed in Chapter 2.

**Improving quality of basic education**

EFA, developed with technical assistance from UNICEF and UNESCO, was launched in December 2002. Adoption of this Plan signifies the reinforced commitment of the Chinese government to achieving the six goals of the Dakar Framework by 2015. Since the first CCA, there has been closer UN cooperation under the framework of EFA.

In assessing progress, the significance of the June 2001 National Conference on Basic Education cannot be overemphasised. This was the first national conference on basic education since 1949 and marked a major turning point in the management and administrative system of rural compulsory education. The government clarified and reinforced the decentralised structure of providing basic education, assigning major responsibility for managing rural compulsory education to county-level authorities rather than township authorities.

The guiding principle in the national education policy is the implementation of essential quality-oriented education (suzhi jiaoyu). In support of this policy, a significant recent development was the introduction of the "New Curriculum Reform" by the MOE in July 2001, following the launch of the "Guideline of Basic Education Reform". Active participatory learning is being introduced in the teaching-learning process. The goal is to enhance students' capacity for collecting and processing information, acquiring new knowledge, solving problems, and exchanging and cooperating with others.

But the new curriculum still needs strengthening in terms of integrating a life skills approach to learning and developing both physical and psycho-social skills for well-rounded development. There is also the challenge of developing comprehensive learner assessment tools that are holistic and go beyond the narrow perspective of examination results, on which the existing assessment system still relies heavily. Teachers and parents are preoccupied with students' test scores rather than the skills advocated in the new curriculum.

To support and ensure the quality of curriculum reform, the central government set up new training requirements for primary and secondary teachers in 2001. By 2007, all primary and secondary teachers are scheduled to receive professional training to implement the new curriculum. An enormous amount of resources will be required to train 9.23 million (2003) school teachers under the nine-year compulsory education program. Teachers in poor rural areas of western China, especially female and minority teachers, have less opportunities to secure professional training, and this remains a large challenge.

Most teacher trainings in China are either nationally or provincially driven. But there is a lack of systematic and regular mechanisms to assess the process and impact of training, as well as teachers' performance. While the township central/center schools are responsible for providing teacher support, a recent decision to vest them with all administrative responsibilities while closing down township level education administration does not guarantee a durable teacher support system. In addition, technical capacity and resources at local levels to promote innovation, research and development are constrained especially in northwestern provinces.

Bridging the 'digital divide' by including ICT in the new curriculum and increasing the application of distance education for expanding basic education services (including teacher training) has been strongly advocated by the central government as one of the key solutions to teacher training in remote rural areas. In 2000, the MOE established a major plan for setting up a national distance education project to improve in-service training for teachers, especially in the poor and remote rural
western areas. This was further reinforced in 2003 when The Decision on Strengthening Rural Education was promulgated by the State Council incorporating the Modern Distance Education in Rural Schools project. Since 2001, a number of major bilateral donors and UN agencies have provided support to this national distance education project. But donors’ shifting focus from infrastructure and the cost as well as the knowledge and skills required by local counterparts and schools to operate and maintain the equipment remain as challenges.

The MOE is committed to improving teachers’ professional capacity and teacher training methodology. In 2003, the Ministry of Education of China implemented the National Teacher Education Network Alliance, aimed at improving the systematic integration of traditional teacher education (human net) with satellite TV (air net) and Internet (ground net) to give teachers access to quality learning resources. The focus under the new round of teacher training (2003 to 2007) is "New Concept, New Curriculum, and New Technology" along with moral education.

**Addressing growing disparities in education**

Disparities of access and quality are growing among regions. There has been a gradual decrease in the total number of schools between 1990 and 2003. Many rural schools have been closed for lack of adequate resources and in some areas because of declining school-age population. The government has declared that the areas inhabited by 85% of the population have now achieved universal compulsory education, raising the national net enrolment rate (NER) to 98.65% in 2003. Even so, 12 provinces and autonomous regions remained below the national average in 2003 (Map 5.1).

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67 Ibid.
Under China’s new minban policy, private education has become a thriving industry, notably in major cities in the eastern region and in urban areas of western provinces. While there may be many advantages in promoting the development of community-run education, without proper supervision by the government this could have significant implications for maintaining appropriate standards, redressing regional disparities of quality and access to education, and implementing curriculum reforms.

Closing incomplete schools and constructing more boarding schools may have an adverse effect if no attention is paid to newly emerging problems, particularly girls’ access to education and retention in primary schools. Boarding schools may have facilitated the access and enrolment of children living in remote areas; however, they also separate young children from their families. The conditions of nutrition and hygiene in many rural boarding schools do not meet minimum quality standards to ensure safe and healthy living and learning conditions. Boarding schools do not mandate provision of hot water or heating facilities in classrooms and dormitories. In the very cold regions of northern and western China, children suffer from severe cold conditions and infectious diseases as a result.

China’s population in the 0 to 6 age group is 99,295,000 (8.14% of the total population). Yet only 8.1% of children age three or younger have access to early care and development services and only 35% attend preschool. While two-thirds of this population is rural, less than 0.5% of parents of these children have any access to parenting information. Compared to expenditure in basic education, allocations to this sector amount to a paltry 0.058% of GDP. Most funds are from non-government investment, especially in informal preschool institutions located primarily in urban areas. Privatisation of pre-schools has resulted in local authorities selling off facilities that previously housed kindergartens. The Committee on the Rights of the Child in its concluding observations (CRC/C/15/Add. 56) of 1996 urged China to take further action to strengthen its capacity to collect disaggregated data on the status of children. A positive development has been the enunciation of the National Policy on Early Childhood Care and Development (ECCD) in 2003. Nevertheless, allocation of resources for effective implementation of the policy remains a challenge.

**Promoting gender equality in education**

From 1990 to 2000, the illiteracy rate among women fell from 32% to 13.5%, and the total population of female illiterates fell from 159 million to 62 million. But male/female illiteracy rates among those 15 years and older are disproportionately higher amongst women, especially minorities and those living in rural and remote areas.

![Figure 5.1 Ratio of girls to boys in primary education(%)](source: Ministry of Education)

While the overall gap between male and female education levels is diminishing, gender differences in rural school enrolment tend to be greater than in urban areas. The primary education girl/boy ratio was 90% in 2002 while in secondary education it was 85%. Several provinces with large minority populations in the northwest and southwest of China fall lower than these figures. An underlying cause is the system of patrilocal marriages: the belief that the daughter’s education will only benefit her husband’s family. Rising costs of education mean that female children drop out earlier than boys.

According to some studies, gender roles in pedagogy and teaching materials are reinforced in some textbooks for primary and middle school children. Women are often shown in subordinate roles vis-a-vis men both in terms of their value and role in history. Gender stereotypes also persist in the gender division of subjects, with boys directed to study natural sciences and girls to social sciences and arts. There is, however, a decreasing gender gap among school teachers. In 2000, female teachers made up 50% of primary and 45% of secondary school teachers, compared to 37% and 25% respectively in 1980 (World Bank, 2000).
While promotion of gender equality is not a salient feature in China’s Action Plan on EFA, it does recognize the need for elimination of gender disparities in enrolments. But it is disparities in school attendance and school completion that require greater focus if China is to achieve MDG 3 (EFA Goal 5), promoting gender equality and empowering women, and Target 4, eliminating gender disparity in primary and secondary education by 2005 and in all levels of education no later than 2015.

Ensuring education for children affected by migration and minority children
The government has recognised that the issue of its migrants numbering over 102 million needs to be dealt with in a more constructive manner. More than 19 million of the migrant population are children below 18 and an even higher unknown number of children are left behind either with one parent or with grandparents or other caregivers. In order to assist migrant children’s education, the government has incorporated compulsory education for migrant children in the Development Plan of Urban Social Programmes. The urban financial departments have allocated funds to subsidize these schools; some scholarships are given and free textbooks are given out for migrant children from poor families. Although the policy has recently been changed to allow migrant children to attend urban schools, there are still many impediments. First is the issue of funding and identifying the responsible government agency. Second, the cost of schooling is prohibitive for most migrant families. Third, migrant children face psychological, cultural and academic difficulties in urban schools. Fourth, data and statistics on migrant children are as not compiled systematically. Finally, the legal status, quality of education, and physical conditions at private schools for migrant children have not yet been fully addressed by the government. Because of the poor school facilities, teaching quality, and school management, some of the poor quality and poorly managed migrant children’s schools have been closed.

While provision of appropriate schooling for migrant children remains a challenge, a related phenomenon is the drop-out rate among these children, who join the labor market. Another emerging factor is the drop-out rate of “left-behind” children, whose parents are compelled to leave their children in the countryside. The ensuing unstable situation has a retrogressive impact on the psychological development and safety of these children. The need for developing flexible and open learning systems to enable such children to complete schooling is becoming imperative. By 2002, 368 ethnic minority counties/cities/districts out of 698 achieved the two basics (universalizing nine-year compulsory education and eradicating illiteracy), accounting for 52.7% of the ethnic minority counties.

Secondary school enrolment increased to 8.1%, accounting for 7.4% of total secondary school enrolment. But enrolment at the primary school level decreased by 1.9%. The UN Committee on the Elimination of Racial Discrimination in its concluding observations (A/56/18) recommended that the government ensure children in all minority areas have the right to develop knowledge about their own language and culture as well as Chinese and that they be guaranteed equal opportunities, particularly with regard to access to higher education.

Girls from minority communities are particularly deprived owing to a high drop-out rate. Disaggregated data on the educational status of this group is not easily available.

The major cause of dropping out among minority chi-
dren 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. There is an effort by the government to provide subsidized and/or free textbooks, uniforms, and meals in boarding schools; however, these efforts have been thwarted by a lack of resources at local levels.

Matching education and skill needs

China is expediting the process of expanding and reforming Technical and Vocational Education (TVET) with a focus on targeting newly emerging labourers, laid-off and migrant workers, and rural people in western regions. The scale of vocational education does not meet the demands of social and economic development. At the same time, there are considerable gaps between the requirements of the market and the current conditions and quality of education and training at many vocational schools. For various reasons, including management problems, there is also a lack and waste of available resources. The TVETs face the challenge of system adjustment and content reform to accommodate the needs of specific target groups such as rural migrants and laid-off workers, as well as the challenge of meeting the requirements of a rapidly changing labour force working in agriculture, industry, and services. Within the coming decade, measures for guided Human Resources Development must target an additional labour demand of about 120 million skilled workers in the tertiary sector alone, entering mainly from the secondary sector (See Chapter 1 and 2).

Major policies are being adopted to respond to these needs: 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 regions through distance education and training.

A sample survey on the urban workforce in 2002 found that skill levels were not at all promising: a large segment of the labour force was unskilled or low-skilled, accounting for 56.4% of all workers surveyed. The shortage of highly skilled workers has already become a serious impediment in most economically booming regions. The government responded by formulating national policies for human resource development and strategies for training skilled workers. The Ministry of Education formulated the Action Plan for Rejuvenating Education 2003–2007, to carry out the Project on Vocational Education and Training Innovation, and is implementing a Training Plan for Urgently Needed Personnel in Manufacturing and Service Industries together with other related departments. It is planned that by 2007, about one million graduates will have been educated and trained and three million persons will have been trained (in-service training) in four professional fields, including digital control. One of the programmes developed by the MOLSS aims to train 500,000 highly skilled workers from 2004 to 2006 to supply badly needed skilled workers in manufacturing, catering, and other industries.

Higher education

Development and performance improvement in key universities and disciplines, along with building world-class universities, have been placed on the government’s higher education development agenda. Attention has also been drawn to higher education for disadvantaged groups to help them complete their studies. In the process of higher education tuition reform, disparities between rich and poor students are becoming larger due to uneven regional economic development. Aid policies are carried out, such as provision of study loans to ensure education equity and equality; however, the earlier mechanism of the government’s providing for higher education costs is being replaced by the sharing of costs among the government, society, and parents. An aid system providing loans for students from poor families is also being established. Owing to a lack of advocacy, enrolling poor students remains a challenge.

Priority Areas of International Cooperation

Innovation: Integrated approach to Early Childhood Development (ECD); developing national and sub-regional

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69 During 1998 to 2001, there were 25.5 million redundant workers who required re-employment and training. Among the 120 million migrant laborers (National Bureau of Statistics of China, Tabulation of the 2000 Population Census of the People’s Republic of China, China Statistics Press 2003), 73.7% come from rural areas.
networks for advocacy on parenting practices; and developing ECD resource centres and community- and home-based approaches to ECD. Developing comparable systems of flexible education to enable dropout children to acquire nine years of equivalent education.

**Capacity Building:** Developing comprehensive tools for assessing and monitoring results of inputs in school quality improvement under the new curricular reform process. Upgrading teachers' capacity and developing cost effective local teacher support systems. Developing educational administration capacity and creating a comprehensive human resource capacity development plan for the education sector. Promoting a vocational educational system and large-scale human resource development programmes to maintain the high levels of productivity required for rapid economic growth.

**Operational Research:** Consolidating existing pilot programmes in this area, making changes in China's educational statistical reporting systems, and broadening the scope of educational indicators to include critical ones such as learning achievement levels. Expanding the scope of the new curriculum to include an approach to learning based on essential life skills to develop children's self esteem and skills that allow them to protect themselves from dangerous circumstances, particularly those related to HIV/AIDS. Promoting safety measures to prevent children from physical and emotional trauma.

**Policy Development:** Ensuring children in all minority areas to have the right to develop knowledge about their own language and culture and to access equal opportunities, particularly with regard to higher education. Policies for meeting the education rights of out-of-school migrants and "left-behind" children. Building gender-sensitive and inclusive learning environments as well as safe and healthy environments as an essential component of the nine-year compulsory education policy.
Overall, people in China are living longer and healthier lives. The average life expectancy in 2002 was 71 years.\textsuperscript{70} From 1991 to 2002, the infant mortality rate fell from 50\% to 29\% and under-5 mortality dropped from 61\% to 35\%.\textsuperscript{71} Progress towards the MDGs indicates China is on track with impressive gains in poverty reduction, education, and health over the past 20 years. Even so, the MDG targets for HIV/AIDS and TB control are lagging, and progress toward reduced childhood and maternal mortality targets is slowing. Emerging infectious diseases (such as Severe Acute Respiratory Disease Syndrome or SARS, and avian influenza) are increasingly important, as are health-related trade issues such as food safety. Inequities in access to quality health services and huge disparities in health outcomes remain.

Thanks to the tremendous progress made over the past 50 years in controlling communicable diseases, China’s overall disease profile now resembles that of a developed country, with more than 80 percent of deaths due to non-communicable diseases and injuries (Figure 6.1). But these national averages mask considerable disparities with the communicable and perinatal disease burden concentrated in young children living in poor localities. In addition, some communicable diseases, such as hepatitis B and tuberculosis (TB), remain highly endemic in all age groups.


Chapter 6  Addressing Health Needs

Analysis of the leading causes of death and disability-adjusted life years (DALYs) suggests that cerebrovascular disease, chronic obstructive pulmonary disease, and heart disease accounted for approximately 40% of all deaths in 2003. Pneumonia, tuberculosis, and hepatitis B remain significant causes of communicable disease mortality. Furthermore, mental illness, accidents, and self-inflicted injuries contribute significantly to disability and decreased quality of life. Underlying factors such as smoking and malnutrition are not reflected in burden-of-disease data, but do raise disease rates.

Given their political prominence, MDGs aimed at reducing child mortality and eradicating hunger, reducing maternal mortality, and combating a range of diseases are highlighted in this section. Non-communicable diseases and health security are discussed separately below.

**Health System Development**

Economic, demographic, and migratory transitions will continue to have enormous implications on health in China. China’s health system, however, suffers from five weaknesses that make it ill prepared to address these implications and to fully contribute to equitable improvements in health outcomes in the future.

First, the health system is short of funding, particularly in poor localities. As discussed in Chapter 2, public expenditures on health have declined. In addition, public resource allocation varies sharply across geographic areas and favors urban areas over rural ones, and richer areas with poorer localities. As a result, governments in poor regions provide fewer and lower quality services, failing to fulfill their core public health functions. Poorer counties pass along a higher proportion of health costs to the people they serve, exacerbating existing income inequities.

Second, current government spending in health is inefficient and hinders the adoption of cost-effective approaches in health. Specifically, public resource allocation favors hospitals over ambulatory health facilities, and clinical services over preventive services.

Third, the inclusion of public health in market reforms and the associated reliance on user-fees have skewed investment towards services that are the most profitable rather than those offering the greatest health benefits. As providers are driven by the need for profit, and as funding for preventive and other essential services falls short, access to essential services suffers. Furthermore, the need for profit raises demand for health services and drugs from providers (supplier-induced demand).

Fourth, most of China’s population is without any health insurance and covers most health care costs out of their own pockets: Out-of-pocket payments account for nearly two-thirds of total health expenditures. China’s 2003 National Health Services Survey indicates that 80% of the rural population and 45% of the urban population have no health insurance (2003 NHSS). Existing gaps in coverage, along with rural-urban segregation of the health and social security systems, have had severe consequences which have become increasingly apparent, for instance, in the case of rural-urban migrants.

Fifth, health-related responsibilities are diffuse. At least 11 ministry-level agencies have significant health authority, and lack of cohesive central authority over health issues constrains the effective and efficient delivery of public goods in health. Health policy is influenced by policies of the NDRC under the State Council. Other ministries that oversee major industrial sectors maintain separate clinical and public health systems that fall outside the jurisdiction of the Ministry of Health (MOH). In addition, the National Women’s Federation,

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72 World Health Organization. Global Programme for Evidence in Health Policy. 2003
73 Liu L. Bull WHO (2004) indicate that by the late 1990s, the percentage of local public health department revenues derived from service charges reached 60 percent revenues are; revenues are, in part, used to pay staff bonuses.
for instance, plays an influential role in social mobilization and advocacy for children and women’s health issues. Moreover, inter-agency collaboration is weak. Exercising a cohesive approach to health across China is also made difficult by the large extent of decentralization in the health system, which is complicated by the opacity in roles of the different subnational levels of government and by the imbalances in the distribution of finances and human resources. In the health system, hospitals are not well linked with the public health system, and cooperation among health service delivery institutions is meager.

The 2003 the NHSS confirmed that the consequences are severe on three accounts. First, the cost of health care is spiraling upward. Access to health care is highly unequal, and sickness implies poverty. There are fears that health care spending, currently 5.5 percent of GDP, may exceed 10 percent within the next decade. Second, the rising cost of health services relative to people’s incomes often prevents people from visiting a doctor. Of those surveyed, 49% indicate they fail to use outpatient services when sick, out of whom 38% quote financial cost as the main reason. Furthermore, 30% fail to be hospitalized after referral by a doctor, of whom 70% attribute this to financial difficulties. Third, illness and injury are reported as the main reasons of poverty for 30% of China’s poor.

Improving Maternal and Reproductive Health
China has made substantial progress in improving reproductive health. Access to high quality antenatal and emergency obstetric care and family planning are key to reducing maternal mortality. China’s initiatives to increase hospital delivery rates and attendance by skilled personnel have been highly successful. The proportion of women who received antenatal care increased steadily from 83.7% in 1991 to 88.9% in 2003. Hospital delivery was reported at 50.6% in 1990 and 79.4% in 2003, and the proportion of births attended by skilled personnel was at 85.4% in 2001. As a result, the maternal mortality rate (MMR) dropped from an estimated level of 1500 per 100,000 live births in 1949 to 88.9 in 1990, and 43.2 in 2002, making it one of the greatest drops amongst Less Developed Countries.

But disparities remain and the downward trends may be stagnating. Disparities are large between eastern and western provinces (the MMR was 9.6 in Shanghai, 111.4 in Guizhou, and 399 in Tibet). Disparities also remain urban and rural areas (the hospital delivery rate in Tibet’s rural areas was estimated at only 5%), and between migrant and resident populations: Two-thirds of maternal deaths in urban areas appear related to migrant women, who account for only 10% of total pregnancies. More than 75% of maternal deaths are preventable.

The high sex ratio at birth has many underlying reasons, but one key element is the widespread access to prenatal screening such as beta ultrasound. Although it has been illegal since 1994 to use this technology for sex identification, it clearly is still happening. Sex ratio at birth needs a broad approach addressing root causes, and as such is described elsewhere in this report; however, the health sector (public and private) has a role in reducing the use of ultrasound for sex identification.

74 Maternal mortality rate is the number of maternal deaths per 100,000 live births, neonatal mortality refers to deaths to infants in the first 28 days of life, perinatal mortality includes stillbirths.
75 Ministry of Health, Chinese Health Statistical Digest 2004
76 Ministry of Health MCH surveillance system
77 China Health Statistical Yearbook, 2003 and Ministry of Health and UNICEF: Tibet baseline survey on primary, maternal and child health in Tibet, 1999-2000
78 Ministry of Health MCH surveillance system
79 Ministry of Health MCH surveillance system
80 Ministry of Health MCH surveillance system
Neonatal mortality has been steadily reduced from 33.1% in 1991 to 20.7% in 2002, but on a slower trend than post-neonatal mortality. Birth asphyxia, preterm delivery or low birth weight, and pneumonia each represent around 20% of causes of mortality, while neonatal tetanus still affects marginal populations. China has a high level of birth defects (4% to 5%, including very high rates of spina bifida) and neonatal problems are the underlying cause of more than 25% of childhood disabilities. Many of these problems are preventable through better care of both mother and child before and during pregnancy, as well as in the neonatal period.

China's family planning program is undergoing a progressive and comprehensive reform towards its commitments to the International Conference on Population and Development. China has made substantial efforts toward making the legal and policy frameworks at national and provincial level supportive of reproductive health and rights, and this is still being developed. Standards for quality of care, including both medical and more human-centered approaches have been adopted and their coverage is being expanded. The contraceptive prevalence rate is high (83%), and choice of methods is slowly increasing. Infertility services are included, although data on effectiveness were not available. A basic package of FP/RH services is widely available, free of charge. Introducing ICPD principles requires changing attitudes of some leaders and government departments accustomed to a top-down approach of population control. China, in making its commitment to ICPD, has a goal that by 2005 a full-scale program of informed choice in contraceptives will be in place, and that by 2010 the thinking and approaches of family planning work will be changed.

Reductive tract infections and sexually transmitted infections including AIDS, as well as cancers of the reproductive system, are a significant and growing concern in China. AIDS is discussed under a separate chapter; however, there is growing international consensus that reproductive health and AIDS are closely related and are similar in that they deal with complex and sensitive behavioral issues and involve a strong gender equity component requiring a broad approach that goes beyond the merely medical.

The main challenges thus are (a) to improve comprehensive approaches, with particular attention paid to prevention, testing, referral, and follow-up systems, often spanning several ministries; (b) to improve access (e.g., for groups such as migrants, adolescents, and males); and (c) to develop more human-centered approaches. International cooperation, including South-South, is a high priority in this field, for application of international experiences and standards.

Reducing Disparities in Child Mortality and Malnutrition

As illustrated at the beginning of this chapter, reported infant and under-five morality rates dropped significantly in the 1990s. In 2000, 81% of deaths in children under five occurred during infancy, and 57% occurred during the neonatal period. There are indications that infant mortality for females is higher than for males, e.g., the 2000 Population Census showed around 40% excess female mortality. To further address this issue it is advisable to collect and tabulate mortality data by sex in the future.

While there has been significant progress in improving child survival in China, this progress has been uneven.
It is stagnating in poor areas of Western China, where infant and child mortality rates remain high (Map 6.1) as well as among the migrant populations; and it is strongly correlated with the economic situation of localities and households. An estimated 850,000 children under five die each year in China. After the neonatal period, the majority of these deaths are due to just a few conditions, including pneumonia, injury, malnutrition, diarrhea, and meningitis. Most of these conditions can be effectively prevented or treated.

Pneumonia and diarrhea remain leading killers of children. Access to quality clinical services is key to effective early diagnosis and treatment. Improving quality of diagnostic and treatment skills of village doctors in remote areas, caregiver education, and access to essential drugs and commodities is critical to tackling this problem.

Routine immunization coverage has maintained its target levels since achievement of Universal Childhood Immunization Goals of 85% in 1990, but inequities remain. Immunization coverage has been lagging in remote and ethnic minority areas. As a result, measles rates, for instance, are 5 to 6 times higher in western provinces than in eastern ones, and local epidemics (such as the recent vaccine-derived polio virus in Guizhou) break out. In rural areas, village doctors, who are responsible for providing immunizations, receive little government support, and many county and township disease control departments lack the funding and initiative needed to ensure high coverage and quality immunizations.

Although China has achieved national food security, it faces a set of complex nutrition and food issues that are keys to socio-economic development in reaching the MDGs. Many children still suffer from the effects of vitamin and mineral deficiencies and under-nutrition, particularly in western provinces. Exclusive breastfeeding rates have declined to 48.7% in urban areas and 60.4% in rural areas at four months. In 2002, the estimated prevalence of stunting (acute underweight) children under five is 2.2% in urban areas and 9.7% in rural areas (and 14.6% in category four rural areas). In many parts of western China, particularly minority areas, energy
intake remains below recommended minimum standards, particularly for children between six and 24 months. Under-nutrition (i.e. stunting or underweight) is an important underlying factor contributing to high childhood mortality rates, and has been linked to impaired cognitive development.

Micronutrient deficiencies continue to affect large numbers of China’s population at all stages of the life cycle and across the generations. In 2002, the prevalence of vitamin A deficiency among children ages 3 to 12 was 11.2% in rural areas compared with 2.4% in urban areas. Iron-deficiency anaemia was 18.3% in rural areas and 14.9% in urban areas. An estimated 100,000 neural tube defects occur in China every year, predominantly due to folic acid deficiency. Although further progress still needs to be made in Tibet, Qinghai and Xinjiang, iodine supplementation of salt has been a major success story and can serve as a model for prevention of other micronutrient conditions. Large-scale vitamin and mineral supplementation before and during pregnancy, along with mandatory fortification of staple food, could significantly alleviate problems of low birth weight, anemia, and neural tube defects.

Combating TB, malaria and other diseases

Around 45% of the population is infected with the tuberculosis (TB) bacilli, and there are an estimated 4.5 million cases in the country. Each year, 1.45 million new cases develop, with more than 600,000 deemed highly infectious. Eighty percent of patients live in poor rural areas. TB prevalence is 80% higher in rural areas than in urban ones. More than 130,000 people die from TB each year. Between 1990 and 2000, TB rates declined in areas implementing WHO’s recommended Directly Observed Therapy Strategy (DOTS), but this only covered approximately half the country. The government has recently intensified its TB control effort and aims to achieve the 2005 global TB control targets: finding and successfully treating 70% of TB patients, raising the smear-positive patient recovery rate to 85%, and reaching 100% DOTS coverage. Key constraints include a weak public health system (including a poorly trained TB control work force) and the world’s largest epidemic of multi-drug-resistant TB.

In 2003, nearly 40,700 cases of malaria with 52 deaths were reported, a reduction of 99% over the past 50 years but a 15.3% increase in the number of reported cases compared with 2002. Although China has achieved major progress on average, malaria epidemics continue to be severe in a number of provinces. These include Yunnan and Hainan, particularly localities bordering the highly malaria-endemic countries of Laos, Myanmar and Vietnam. Also badly affected are provinces in central China including Anhui, Henan, Hubei, Jiangsu, and Shandong. Since clinical malaria is non-specific, it may be under-reported. Baseline investigation in Yunnan, Hainan, and eight other provinces sponsored by Global Malaria Control Fund suggested that the average rate of underreporting is 93%, implying there were about 740,000 cases of malaria in 2003 nationwide. Furthermore, multi-drug resistance is widespread.

Hepatitis B remains highly endemic in China. Reported hepatitis B cases accounted for 28% of all notifiable diseases reported in 2003 (ranked first). Before 2003, vaccination was expensive and a source of revenues for public health departments and providers. As a result, coverage has been high in well-developed areas of eastern China, but relatively low in western provinces. In 2002, hepatitis B vaccine was integrated into the national EPI with caps on user-fees, leading to notable increases in the numbers of children immunized in poor areas. User charges for other vaccines, such as Japanese encephalitis, which are important to public health in China, remain a barrier to access.
Strengthening health security

Many health issues in China deal with security. These include food safety, laboratory biosafety, quality assurance of clinical services, and hospital infection control, institutional certification, and drug safety. The prevention and control of emerging infections, as aptly demonstrated by the outbreak of SARS in 2003, depends upon progress in these areas. Such progress is generally achieved through close and effective coordination across responsible ministries, enforcement of quality standards, and the establishment of systems reporting and liability.

Food poisoning is a common emergency in China, affecting an estimated 200,000 to 400,000 people each year. Recognizing this problem, the Government has established a system of food safety reporting, control, emergency treatment, and alert, and has boosted relevant public health emergency response capacity. Furthermore, the Government established the State Food & Drug Administration (SFDA) to strengthen coordination across myriad responsible agencies, to improve food-related legislation, and to develop a hazard reduction-based approach to food safety.

In 2004, it was estimated that 5% to 8% of all hospital patients developed an infection as a result of the care they received. Re-use of needles and disposable equipment without sterilization is common, and a safe supply of blood has yet to be adequately developed in China. Irrational use of antibiotics has led to increased rates of antimicrobial resistance. A Hospital Infection Surveillance System was established in 1986 but currently only covers 2.8% of China’s hospitals.

The quality of pharmaceuticals remains a concern. Results from a 2003 nationwide survey showed that one in 10 pharmaceutical products failed quality control tests. At the end of 2003, most pharmaceutical producers in China complied with WHO Good Manufacturing Practice (GMP) standards, and manufacturers not meeting GMP have had their operating licenses removed. Still, more work is needed to address trafficking in illegal or substandard pharmaceuticals and to curb unnecessary and dangerous therapies.

Many laboratories lack appropriate biosafety equipment, and most Chinese laboratory workers lack biosafety training. Licensing of laboratories, accreditation, and a national biosafety legislative framework are in the early stages of development.

A fully functioning national emergency plan for health is required. Outbreaks of SARS, malaria, dengue, measles, influenza, and other infectious diseases have had a major impact on health in recent years. Preparedness for such events can significantly reduce their economic, social, and health impact.

Addressing chronic non-communicable diseases and injuries

Chronic non-communicable diseases and injuries are the dominant cause of death in China. In 2002, over 70% of deaths in urban areas and 68% of deaths in rural areas related to non-communicable diseases. The major risk factors - tobacco consumption, unhealthy diets, and physical inactivity- are increasingly prevalent.

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95 In 1998, total hospital spending on diet-related chronic diseases accounted for 1.6% of GDP (23% of all hospital expenditures).

96 Among children aged 1 to 15 years, drowning is the leading cause of death.

China produces one-third of the world's tobacco leaf and has one-third of the world's smokers. Official reports show that 61% of adult males and a rising share of adolescents and females smoke. Second-hand smoking affects 54% of the population. Public knowledge of the harm of smoking is low. China recognizes the gravity of the tobacco epidemic and is now undertaking pre-rati- fication work on the WHO Framework Convention on Tobacco Control. Definitive national action to control tobacco is also urgently required.

China has experienced a rapid increase of overweight and obesity over the last two decades, particularly in the urban population. The 2002 National Nutrition Survey indicated the prevalence of obesity in children at 8.1% and in adults at 7.1%, and the prevalence of overweight adults at 22.8%. As a consequence, China is facing a massive increase in diet-related chronic diseases. Epidemics of type 2 diabetes are now appearing at younger and younger ages.95

Injuries are the leading cause of deaths for children over age five and for young persons. Overall, injuries are the fifth cause (accounting for 9%) of death in China.96 In 2002, intentional self-inflicted injuries (suicide) were assessed to be the leading cause of injury death in China. Suicide rates are three times higher in rural areas than in urban areas. A rapidly increasing vehicle fleet and poor road safety practices have contributed to the fast rise in road traffic fatalities, from 9.3 per 100,000 to 16.7 per 100,000 in rural areas and from 10.7 per 100,000 to 11.8 per 100,000 in urban areas (1987 to 2000). Without preventative measures, deaths from road traffic injuries are predicted to nearly double by 2020. Recognizing this problem, the Government passed the first road traffic safety law in October 2003 and formed an Inter-ministerial Joint Session on Road Safety.

Accident rates in the workplace and occupational disease incidence remain high. In 2003, in the registered workforce, estimated mortality rates were 292 per 100,000 for occupational injuries and 13.8 per 100,000 for occupational-related illness. Most occupational disease incidence is related to the mining industry. China is currently in the process of ratifying the ILO Conven- tions on Occupational Safety and Occupational Health Service. To address the problem of chronic non-com- municable diseases and injuries, including mental health, the government is developing a comprehensive strategic response.

Priority Areas of International Cooperation

Focus on priority public health programs: Priority public health programs that are cost-effective in reducing the disease burden and in improving future health outcomes need to be selected and given full government support. They need to cover the prevention and control of infectious diseases including immunization against hepatitis B and schistosomiasis, TB treatment, preparedness against avian and other influenzas, and early intervention against HIV/AIDS. Other priority areas include maternal, reproductive, and child health; family planning; disease surveillance and reporting; patient safety; blood safety; road safety; biosafety; nutrition; and tobacco control.

Foster access and equity in the public health system: To improve health outcomes in an equitable and cost-effective manner, the appropriate scope and nature of the Government’s involvement must be defined. One possible approach is to specify an “essential package” of health services to be made available to all urban and rural residents and the role of the public health system in ensuring its delivery and financing. To ensure that everyone has access to the essential package, private insurance, government funding, the evolving social medical care insurance schemes such as the RCMS and basic urban medical insurance, and possibly a new medical financial assistance system, would each help. The existing shortcomings of these different schemes must
be addressed, however, and public financing must adequately top up health insurance for the poor. Specific programs, including Government assistance, need to focus on poor and vulnerable populations including women, children, migrants, the elderly, minorities, and rural residents.

Raise efficiency and quality in health service: The distribution of resources and the structure of health service delivery need to be modified to promote quality and efficiency. Policies need to encourage and enable qualified health staff to work in remote areas. More trained personnel and investment are particularly needed at primary local facilities. Regulation and national policy (such as the national drug policy) need to ensure that the most cost-effective health technologies and drugs are wisely distributed and used, and that cost controls are linked with performance assessment mechanisms. Across China, quality in health service needs to be supported by appropriate training, certification and licensing, and monitoring and control mechanisms, backed by a good accreditation system and human resource development plans. The adoption of standard treatment protocols and pricing would help correct the existing negative motivation to over-prescribe drugs, use expensive treatments, and under-use basic preventive care. In addition, it would improve client-friendly approaches.

Reform health financing: Striking a balance between fiscal affordability and equitable health outcomes would be made easier by developing a medium-term health investment plan. This plan would spell out spending programs needed to ensure equitable access to key services. Furthermore, the central government needs to spend more to promote equity across provinces and counties. The provincial and central governments must make certain that counties have enough money to ensure delivery of basic health services, and must share the fiscal risks of rural and urban medical insurance schemes.

Enhance the capacity for health policy development: To better support health policy development and resource planning, China needs to raise quality and expand the coverage in these areas to provide timely and objective evidence for policy formulation and adjustment. It must also build capacity to formulate and adjust policy based on evidence both at the central and local levels.

Advance comprehensive, high-level coordination: A coordinating body, possibly within the State Council, could serve to encourage all relevant ministries and institutions to fulfill their respective public health functions, harmonize policies across sectors with health policy, and facilitate comprehensive approaches to cross-cutting health issues. With respect to strengthening accountability and enforcement, to further improve health in China’s diverse and highly decentralized environment, the Government must monitor and control the performance of local policy makers and health service deliverers vis-a-vis the local health situation. Service delivery, access, and health outcomes should be assessed at the local level and monitored at the county, provincial, and national levels as well. Feedback should be collected from citizens, health service providers, and non-government agencies. Enabling effective enforcement requires further improvements in the institutional arrangements, standards, and capacities of the health system related to client recourse procedures, particularly at the local level.
HIV/AIDS was first diagnosed in China in 1985. At present, national HIV prevalence remains low, but clusters of high prevalence exist, both geographically and among specific sub-groups. At the end of 2003, the total number of HIV cases was estimated at 840,000, corresponding to a total prevalence rate of 0.07%. HIV prevalence is particularly high among sub-groups in some areas of Yunnan, Xinjiang, Guangxi, and Henan. HIV case reports indicate the HIV/AIDS epidemic is spreading into the general population. There is also emerging evidence that the proportion of sexually transmitted HIV infections is increasing and that the proportion of female HIV cases has increased considerably in recent years. Based on observed patterns and trends, the future course of the epidemic may continue to increase rapidly over the coming years, or it may start stabilizing. This will depend to a large extent on the coverage and effectiveness of prevention, treatment and care programmes throughout the country.

The first section of this chapter gives an overview of the rapid spread and increase of HIV/AIDS in China and examines the impact of the epidemic. The second section outlines the responses of the Government, non-governmental organizations (NGOs), the private sector, and international organizations. The third section addresses key development challenges, and the final section presents key areas of cooperation.

**Characteristics of the epidemic**

The most frequent modes of HIV transmission have been sharing of contaminated needles among Injecting Drug Users (IDUs) and unsafe practices related to blood and blood plasma collection. The spread of HIV is also gaining momentum among Sex Workers (SWs) and Men who have Sex with Men (MSM). The fear is that HIV will soon start spreading rapidly among the general public with IDUs, SWs, and MSM serving as bridges to the general public. There is evidence that in recent years there has been an increase in sexually transmitted HIV infections and Mother-To-Child Transmission (MTCT). The proportion of female to total HIV cases has also increased rapidly in recent years. The number of HIV and AIDS cases and the geographic distribution of the reported HIV/AIDS cases in China from 1985 to 2004 are shown below.
An estimated 160,000 people have died in China from AIDS-related causes since the beginning of the epidemic, and it is estimated that 76,000 children have been orphaned by HIV/AIDS. Because as many as half of all PLWHA stop working after their condition is diagnosed, poverty increases sharply in certain rural locations, with devastating impacts on families and communities-this despite recent policies providing free treatment to the poor.

**The Response to HIV AIDS**

**The Government of China**

China has developed and adopted a "National Medium- and Long- Term Plan for AIDS Prevention and Control (1998-2010)," and a "Plan of Action (2001-2005)." Some provinces have developed their own HIV/AIDS implementation and action plans especially designed to respond to their local situations, while other provinces are in the process of developing such plans. Manage-
ment capacity of these central and provincial plans, however, needs to be further strengthened to guarantee full and effective implementation.

In 2004, the State Council established a new HIV/AIDS Working Committee—the most concrete expression yet of the Government’s commitment to deal with AIDS—and issued State Council Document No. 7, which sets out a comprehensive policy framework for HIV/AIDS prevention and control in China. To implement State Council Document No. 7, 11 national policy initiatives have been drafted by different sectors at the central level, thereby strengthening the policy framework for the response to HIV/AIDS in China.

In the response to HIV/AIDS, achievements include an increased number of national sentinel surveillance sites, completion of a national HIV/AIDS epidemiological survey, and strengthening of behavioural surveillance. Progress has also been made toward more comprehensive HIV/AIDS prevention interventions. Information, Education, and Communication (IEC) efforts have involved a range of ministries across sectors in campaigns using posters, face-to-face communication, and other channels to raise awareness of HIV/AIDS transmission and prevention.

A national condom promotion strategy was issued in July 2004 to encourage 100% condom use among high-risk populations. Policy and response strategies for the prevention of HIV transmission through IDU include methadone maintenance treatment and clean needle exchange programmes, while a range of interventions aimed at MSM have also been initiated in several provinces. A number of prevention initiatives seek to reduce high-risk behaviour among the mobile population, while further measures have been taken to improve the safety of blood supplies.

The major treatment, care, and support initiatives in 2004 were the launch of free Anti-Retroviral Therapy (ART) for rural and poor urban patients and the continued expansion of the China Comprehensive AIDS Response (China CARES) Programme, which covers 127 counties in 28 provinces and focuses on expanding testing and counselling; preventive interventions and education; and treatment, care, and support to those affected by HIV/AIDS.

Technical care and treatment guidelines for the provision of free ART have been finalized, while an increase in the number of health units able to provide ART resulted in the delivery of ART to over 10,000 patients in 2004. The number of centers providing Voluntary Counseling and Testing (VCT) services has been expanded. The plight of children orphaned by AIDS has been recognized with new policies to provide care and support for these children.

The allocation of resources to the national response to HIV/AIDS continues to expand. The total central Government investment in HIV/AIDS amounted to 390 million Yuan in 2003. The central Government HIV/AIDS budget for 2004 was 810 million Yuan—more than double that of the previous year.

There are a number of constraints preventing implementation of recent policies, including lack of capacity and motivation on the part of some local service providers; self-financing (user fees) of health services; low levels of awareness and commitment within some provinces; prevalent severe stigma and discrimination against PLWH; and lack of adequate legislation to assist high-risk groups such as IDUs and SWs.

The non-governmental and private sector
A number of Government-affiliated mass organizations are actively involved in the response to HIV/AIDS. More generally, there is also an increasingly better environment for civil society engagement in the response to HIV/AIDS. For instance groups such as those supporting MSM have developed programmes for condom promotion and peer counselling as condom use among MSM remains very low.

Since the beginning of 2004, there is increasing acknowledgement of HIV/AIDS as a workplace issue. A number of private sector companies are starting to implement HIV/AIDS education and prevention activities in the workplace and are supporting organizations working on HIV/AIDS.

Key Development Challenges

Discrimination, high risk behaviour and low awareness of HIV/AIDS: Fear, stigma and discrimination are widely recognized as obstacles to mounting an effective response against HIV/AIDS in China. Legislation that took ef-
fect in December 2004 banning discrimination against PLWHA is too recent to have had an impact. A survey in four major cities found 75 percent of those surveyed would try to avoid contact with PLWHA, and 45 percent believed that HIV/AIDS was the result of low morals. Hence, legal reform needs to be combined with changes in attitudes, perceptions, norms, and values.

High-risk behaviours such as including needle- and syringe-sharing among IDUs and infrequent condom use in commercial sex are a fact. Low overall awareness and knowledge of HIV/AIDS among the general population, combined with the poverty and gender inequality that attract young women into relatively higher paying sex work, further increase the risk of HIV transmission. Among rural women, reproductive tract infections (RTIs) are common: 60 percent of rural women report RTIs in certain areas of China, further increasing the risk of HIV transmission.

There is currently no systematic nationwide collection of behavioural data, but studies on behaviour of MSM have found that more than half of MSM surveyed had also had sex with a woman in the past year. In 2003, less than half of surveyed MSM reported that they always used condoms with their male sexual partners. In some areas of Xinjiang, Yunnan, and Sichuan provinces, HIV prevalence among IDUs is reported to be over 50 percent. The number of IDUs identified by the police continues to increase. In certain provinces, approximately 90 percent of SWs report never using a condom.

**Limited coverage and scale of prevention programmes:** A range of prevention programmes has been carried out in different parts of China, but coverage is limited. Even in Yunnan province, where there are a number of internationally supported programmes, coverage is estimated to be around 10 percent of the at-risk populations. The low coverage of HIV/AIDS programmes is not just due to funding gaps, but also to technical and programmatic constraints. An overall national plan that promotes awareness and advocacy across all sectors of society is lacking, multi-sector cooperation is limited, only a few provinces and ministries have strategic HIV/AIDS plans in place, and surveillance systems are still weak.

Since the mid-1990s, most official blood banks have installed adequate safeguards for their blood supplies, including screening for HIV. Some hospitals may, however, still obtain a part of their blood supply from sources other than certified blood banks, which do not always maintain required safety standards. VCT services are weak or non-existent in most provinces. Experience in counselling is limited, and the principle of confidentiality is often not recognized.

Progress is hindered by a limited understanding of the spread of HIV and the experiences of HIV/AIDS patients from a social or cultural viewpoint, and strategies that tap into traditional resources for prevention need strengthening. IEC materials and methods targeting minority groups need to be developed to strengthen HIV/AIDS prevention among minorities. Much more can be done to design appropriate teaching materials for secondary schools and to adapt and translate education and media materials to local languages, practices, and conditions.

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97 Ministry of Health and UN Theme Group Joint Assessment of the HIV/AIDS Situation in China (2003)
98 Ministry of Health and UN Theme Group Joint Assessment of the HIV/AIDS Situation in China (2003)
Gender aspects of the epidemic and women's vulnerabilities also should be better understood, and proposed strategies must address women's specific concerns. Stronger links between reproductive health and HIV/AIDS are likely to result in more relevant and cost-effective programmes with greater impact. Increased attention is also required for prevention of Mother-To-Child Transmission (MTCT) of HIV and the development of a vaccine against HIV.

Poor quality and lack of access to treatment and care: China has a functioning health infrastructure (compared to many developing countries with severe AIDS epidemics), and Anti-Retroviral (ARV) treatment is being offered through clinics. But most PLWHAs are unaware of their HIV-positive status, and access to confidential VCT is still limited. In addition, crucial elements of HIV/AIDS care and treatment, including management of opportunistic infections, are not affordable to poor PLWHAs or to poorer provinces, despite national policies promising their provision. Medical staff have limited training and experience in treating and counselling AIDS patients, compounding the problem of adherence and side effects management.

Community groups, which can play a critical part in treatment and social support to AIDS patients, are still too weak and too few. They are especially important in work with IDUs and SWs, for whom special care and treatment approaches are needed. Currently, there are no established mechanisms to ensure coordination and collaboration between hospitals and branches of Centres for Disease Control or the involvement of PLWHAs.

The treatment protocols currently being used have not been well tolerated by all patients, resulting in side effects that local doctors have been poorly trained to manage. The affordability and availability of ART that is both easier for patients to tolerate (e.g., fixed-dose combinations, less complicated regimens, fewer side effects) and easier for doctors to supervise is a key issue. Although a treatment plan for children is under development, the current lack of appropriate formulations for HIV-infected children is a pressing issue. These challenges are covered by the new guidelines for free ARV treatment completed in August 2004, which still need to be implemented fully. A significant gap in addressing the needs of children orphaned and made vulnerable by HIV/AIDS also remains.

Priority Areas of International Cooperation

- Promoting strong leadership in different sectors and at all levels in the response to HIV/AIDS, from the highest level of the central Government to districts, townships, and villages
- Continued support to overall planning as well as data collection, analysis, estimation, and utilization of data for policy and programme development and effective resource utilization
- Strengthened advocacy, technical support, and legal reform to address discrimination and civil society involvement to enhance HIV/AIDS prevention, treatment, and care efforts
- Targeted interventions to decrease the vulnerability and reduce harm among high-risk groups and raise awareness of HIV/AIDS among the general population, especially youth
- Providing access to international experience and local best practices regarding interventions for IDUs, SWs and MSM; awareness-raising for migrants and young people; and support to PLWHAs
- Intensified efforts to provide access to treatment for PLWHAs, as well as care and support to all those affected by HIV/AIDS, including children
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