

CHINA

Priorities supported by indicators

Reduce the importance of the state-owned sector in the economy (2011)

Recommendations: The formation of large “private equity” firms should no longer have to be approved by the government, in order to increase the funds available for restructuring poorly performing state-owned companies.

Actions taken: New regulations, introduced in January 2011, allowed foreign investors to purchase local currency for investment in private equity partnerships subject to an overall quota. Applications from foreign enterprises to create private equity firms have to be processed within 40 working days, thereby limiting possible delays.

Improve educational attainment (2011)

Recommendations: Inequalities in the provision of education need to be reduced both regionally and within urban areas. Quick implementation of the provisions for improving education of internal migrant is important.

Actions taken: In March 2011, the government announced it would promote a reform to allow children of internal migrants to take university entrance examinations where they lived.

Reduce administrative burdens on companies (2011)

Recommendations: Government institutions should be required to conduct a regulatory impact analysis before introducing new rules and should progressively review all regulations.

Actions taken: No action taken so far, although reducing government intervention in microeconomic activities will be one of the objectives of the 12th Five Year Plan (2011-15).

Other key priorities

Reduce barriers to urbanisation (2011)

Recommendations: Social expenditure should be further increased to provide broader coverage and a stronger social safety net. Provisions of the 2003 *Rural Land Contracting Law* need to be fully implemented to give all farmers full documentation for their rights, thus widening the rental market. The length of the use rights should be extended and household registration laws revised.

Actions taken: A new Social Insurance Law became effective in July 2011 stipulating that rural residents who migrate to urban areas shall be covered by social insurance.

Further enhance the rule of law (2011)

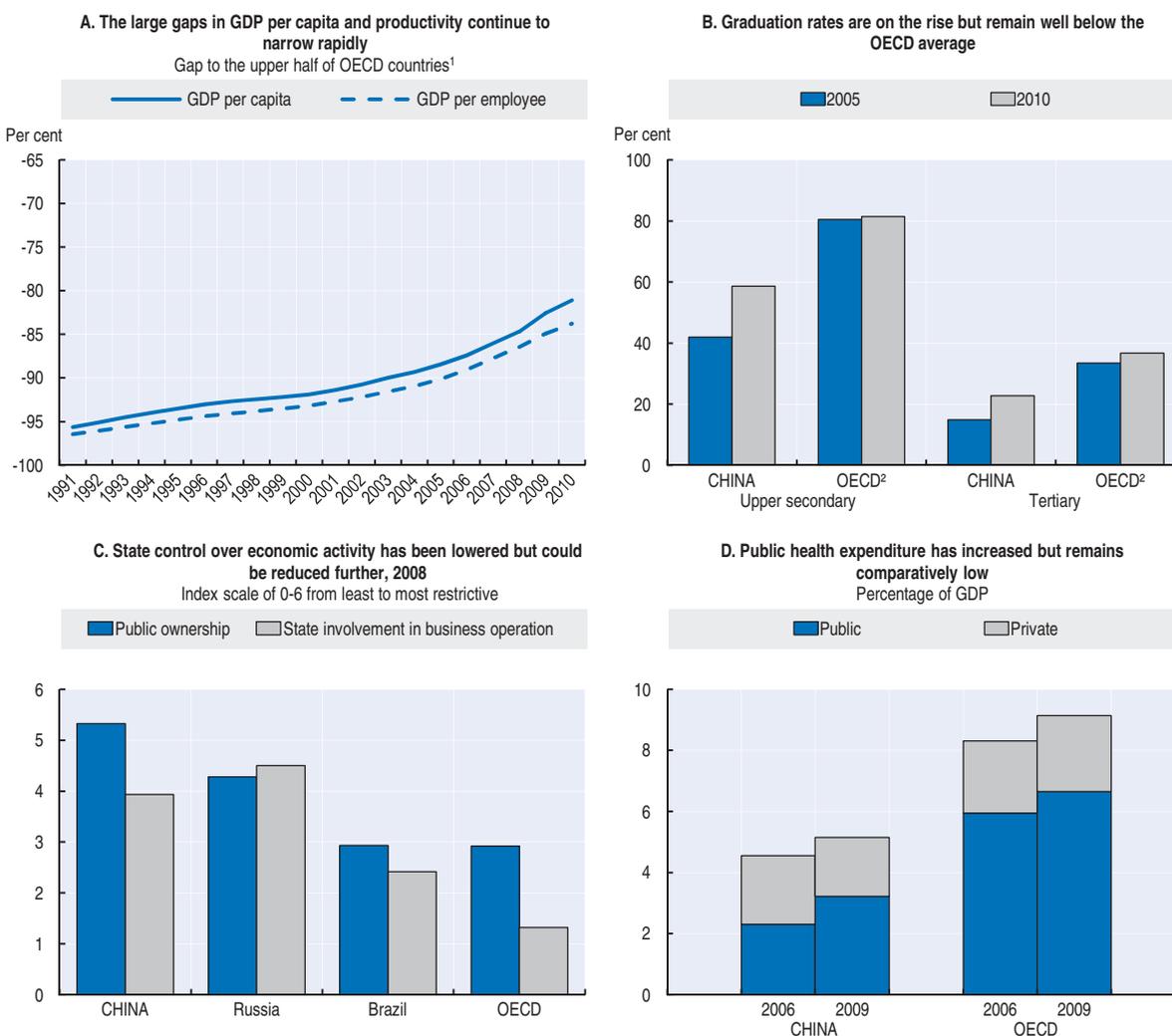
Recommendations: The effectiveness of enforcement should be enhanced further through the strengthening of the judicial institutions.

Actions taken: In January 2011, a new Mediation law became effective which gives a firm basis to the first-level dispute resolution mechanism commonly used at the local level for the resolution of private disputes.

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- GDP per capita has soared by close to 65% in the five years to 2010, thereby substantially narrowing the gap with OECD countries. As participation rates continue to be above average the difference in income per head essentially reflects lower productivity.
- Some progress has been made in key priority areas through widening the scope for foreign investment in Chinese companies, starting to lower the educational disadvantages of the children of internal migrants and enrolling migrants in social security programmes.
- In other areas, the government has announced the establishment of a system of general practitioners who will serve as the gatekeepers to the health system.

Performance and policy indicators



1. Percentage gap with respect to the simple average of the highest 17 OECD countries in terms of GDP per capita and GDP per employee (in constant 2005 PPPs).
2. Data refer to 2009. Graduation rate at upper secondary level (first-time graduate) and graduation rate for single year of age at tertiary-type A level (first-time graduate). For upper secondary education, average of OECD countries excluding Australia, Austria, Belgium, Estonia, France and the Netherlands; for tertiary education, average of OECD countries excluding Belgium, Chile, Estonia, France and Korea.

Source: Chart A: World Bank (2011), *World Development Indicators (WDI) Database* and China Ministry of Human Resources and Social Security; Chart B: OECD (2011), *Education at a Glance*; China Statistical Yearbook; Chart C: OECD, *Product Market Regulation Database*; Chart D: China Statistical Yearbook and World Bank (2011), *World Development Indicators (WDI)*.

StatLink  <http://dx.doi.org/10.1787/888932565167>