

# China's 14<sup>th</sup> five-year plan

July 2021

**The 14<sup>th</sup> five-year plan (FYP)<sup>1</sup>, covering the years 2021 to 2025, was officially endorsed by the National People's Congress (NPC) on 11 March 2021.** The Plan is divided into 19 sections and 65 chapters (compared to 20 sections and 80 chapters in the 13<sup>th</sup> FYP<sup>2</sup>), touching on all aspects of development over the next five years, as well as presenting China's 2035 vision (section 1, chapter 3). The Plan lists 20 either indicative or binding “main indicators of economic and social development”, the targets hereafter (see Annex), while a few other quantitative goals —neither binding nor indicative— are included in the main text.

**Table 1: Number of main targets by theme in the 13<sup>th</sup> and 14<sup>th</sup> FYPs**

	14 <sup>th</sup> FYP	13 <sup>th</sup> FYP
Economic development	3	4
Innovation	3	4
People's wellbeing	7	7
Green ecology	5	10
Security/safety	2	--
<b>TOTAL</b>	<b>20</b>	<b>25</b>

**The 14<sup>th</sup> FYP's main underlying narrative is one of continuity,** with a few innovations and scaled up ambitions.

## KEY NOVELTIES ARE:

- The 14<sup>th</sup> FYP is the first Plan that builds on the first centenary goal** (achieving a *Xiaokang* society in all respects) and on the eradication of absolute rural poverty. It **sets the basis for the second centenary goal** – “build a modern socialist country that is prosperous, strong, democratic, culturally advanced and harmonious” by 2049<sup>3</sup> – through “basically realizing socialist modernization” by 2035.
- For the first time, no explicit growth target was given.** The Plan only indicates that GDP growth should be kept “within a reasonable interval” given the circumstances. The lack of a growth target in the FYP and a low one for 2021 may also reflect the high level of uncertainty created for the world economy by the COVID-19 pandemic. But importantly, it provides space and flexibility for the Government to pursue other targets, including environmental goals and supporting the shift towards higher quality, more sustainable development. That said, an implicit growth path is embedded in China's 2035 vision and President Xi's aim to double the size of the economy by 2035<sup>4</sup>. These would imply an average growth rate of just below 5% year-on-year over the next 15 years.

<sup>1</sup> Available in Chinese from [http://www.xinhuanet.com/fortune/2021-03/13/c\\_1127205564.htm](http://www.xinhuanet.com/fortune/2021-03/13/c_1127205564.htm). The English translation is by the UNDP China's research team.

<sup>2</sup> The 13<sup>th</sup> FYP is available here: <https://en.ndrc.gov.cn/policies/202105/P020210527785800103339.pdf>

<sup>3</sup> [http://www.xinhuanet.com/english/2017-10/17/c\\_136686770.htm](http://www.xinhuanet.com/english/2017-10/17/c_136686770.htm)

<sup>4</sup> [http://www.xinhuanet.com/english/2020-11/03/c\\_139488075.htm](http://www.xinhuanet.com/english/2020-11/03/c_139488075.htm)

3. **A “new development concept” that combines “sustained and healthy economic development” with “obvious improvements in quality and efficiency” is at the centre** (section 1). The aim is to “achieve higher quality, more efficiency, more fairness, and more sustainable and safer development” (1.2). This is an evolution from the previous Plan, where the aim was “appropriate development”, with economic development treated as “central” (1.2), and where the first of the “major objectives” was to “maintain a medium-high rate of growth” (1.3).
4. **Two new targets on energy and food security** and a section on strengthening the national security system were introduced.

## **KEY CHALLENGES AND STRATEGIES:**

**The first section of the Plan takes stock of the achievements so far and lists the challenges ahead**, namely: “inadequate development” and innovation capacity, the need for further reforms, “unstable” agricultural foundations, the gap between urban and rural development and income distribution, the environment, the quality of public services and social governance weaknesses. The section then describes the “guiding ideology”, principles, strategic orientation and major objectives of the Plan, including the 2035 vision.

**To address these challenges and move towards China’s development goals and commitments, the FYP identifies the following key strategies:**

- **Innovation-led development and industrial modernisation**, including accelerated digitalisation and pressing on with market reforms to build a “high-level socialist market economic system” (sections 2, 3, 5 and 6).
- **Strengthening the domestic market and demand** (section 4), with two out of the three chapters under the section on “dual circulation”.
- **Rural revitalization** (section 7). Rural development and agriculture modernisation have been long-time Government’s priorities, but this is the first FYP that deals with the concept of rural revitalisation as introduced by President Xi in 2017 at the 19<sup>th</sup> National Congress of the Communist Party of China. The Plan introduces an integrated and holistic approach, aiming to link rural and urban development, a feature previously missing. It calls for China to pursue: “*a new type of industrial-agricultural-urban-rural relationship featuring mutual promotion of industry and agriculture, complementary urban and rural development, coordinated development and common prosperity and accelerate the modernization of agriculture and rural areas*” (introduction to section 7).
- **Improving people’s wellbeing** (section 8 on urbanisation, 9 on reducing regional disparities, 13 on human development and 14 on improving livelihoods). The 14<sup>th</sup> FYP closely follows past plans and builds on what has been achieved so far. Novelties concern the “healthy China” campaign – a direct consequence of the pandemic – along with more interventions on early childhood care and a stronger emphasis on the environmental sustainability of cities.
- **Environmentally sustainable development:**
  - **The Plan includes much-awaited targets and guidelines on modernising the industrial system, including the energy system** (3.11.3), along with **promoting green development** (section 11).<sup>5</sup> Compared to the 13<sup>th</sup> FYP, the number of binding environmental targets was reduced to five from 10. The share of non-fossil energy (including nuclear and hydropower)

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<sup>5</sup> For more details, see UNDP China’s Issue Brief on “China’s 14<sup>th</sup> FYP, spotlighting climate and environment”, available here: [https://www.cn.undp.org/content/china/en/home/library/environment\\_energy/issue-brief---china-s-14th-5-year-plan--spotlighting-climate---e.html](https://www.cn.undp.org/content/china/en/home/library/environment_energy/issue-brief---china-s-14th-5-year-plan--spotlighting-climate---e.html)

in primary energy consumption is now neither a binding nor indicative target, unlike in the 13<sup>th</sup> FYP. Overall, the targets are broadly in line with China's current enhanced climate commitments. Their focus is on capping energy and carbon intensity per unit of GDP, rather than the level of emissions.

- **A comprehensive chapter on the marine economy** (9.33). This FYP's objectives put more emphasis on "harmony" between nature and human activities (with the inclusion of language like "sustainable" fishing, previously missing) versus the 13<sup>th</sup> FYP's stronger focus on developing the marine economy and resources. There is also a shift from a domestic perspective to one that embraces enhanced global cooperation. The 13<sup>th</sup> FYP sought to "*effectively safeguard China's territorial sovereignty and maritime rights and interests*" (9.41.3). On the other hand, the 14<sup>th</sup> FYP's sub-chapter on international engagements and cooperation (9.33.3) calls for China's active participation in "*formulation and implementation of international maritime governance mechanisms and related rules*" along with strengthened international cooperation around the blue economy (similar language is used elsewhere in the document – see next bullet point). "Win-win cooperation" is mentioned in the opening statement of the whole chapter (9.33). Finally, a few delicate global issues with differing international perspectives are listed, namely international waters, distant-water fishing, the Arctic, the Antarctic and the Ice Silk Road.
- **Promoting international cooperation and engagements.** Section 12 focuses on China's international engagements and cooperation. More on the subject is also scattered throughout the Plan in other thematic sections, such as the ones related to the marine economy, the environment or regional development. The main highlights are:
  - **Building a strong enabling business environment in China** for foreign investments (12.40) **and along the Belt and Road** (12.41). Innovations compared to the 13<sup>th</sup> FYP are:
    - The introduction of the "**principle of debt sustainability**" (12.41.3).
    - The emphasis on **financial sustainability of overseas investments** supported by strengthening "*the monitoring of external assets and liabilities and establish[ing] and improv[ing] a full-scale external debt supervision system*" and building an "*overseas interest protection and risk early warning and prevention system*" (12.40.4).
    - A stronger emphasis on **international exchanges and collaboration on global matters**, such as climate change, biodiversity, the maritime economy, as well as desertification prevention and control (12.41.4).
  - "**Active participation in the reform and construction**" of the **global governance system** (12.42). This is in line with the language used in recent policy documents (e.g., the January White Paper on International Development Cooperation) and reflects China's increased interests and role in the global arena. The Plan mentions the role of the United Nations as the "core of the international system" (12.42.3) and the aim to deepen the reform of the foreign aid system and mechanisms and optimize the layout of foreign aid (12.42.3). In the context of multilateral economic governance mechanism, the World Trade Organization, the G-20, APEC (Asia-Pacific Economic Cooperation) and BRICS are specifically mentioned among the existing coordination mechanisms, as well as the aim to "put forward more Chinese initiatives and Chinese plans" (12.42.1).
- **Supporting the national security system** (section 15). Compared to the 13<sup>th</sup> FYP, the 14<sup>th</sup> FYP has introduced a separate section on national economic security which covers food, energy and finance security. Section 15 emphasizes self-sufficiency amid concerns over COVID-19 and other shocks. Key projects listed to address this issue include building food storage facilities, promoting the exploration and development of oil and gas, establishing industrial bases for coal-to-oil and gas conversion and developing power emergency response systems.

The remaining sections focus on development strategies in fields such as culture and "cultural soft power" (section 10), the national defence system (section 16), China's governance system (sections 17 and 19) and "One Country, Two Systems" (section 18).

## Alignment with the 2030 Agenda and the SDGs

The 14<sup>th</sup> FYP is wide in scope and addresses all three pillars of development – economic, social and environmental.

### CROSS CUTTING AND RECURRENT THEMES ARE:

- **stronger emphasis on green development** ... covering consumption, production, the industrial system, agriculture, rural revitalisation, urbanisation, regional development and international engagements.
- **... and on innovation.** The term is repeated 180 times throughout the document, including technological innovation, financial innovation, policy innovation and institutional innovation, touching on all sectors of the economy and public services.

### POINTS FOR FURTHER REFLECTION:

The following areas may benefit from further strengthening and elaboration to put the guidelines into practice and set China on a solid path to achieving the Sustainable Development Goals (SDGs) and meeting the Paris Agreement. In this respect, attention must also be paid to the sectoral FYPs, due by the end of the year, for more actionable details.

1. **A more modern, comprehensive, transparent and up-to-date data system** for evidence-based policy decisions, monitoring and evaluation, including compilation and dissemination of disaggregated data to effectively track progress on the 2030 Agenda. For example, the introduction of different concepts and metrics, such as multidimensional and relative poverty, would be valuable to effectively assess poverty and inequality in both rural and urban areas. These would help tackling a wider range of SDG indicators to leave no one behind.
2. **A stronger gender lens.** Apart from being mentioned in the chapter on women, minors and people with disabilities (14.50), gender equality is directly addressed in only one sub-chapter: “promoting equality between men and women and all-round development of women” (14.50.1). The guidelines focus on abiding by the current set of laws in promoting and fostering equality in education, the labour market, access to services, etc. Gender is also indirectly discussed in the two sub-chapters on the need to promote an “adequate” fertility rate (13.45.1) and “improve infant development policies” (13.45.2). A more innovative and comprehensive approach that goes beyond the current legislation and addresses the root causes and drivers of gender inequality will be required to effectively achieve SDG 5.
3. **Strengthened front-loaded actions to realise the low-carbon transformation** and ensure consistency between China’s climate pledges and its development vision. The current targets on energy consumption and emissions intensity are broadly consistent with China’s climate pledges and the Paris Agreement, but within the lower rather than upper range. There is a certain level of uncertainty and climate goals are subject to a number of variables:
  - The targets are contingent upon China not growing too fast along its current (still) heavily carbon-dependent pathway. Extrapolating the rate of carbon intensity improvements envisaged in the 14<sup>th</sup> FYP through 2030, if total emissions were to be consistent with a 1.5°C warming path, as estimated by Professor He Jiankun<sup>6</sup>, annual average GDP growth would need to be below 4.2%, according to our calculations. Should GDP grow at 5% annually – closer to what implied by the 2035 vision, carbon emissions will rise by 1% per year, a pace too high to stabilise emissions between 2020 and 2030 for a 1.5°C scenario.
  - The Plan relies on two ‘relative’ tools to address climate change, lacking a clear indicator for reducing the ‘absolute’ level of emissions at the speed and rigour required to meet the new ambitious 2030 and 2060 climate targets and the Paris Agreement.

<sup>6</sup> CO<sub>2</sub> calculations for a 1.5°C scenario were made by Prof. He Jiankun, Institute for Climate Change and Sustainable Development (Tsinghua University). Available from: [https://mp.weixin.qq.com/s/S\\_8ajdq963YL7X3sRJSWGg](https://mp.weixin.qq.com/s/S_8ajdq963YL7X3sRJSWGg)

- The Plan would have benefited from a more forceful signal to front-load concrete climate actions. This is especially true as some climate experts maintain that China's absolute emissions would need to plateau by 2025 for it to realise carbon neutrality by 2060 and, correspondingly, at a markedly lower level.
4. **Complement quantitative environmental targets by more effectively pricing fossil fuels.** This is vital to not only reflect the actual costs of their production and transportation, but also the full costs imposed on future generations by the resulting climate effects of greenhouse gases (GHGs) released, which currently carry zero penalties. This involves eliminating fossil fuel subsidies, auctioning emissions permits issued in limited quantity commensurate with the 1.5°C path for large, immobile, easy-to-monitor emitters, and a carbon tax imposing the same level of externality costs on all other emitters.
5. **International engagements and collaboration<sup>7</sup>:**
- Strengthened effectiveness, accountability and transparency, as well as further strengthened alignment between China's development cooperation and the principles of the SDGs, in particular on tackling global common challenges, are key to contribute to global progress on the 2030 Agenda.
  - Devise concrete follow-up policies, actions and measures in forthcoming policy documents, on a range of topics, including debt sustainability, global governance, foreign assistance, monitoring and risk assessments, prevention and control, to support SDG attainment globally. For example, exploring and agreeing on harmonized modalities, norms and practices through strengthened communications and experience sharing with external counterparts would enhance development cooperation results and help advance the SDGs.

Finally, **two enabling drivers could also be strengthened** to achieve the full potential of “China's contribution to the 2030 Agenda implementation” (12.42.3):

1. **Effective coordination among different government levels and in particular strengthened capacities of local government authorities and entities** are key for the successful and timely implementation of guidelines.
2. **Reassessment of the financial means to strategically channel much needed resources towards the SDGs.** The FYP emphasises improving and strengthening the current system (e.g., improving “the mechanism of financial transfer payment” (9.32.6), increasing transfers and funding resources for rural areas through land transfer revenues and local bonds (7.25.2), addressing migrant workers-related fiscal transfer payments (8.27.2)), as well as “optimizing public expenditures and prioritizing expenditures on public services” (13.46.3 and 13.48.1). A more holistic approach for a consolidated government budget would be needed. The risk is that without it, the needed fiscal space for simultaneously attaining the goals set in various areas may not be available. Steps could include a review of both revenues and expenditures. The 14<sup>th</sup> FYP includes a chapter on establishing modern fiscal, taxation and financial systems (6.21). In the section on improving the taxation system (6.21.2), the focus is on the tax structure. It does not however explore the potential that taxation and price signals can have in guiding investment, production and consumption choices toward lower-carbon paths, and in creating fiscal space for critical investments or for attracting investments into areas that are clearly aligned with low carbon development. For example, the abolishment of fossil fuel subsidies can release resources to buffer the effects of a green transition on vulnerable groups or to subsidise green energy investments or to ensure investment decisions reflect the true costs of the different types of energy. Another example would be a reassessment of the fiscal transfers across different levels of government to address the chronically underfinanced needs of local authorities. These efforts would open up fiscal avenues to finance development that is of higher quality, more efficient, fairer, safer and more sustainable, supporting China's development vision and its commitments towards the 2030 Agenda.

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<sup>7</sup> For a more in-depth analysis, please see: UNDP China. *Brief on White Paper on China's International Development Cooperation in the New Era*. 5 February 2021. <https://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/issue-brief---brief-on-white-paper-on-china-s-international-deve.html>

ANNEX – MAIN INDICATORS OF ECONOMIC AND SOCIAL DEVELOPMENT IN THE 14<sup>TH</sup> FYP

Main indicators of economic and social development during the "14th Five-Year Plan" period					
Category	Indicator	2020	2025	Annual average/ [cumulative]	Nature
Economic development	Gross domestic product ( GDP ) growth ( % )	2.3	--	Keep it within reasonable Interval, each year depends on the situation	Indicative
	Labour productivity growth ( % )	2.5	--	Higher than GDP growth	Indicative
	Urbanization rate ( % )	60.6*	65		Indicative
Innovation	Growth in R&D spending	--	--	Growth > 7 percent. Aim for a higher share in GDP than under the 13 <sup>th</sup> Plan (2.2 percent of GDP)	Indicative
	Number of innovation patents per 10,000 people	6.3	12		Indicative
	Digital Economy share of GDP	7.8	10		Indicative
People's wellbeing	Growth in disposable income	2.1	--	In line with GDP	Indicative
	Urban (survey) unemployment rate	5.2	<5.5		Indicative
	Average years of education of working-age population	10.8	11.3		Binding
	Number of licensed physicians per thousand population	2.9	3.2		Indicative
	Basic pension insurance participation rate (%)	91	95		Indicative
	Nurseries for infants under 3years old per thousand people	1.8	4.5		Indicative
	. Average life expectancy (years)	77.3*	--		Indicative
Green Ecology	Reduction in energy consumption per unit of GDP (%)	--	--	[13.5]	Binding
	Reduction of carbon dioxide emissions per unit of GDP(%)	--	--	[18]	Binding
	Share of days with good air quality in cities at prefecture level and above (%)	87	87.5		Binding
	Share of surface water at or better than class III (%)	83.4	85		Binding
	Forest coverage rate (%)	23.2*	24.1		Binding
Security/ Safety	Comprehensive grain production capacity			>650mn. tons	Binding
	Comprehensive energy production capacity			>4.6bn. tons of coal equivalent	Binding

Note:1) [ ] is the cumulative number in 5 years. 2) The data with \* are for 2019. 3) Comprehensive energy production capacity refers to coal, petroleum, natural gas and non-fossil fuel energy production capacity. 4) The value of two indicators (ratio of days with good air quality and surface water in cities at prefecture level and above in 2020 and proportion of water bodies at or better than Class III) are significantly higher than normal years given the impact of COVID-19. 5) Labour productivity growth in 2020 is an estimate. Source: <https://research.nus.edu.sg/eai/wp-content/uploads/sites/2/2021/03/EAIC-26-20210311-1.pdf>.

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