1 STATE COUNCIL OPINIONS ON ACCELERATING DEVELOPMENT OF THE ELDERLY CARE SERVICE INDUSTRY

Provinces, Autonomous Regions, Municipalities, State Council line ministries and departments:

In recent years, the elderly care service industry has developed rapidly. An elderly care system composed of home, community and institutional care has been established. An elderly consumer market has begun to emerge, and elderly care has developed significantly. However, overall, significant problems still exist e.g., insufficient elderly care services and products, an underdeveloped market, and imbalanced regional rural-urban development. The People’s Republic of China (PRC) has already entered the stage of a rapidly aging society. By the end of 2012, 194 million people were aged 60 years old or above. This figure will reach 243 million by 2030, and surpass 300 million by 2025. Actively addressing the aging population, accelerating the development of an elderly care service industry, and satisfying the growing demand for elderly care services is an urgent task for building a comparatively well-off [xiao kang] society. This will be very helpful for protecting the benefits of the elderly, sharing the dividends of reform and development, encouraging consumption, and expanding employment. It will also help to improve human vitality, social harmony, and sustainable social and economic development. In order to accelerate the development of elderly care services, the following Opinions are proposed:

1.1 GENERAL REQUIREMENTS

Guidelines

We should follow the guidance of Deng Xiaoping Theory, the important thinking of the Three Representatives, and the Scientific Outlook on Development. We need to proceed from the actual national conditions, and take these as the starting and entry point in satisfying the growing demand for elderly care services. The government should fully enhance its functions. By streamlining procedures and delegating powers, we can make system innovations, invigorate society, stimulate social forces, improve the elderly care system, and satisfy diversified demands. We will strive to make the elderly care service industry an important and active response to an aging population, its security and livelihood improvement. We should also take the elderly care service industry as an important force in expanding domestic demand, increasing employment, promoting development of the service industry, and economic transformation and upgrading.

Principles

Deepen systematic reform. We need to accelerate transformation in the role of government, reduce administrative interference, increase policy support and guidance, energize social service users, create innovation in service supply measures, strengthen supervision and management, and increase service quality and efficiency.

Secure basic provisions. Government will take the lead and social forces will participate in securing the needs of the elderly in special difficulty. We need to ensure that everyone can enjoy basic elderly care services, and increase input to elderly care at the grassroots level and in villages. The important roles of grassroots level community-level organizations and service organizations should be enhanced to provide services to the elderly living at home. We should also encourage individuals and families to fulfill their responsibilities.
Focus on integrated development. We should develop home care, community care, institutional care and other forms of elderly care in an integrated way. We should combine universal and customized services. We should integrate urban and rural elderly care resources and promote balanced development of basic elderly care services. We also need to integrate and utilize all resources and encourage interaction between elderly care and healthcare services, housekeeping services, insurance, education, fitness care, and tourism etc.

Perfect the market mechanism. We should strengthen the role of the market in resource allocation so that non-governmental sectors can gradually become the main providers of elderly care services. We should create an equal market environment for participation and competition so that elderly care services can be developed; elderly care products and services become convenient, economical and diversified; and the multi-level demands of the elderly can be satisfied.

Development goals

By 2020, we will complete an elderly care service system based on home care, underpinned by community care, and supported by institutional care. The elderly care service system will achieve a reasonable scale, with a full range of functions, and covering both urban and rural areas. Elderly care products and services will be greatly diversified, the market will be gradually improved, and the elderly care service industry will maintain a healthy development.

- The service system will be better developed. Elderly care services, such as daily care, healthcare, psychological counseling and emergency assistance will be available to all home-based senior citizens. Service facilities, such as qualified daycare centers and elderly activity centers, will be available in all urban areas. Over 90% of counties and towns and over 60% of rural communities will have comprehensive service facilities and nodes to provide services, including elderly care. The non-governmental sector will be able to provide 35-40 beds for every thousand senior citizens nation-wide. Service capacity will greatly improve.

- Industry scale will significantly increase. The elderly care service industry will develop in a comprehensive way, including routine care, elderly care products, health, sports and fitness care, and cultural, entertainment, financial, and tourism services for the elderly. The value addition from elderly care services will increase proportionally within the service industry as a whole. Home, community, institutional care and nursing services will provide over 10 million job opportunities nationwide. Leading companies and energetic small and medium size companies will mushroom, elderly care service industry clusters will develop, and well-known brands will be formed.

- An enabling environment will be further optimized. The policy and regulatory framework of elderly care services will be established and improved. Sector standards will be regulated in a scientific way. Supervision mechanisms will be optimized, and service quality will increase significantly. The whole of society needs to needs to become more aware and actively respond to the aging population. We need a better enabling environment for support and participation in elderly care services. Voluntary service should be organized on a broad scale. The tradition of respecting, caring for, and assisting the elderly should be further demonstrated.
1.2 Main responsibilities

To integrate, plan and develop urban elderly care facilities

Strengthen the construction of community service facilities. Urban master plans and detailed plans prepared by localities must adhere to the standard of at least 0.1 square meters per person and allocate elderly care service facilities by area and hierarchy. Newly-built areas and communities should have elderly care service facilities as standards require. These facilities should be planned, built, reviewed and submitted for use in tandem with construction of the new communities. Old town areas and existing communities without elderly care service facilities, or those below planning and construction standards, should provide elderly care service facilities through purchase, replacement or leasing. These facilities cannot be used for other purposes. Utilize various facilities in a comprehensive way. All localities should develop elderly care functions in community public facilities. Localities should consider connecting elderly care service facilities with community service centers (nodes) and health, cultural and sports facilities, so as to increase the rate of utilization and overall impact. We need to support and guide all social bodies to participate in the construction, operation and management of community service facilities to serve the elderly. All available facilities should be open to the elderly.

Upgrade the community environment with accessible facilities. All localities should refer to construction standards and regulations for accessible facilities, and promote the upgrading of accessible home facilities for the elderly. We should accelerate the upgrading of those public facilities which are closely related to the lives of the elderly, for example, ramps and elevators.

Boost the home based elderly care service network

Develop convenient home care service. Local governments need to support and develop a home care service network which can satisfy diverse elderly care service needs. Companies and institutions will comprise the main body of the network and will tie-in with communities. Supportive new policies should help to actively develop homecare service companies and institutions. These entities will be able to provide customized, door-to-door assistance with feeding, bathing, hygiene, emergency and medical care. We should significantly boost housekeeping services and provide standard and customized services for the home-based elderly. We should support communities to establish and improve home care service network nodes and encourage social organizations, housekeeping companies and property management companies to organize or operate various elderly care service, such as catering, community day care, and elderly activity centers, etc.

Develop culture, sports and entertainment service for the elderly. Local governments should support communities to utilize their public service facilities and public space for the elderly to organize popular culture, sport and entertainment activities. We should encourage initiatives from social groups and individuals. We should also encourage specialized elderly care institutions to utilize their advantages and resources to train and guide community-based elderly care service institutions and staff.

Develop home care network information service. Local governments should encourage companies and institutions to use technologies such as the internet and e-commerce to create new home care methods, develop e-business for the elderly, build a home care service network platform, and provide services suitable to the elderly, such as emergency calls, housekeeping appointments, health consultation, service procurement, bill payment, etc.
Strengthen the construction of elderly care institutions

Support social participation in the creation of elderly care institutions. Local governments should refer to rural-urban planning requirements and give comprehensive consideration to building various elderly care institutions. We should lower the bar for social [sector] participation in elderly care institutions, streamline procedures, regulate steps and publicize information on capital, locations and personnel. Administrative approval and registration authorities should check the range of operations and activities, and facilitate social sector participation in elderly care services. We should encourage individuals to organize family owned, small-scale elderly care institutions, and encourage the social sector to organize large scale enterprise chains for elderly care. We should encourage social [sector] investment to integrate and optimize social resources for elderly care service, such as factories, commercial facilities and other usable social [sector] resources.

Operate affordable public elderly care institutions. Public elderly care institutions in all localities should provide basic security for the elderly. Priorities are the Three Without [San Wu] elderly, without labor capacity, source of income, or dependents (or having dependents unable to support them); the low-income elderly and the disabled elderly facing economic difficulty. These elderly should enjoy free or low cost support and nursing services. Public elderly care institutions should be practical and affordable rather than extravagant and luxurious.

Pilot public elderly care institution reform. Qualified localities can transfer public elderly care institutions with open access to the society into companies and improve the corporate governance. Government-financed beds should be gradually operated and managed by the private sector. We should also encourage social [sector] investment to operate public owned elderly care service facilities through commission arrangements. We need to set up safety standards for services and facilities and keep increasing service quality.

Strengthen rural elderly care services

Improve the service network. We need to improve the basic social security measures that underpin elderly care services and cover all the Three Without rural elderly under the Five Guarantees Scheme. The Five Guarantees support standard should be raised at appropriate times, and the institutional function of Five Guarantees support better shaped to ensure the Five Guarantee rural elderly receive good care. Once these Five Guarantee rural elderly are well supported, rural institutions can consider improving their facilities and open them to the public. They can raise their operation efficiency, increase nursing functions, and become area-based elderly care service centers. We can also rely on administrative villages and large natural villages to adequately utilize rural courtyards for building mutual-aid elderly care facilities, such as day care centers and old-age activity centers, etc. Party offices, clinics, book-rooms and schools in rural areas should support rural elderly care services and organize elderly care activities. Village self-governance and old-age associations should be utilized to urge family members to meet their obligations for parental support, to organize mutual-aid and volunteering among neighbors, and to solve practical difficulties for the elderly.

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1 Translation note: “The Five Guarantees system means that food, clothing, housing, medical care and burial expenses [for eligible elderly] are taken care of and subsidized by the government” (Source: http://www.china.org.cn/english/aged/192046.htm).
Expand resource channels. Provinces need to further implement the Elderly Rights Law of the People’s Republic of China. Relevant villages can allocate un-contracted collectively owned land, forest, water resources, beachfront etc. as an elderly care site to yield income for the needs of the elderly. Urban funds, capital and resources should be mobilized for investment in rural elderly care services. Public finance for elderly care services, backed by all levels of governments, should be oriented towards the rural areas.

Establish cooperation mechanisms. Urban public elderly care institutions should establish long-term and stable cooperative links with rural care institutions. This cooperation should help to increase service capacity in rural areas through staff training, technical guidance, and equipment support. We should also establish cross-regional elderly care service cooperation and encourage developed regions to support undeveloped regions.

Boost the elderly care service consumer market

Expand the content of elderly care services. All localities should actively develop the elderly care service industry and guide elderly care service companies and institutions to first satisfy the basic needs of the elderly. The industry should be encouraged to explore services suitable for the elderly in terms of culture, leisure, sports, fitness care, tourism, health services, psychological counseling and legal services. Specialized elderly care services should also be strengthened.

Develop elderly care products. Based on the clothing, food, transport, medical and leisure needs of the elderly, relevant departments should support companies to develop safe and effective elderly care products such as rehabilitation aids, food products and pharmaceuticals, clothing, etc. We should guide shopping malls, supermarkets and wholesale markets to set up special areas for elderly care products. We should also develop elderly residential communities, apartments and other facilities to increase quality of life for the elderly. We should also lead and regulate financial institutions, such as commercial banks, insurance companies, and security companies to develop elderly-specific financial, credit and insurance products.

Nurture elderly care industry clusters. All localities and relevant departments should pay attention to guidance and planning. When making industry development plans, we should encourage the development of small and medium enterprises for elderly care services, support leading companies, apply branding strategies, increase innovative capacities, and nurture an industry cluster that covers the whole value chain and a wide range of sectors, yielding good social and economic impact. We should also improve market regulations and industry standards to ensure the quality of elderly care products and services as well as a secure, convenient and trustworthy consumer environment.

Actively connect health care with elderly care services

Promote the integrated development of healthcare and elderly care services. We should encourage healthcare resources to be invested in institutional, community and home-based elderly care. Health departments should support qualified elderly care institutions to set up healthcare divisions. Healthcare institutions should actively support and develop elderly care services. Qualified comprehensive second-tier or higher level hospitals should set up gerontology divisions and add more beds to take good care of chronic disease prevention and health recovery. We should explore new cooperation methods between healthcare and elderly care institutions. Healthcare and community-based institutions should establish health files for the elderly. Community-based hospitals should establish healthcare service contracts with the home-based elderly for door-to-door diagnosis, health check-ups and consultations. We should
accelerate the piloting of long-distance healthcare services for elderly care institutions. Healthcare institutions should provide preferential services for the elderly.

*Improve medical insurance mechanisms.* Healthcare divisions within elderly care institutions can apply to become medical insurance designated hospitals if they meet requirements for urban employee (resident) basic medical insurance or New Rural Cooperative Medical Insurance. The elderly covered by medical insurance can become residents and enjoy standard benefits. We should improve the healthcare reimbursement system and resolve the settlement of non-local healthcare charges. We should encourage the elderly to apply for various forms of life insurance such as health insurance, long-term care insurance, and accidental injury insurance. Commercial insurance companies should also be encouraged and guided to develop related operations.

### 1.3 Policy measures

**Improve investment and financing policies**

We should attract more social [sector] capital through supportive policies to foster the development of elderly care institutions and companies. All levels of government should increase inputs and arrange public finance to support development of the elderly care service system. Financial institutions should accelerate innovation in financial products and services, expand the accepted range of collateral, and support the credit needs of the elderly care service industry. Credit investment for elderly care services should be increased through public finance subsidies and microcredit. Development of the elderly care credit system should be strengthened to attract more funding and capital. We should also gradually relax restrictions to encourage and support investment of insurance funds in elderly care services. We should pilot reverse mortgages for the elderly\(^2\). Elderly care institutions should be encouraged to apply for liability insurances and insurance companies to operate liability insurance. Local government bonds should consider the demand for elderly care and support the upgrading of accessible elderly care facilities.

**Improve the land supply policies**

Localities should allocate land for elderly care services under the urban land use master plan and detailed annual plan. We should allocate land rationally and use idle public land for elderly care services. Non-profit elderly care institutions that are supported by private capital should enjoy the same land policies as public elderly care institutions. They can legally use state-owned land or land owned collectively by farmers. Land use by commercial elderly care institutions should be based on the policy for construction land for commercial use. We should prioritize supply and develop supportive land policies. Change of land use or density for real estate activities on sites designated for elderly care services is strictly prohibited.

**Improve tax incentive policies**

We should fully implement the current tax incentives for elderly care services that exempt elderly care service institutions from paying sales tax; non-profit institutions from paying property tax and urban land use tax on their land and buildings; and qualified non-profit elderly care institutions from corporate income tax. Donations to non-profit institutions from companies,\(^2\)

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\(^2\) Translation note: Transfer of residential housing investment to purchase accommodation in elderly care facilities, somewhat similar to a home equity mortgage.
public organizations, social groups and individuals should be deducted from tax calculations in accordance with taxation laws. Administrative and institutional fees for non-profit institutions should be waived, partially exempted for commercial institutions, and appropriate deductions given to institutions providing elderly care services. Electricity, water, gas and heating in elderly care institutions should be calculated based on the category for residential living. International and domestic investments can enjoy the same tax benefits in setting up elderly care institutions. We should develop tax incentives to attract social [sector] investment into the elderly care service industry.

**Improve the subsidy policies**

Localities should accelerate development of evaluation mechanisms for elderly care services and a subsidy system for the elderly experiencing special difficulties such as poverty or physical disability etc. A private-financed, public-supported approach to elderly care services with social investment in elderly care services can be supported through subsidies on investments, loan interest, operations and service procurement, in accordance with prevailing conditions. Over 50% of the special Ministry of Civil Affairs lottery funds and those used for social welfare by different levels of local government should be apportioned to support development of elderly care services. The proportion should gradually increase as the elderly population increases. Policies and levels of old-age social security, basic old-age insurance, basic medical insurance and minimum subsistence social security [dibao] will gradually be improved based on changes in economic and social development, employee average salary increases, and the inflation rate. The government should also design policies for purchasing elderly care services from the private sector.

**Improve education and employment policies**

Education, Human Resources and Social Security, and Civil Affairs administrations should support higher education institutes and vocational schools to develop elderly care related curricula; to expand the scale of education; speed the education of professionals in gerontology, rehabilitation, nursing, nutrition, psychology and social service; and provide preferential policies for graduates from related majors in entering elderly care services. We should make full use of open universities to develop on-going education and long-distance degree programs. We should use schools and elderly care institutions as elderly care field training bases. Professional training for nursing staff should be strengthened. Qualified staff with elderly care professional training and qualifications through technical examinations should receive subsidies. Rural migrant workers and unemployed urban workers can be employed in elderly care institutions and public welfare positions established by community levels. Elderly care institutions should actively improve working conditions for nursing care workers; increasing workplace and professional protection; contributing to their social insurances plans, such as pensions; and increasing their salaries and benefits. Elderly care institutions should design technical positions in a scientific way, develop and introduce qualified or professional doctors, nurses, rehabilitation practitioners, recovery therapists, and social workers. Professionals working in elderly care institutions will be covered by the same qualification, registration and examination policies as in hospitals and welfare organizations.

**Encourage non-profit and charity organizations to support elderly care services**

Guide charitable organizations to participate in the creation of elderly care institutions, elderly care products, and the provision of elderly care services. Develop charitable organizations as an important pillar for elderly care services and actively support and organize all kinds of
volunteering activities for elderly care. Government staff, company and public organization employees, and students should be encouraged to participate in volunteer activities. We should support old-age social groups to engage in self-management, self-service and social service. We should explore mechanisms for the elderly to participate in volunteer elderly care activities, and establish a registration system for voluntary elderly care service. Support should be provided for positive traditions of respecting, caring for and assisting the elderly, and for social service window agencies to organize events that honor Filial Culture Figures.

1.4 Organization and management

**Improve working mechanism**

All localities should include elderly care service development in their version of the national economic and social development plan and the government priority agenda, further strengthen coordination mechanisms, regularly analyze and identify industry development and existing problems, undertake research on supportive policies, and implement requirements. The Civil Affairs administration should undertake management supervision, industry regulation and operational guidance to promote the reform and development of public elderly care institutions. The National Development and Reform administration should include the elderly care service industry in economic and social development plans, special plans and regional plans to support the construction of elderly care facilities. The Finance administration should provide financial support for the development of elderly care services from existing resource channels. Organizations working on elderly matters should extend their role of overall coordination, supervision and guidance. Organizations responsible for education, public security and firefighting, health and family planning, land, urban and rural housing construction, human resources and social security, business, taxation, finance, quality inspection, industry and commerce, food and pharmaceutical inspection and management etc. should fulfill their own responsibilities, promptly solving emerging problems, and contributing to the overall aim of mutual management and overall progress.

**Conduct comprehensive reform piloting**

The country will choose representative and characteristic regions to pilot reform of the elderly care services industry. Pilots will explore and introduce innovations in public finance, banking, land utilization, taxation and fees, development of talent, techniques and service modalities. The pilot areas will improve their systems, mechanisms, policies and procedures to provide experience for the industry across the whole country.

**Strengthen supervision of the industry**

Civil Affairs departments should improve entry, exit and supervision policies to guide elderly care institutions in improving their management regulations and service quality, and in speedily identifying illegal behaviors and accidents that threaten the physical safety of the elderly and their property. Pricing departments should explore reasonable pricing mechanisms for elderly care services, and clarify areas for government fixed pricing and government guided pricing. Relevant departments need to build a complete statistical system for the elderly care service industry. Other related departments should supervise and manage the industry based on their responsibilities. We need to actively develop elderly care industry associations and practice industry self-discipline.
Strengthen supervision and review

All localities should strengthen performance evaluation to ensure that responsibilities are correctly allocated and tasks implemented. Provincial governments should refer to these Measures and their provincial situation in developing their own implementation Opinions. Relevant departments of the State Council should make detailed policies based on their responsibilities. The Ministry of Civil Affairs, National Development and Reform Commission and the Ministry of Finance should propose timely and detailed procedures and opinions for the participation of social [sector] capital in the elderly care industry. The National Development and Reform Commission, Ministry of Civil Affairs and organizations working on elderly matters should closely monitor the implementation of these Measures and report promptly to the State Council. The State Council will organize specific reviews at appropriate times.

2 STATE COUNCIL GUIDANCE ON GOVERNMENT PURCHASE OF SERVICES FROM SOCIAL ORGANIZATIONS AND PRIVATE COMPANIES


People’s governments of all provinces, autonomous regions and municipalities directly under the Central Government, all ministries and commissions of the State Council, and all agencies directly under the State Council:

The 18th National Congress of the Chinese Communist Party stressed the need to strengthen social management and innovation, and to improve government supply of public services. The new session of the State Council has adopted important measures to further transform government functions, making clear pledges to purchase more public services from non-governmental entities. The State Council having granted its consent, we hereby put forward the following guidance for government purchase of public services;

2.1 Fully understand the importance of government purchase of public services from social organizations and private companies

Since Reform and Opening, the PRC has made continuous progress in the establishment of a public service delivery system and mechanism with ever-diversifying ways of providing public services. A public services supply model that is government-led, involving communities, and co-provision from government and nongovernmental entities has come into being. However, faced with people’s growing needs for public services, pressing problems have become apparent in many areas of public service provision, such as low quality and efficiency, lack of scale and unbalanced development. All these problems require government to further strengthen its public service functions and build a multi-level, multi-model public service supply system through innovating new models of public services supply and effectively mobilizing social forces, thus providing more convenient, prompt, higher quality and more efficient public services. Government purchase of public services from nongovernmental entities is to give the market more play and to transfer some public services which the government has previously solely

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3 Translator note: Literally 'social forces,' this term covers a broad array of economic and non-economic investors that are primarily defined by the characteristic of not being government. These include the private sector, social organizations and individuals acting in a social capacity.
provided to qualified nongovernmental entities in particular ways and following standardized procedures. These services will then be paid for by the government based on the quantity and quality of services provided. In recent years, some local governments, based on their own needs and circumstances, have actively explored ways of purchasing services from social organizations and private companies and accordingly accumulated many good practices and much experience in terms of policy guidance, funding and working mechanisms.

Practice has proved that government purchase of services from nongovernmental entities is an important approach to innovation in public service delivery, accelerating the development of the service industry, and guiding demand. It is also of great significance in deepening reform in the social sphere and promoting a transformation of government functions. By using social resources in an integrated way, it is helpful to enhance public awareness of participation, to stimulate economic and social vitality, to increase the supply of public services and to improve the level and efficiency of public services provision. Local governments at all levels are called on to actively and steadily push forward the government purchase of services from nongovernmental entities based on their own economic and social development and people's practical needs. Ongoing innovation is recommended to improve the public service delivery model and accelerate the construction of service-oriented government.

2.2 Correctly grasp the overall direction of government purchase of services from social organizations and private companies

(1) Guiding ideology

Taking Deng Xiaoping Theory and the important thought of the "Three Represents" and the Scientific Outlook on Development as guidance, it is necessary to thoroughly implement the spirit of the 18th Party Congress by firmly accelerating the transformation of government functions and promoting the separation of social and political affairs as well as enhancing social construction in improving people's livelihood and Innovation Management. Market access to public services will be further liberated to stimulate reform and innovation in public service delivery mechanisms and means, and to promote the establishment and development of a public service system with Chinese characteristics, thus providing the people with high quality and efficient public services.

(2) Basic principles

- *Active and steady implementation in an orderly manner.* Based on the fundamental national condition of being in the primary stage of socialism, and proceeding from local realities, it is recommended to accurately grasp the social demand for public services and to give full play to the government in the orderly guiding of social forces to participate in service delivery, forming a joint force to improve public services.

- *To make scientific arrangements and focus on practical results.* Adhere to careful planning and clarify rights and obligations. Substantially improve the efficiency of financial capital by wisely using the limited funds to meet people's most urgent needs and ensuring tangible results. 

To *openly select the best and to pay only for services.* On the principle of openness, fairness and justice and ensuring payment goes with services, use competitive processes to select those nongovernmental entities to provide public services and ensure of equal participation in competition. Strengthen supervision and inspection as well as scientific assessment and establish the most appropriate dynamic and flexible mechanism.
- To reform, innovate and improve the mechanism. Consistently accord with the reform of public sector organizations; promote separation of government administration and social undertakings. Open market access and release the dividends of reform.

Transfer as many as possible services that nongovernmental entities can operate and explore effectively solutions to product shortages, low quality and efficiency in some areas of public services. Take timely stock of reform experiences and learn from effective international achievements. Actively promote the healthy development of government purchase of services from nongovernmental entities and accelerate the formation of a new public service delivery mechanism.

(3) Objectives and tasks

During the 12th Five Year Plan period, government purchase of services from nongovernmental entities has gradually expanded in many locations. A unified service platform and effective mechanism for purchase has been set up. Significant headway has been made in constructing a system of relevant laws and regulations. By 2020, the country will have basically established a relatively sound system for government purchase of services from nongovernmental entities and formed an efficient and rational public service resource allocation system and supply system compatible with its economic and social development, public service levels and with significantly improved quality.

2.3 Standardize the work of government purchase of services from social organizations & private companies

(1) Purchasers

The subjects of government purchase of services from nongovernmental entities are administrative organs at all levels and institutions managed according to the civil service affairs? law and with administrative functions. Mass organizations included in the national administrative system and funded with national finance can also and provide public services through purchase based on actual needs.

(2) Contractors

Contractors providing public services include social organizations registered in civil affairs departments or those exempt from registration through the approval of the State Council as well as enterprises, institutions and other social forces registered in business administration or industry management departments. Contractors should have the ability to independently bear civil liability with necessary facilities to provide services, and professional and technical capacity. Contractors are required to have a sound internal governance structure, financial accounting and asset management systems, a good social and business reputation, good record of paying taxes and social insurance and meet other conditions set by registration departments. Specific conditions for contractors will be determined by a consensus between purchasers and the finance departments according to the nature and quality of services needed.

(3) Purchase content
The content of government purchase is those public services with a public and welfare character, which are suitable for market provision and can be undertaken by social organizations and private companies. Governments are encouraged to gradually increase their purchase of basic public services such as education, employment, social security, health care, housing security, culture, sports and disability services and other basic public services from the private sector. Non-essential public services suitable for nongovernmental entities to undertake can be transferred through commission, contracting, procurement, etc. to social forces. Public services that should be provided directly by the government are those unsuitable for social forces to bear or beyond the scope of government function, the government cannot purchase from social organizations and private companies. All localities and departments should, on the principles of transforming government functions, reducing service costs and helping improve the quality of service levels and value for money, on the basis of fully listening to the views of the community, formulate a guiding catalogue for government purchase of services from social organizations and private companies, which clarifies the types, nature and content of services purchased by government and makes timely adjustments to the catalogue with newly acquired experience from pilot projects.

(4) Purchase mechanisms

All localities should follow the principle of openness, fairness and justice, to establish and improve the mechanism of the government purchasing services from the community. Publish types of services, content of public purchase, requirements for contractors, performance evaluation criteria and other related information in a timely and complete manner, and establish and perfect standardized processes for project reporting, budget preparation and reporting, organizational procurement, project monitoring and performance evaluation. Purchasing shall be carried out in accordance with relevant Government Procurement Law. Contractors are to be identified via the process of open tendering, invited tendering, competitive negotiation, single sourcing and inquiry with subcontracting behavior prohibited. Purchasers conforming with the contract management requirements shall enter into contracts with contractors. Contracts shall define clearly the scope of the services purchased, the subject matter, quantity, quality, service period, capital payment, rights and obligations and breach of contract, etc. Governments are required to disburse funds in accordance with contract requirements, and strengthen service delivery monitoring and tracking during the whole process and reinforce inspection and acceptance of the results of services. Contractors are required to strictly fulfill contractual obligations through timely completion of project tasks and services and guaranteeing service quantity, quality and effectiveness.

(5) Fund management

Funds for government purchase from non-governmental entities should be included and integrated into overall budget considerations. Increased funding required with the development of public services should be in accordance with budget management requirements included in the budget. Capital is to be strictly managed; and openness, transparency, standardization and effectiveness are to be ensured.

(6) Performance management

Strengthen performance management of government procurement of services and reinforce performance evaluation mechanisms. Establish and improve an integrated assessment mechanism comprised of the purchasing body, clients and third-parties and make appraisals and assessments of the quantity and quality of services purchased and the use of funds.
Evaluation results are to be publicized and are to be regarded as important references for future budget-making and contractor selection for government purchase of services from social organizations and private companies.

2.4 Advance the government purchase of services from social organizations and private companies

(1) Strengthen organization and leadership

Promoting government purchase of services from nongovernmental entities is closely related to the vital interests of the masses and is an important task in protecting and improving the livelihood of the people. Local governments at all levels are required to place purchasing work high on the government agenda, to strengthen co-ordination and, based on local conditions, to carefully develop and gradually improve the social services policy measures and ways of implementation and refer them to higher government finance departments. Ministries of Finance in conjunction with relevant departments should strengthen guidance to, and supervision of, government purchase of services from social forces, summarize and promote successful experience and actively promote the establishment of relevant systems and regulations.

(2) Improve the working mechanism

Government purchase of services from nongovernmental entities should be rolled out on the principle of government-leading, departments shouldering, society engaging and co-overseeing in an orderly and standardized manner. Based on their local situations, local governments at all levels can create a working mechanism of government-leading, financial departments spearheading, the civil affairs departments, industrial and commercial management departments and industry departments coordinating, functional departments performing, and supervision departments guaranteeing. Catalogues for purchase of services are to be drafted, plans for service purchase to be made, and guidance and supervision provided. Relevant functional departments should strengthen coordination and communication to make ensure duties are performed and efforts are concerted.

(3) Reinforce supervision and management

All localities and departments should strictly comply with relevant fiscal and financial management requirements to ensure the standardized management and use of funds for government purchase of services from social forces and to guard against withholding, misappropriation or detention of funds. Purchasers should establish a sound internal supervision and management system, publish relevant information on public procurement of services, and consciously accept social supervision. Contractors should perfect their financial reporting systems and reports shall be audited by legally qualified certified public accountants. Financial departments should strengthen organization of, and guidance to, government purchase of services from nongovernmental entities and step up capital supervision.

Supervising and auditing departments should strengthen supervision; civil affairs departments, industrial and commercial management departments, and industry departments should undertake annual inspection, assessment, enforcement and other functions involved in government procurement of services in accordance with their division of functions.

(4) Ensure good publicity and guidance
Local people's governments at all levels and relevant departments of the State Council should give wide publicity to the purpose, significance, objectives, tasks and related requirements of government purchase of services from social organizations and private companies, and provide good policy interpretation, strengthen public opinion guidance, actively respond to concerns of the people, and fully mobilize enthusiasm of social participation.

http://www.gov.cn/xxgk/pub/govpublic/mrlm/201309/t20130930_66438.html#