

Translation



The following Chinese government policy document encourages the creation of “new-style R&D institutions,” which differ from traditional Chinese laboratories and research institutes in that they are not state-run and have additional sources of income besides government funding. Historically, Chinese state-run R&D labs have had difficulty converting research breakthroughs into commercially viable applications. Researchers at these new R&D institutes are allowed to profit from their inventions, giving them a stronger incentive to market their innovations.

Title

Guiding Opinions on Promoting the Development of New-Style Research and Development Institutions

关于促进新型研发机构发展的指导意见

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Source

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Guiding Opinions on Promoting the Development of New-Style Research and Development Institutions¹

The following opinions are put forward in order to deeply implement the innovation-driven development strategy, promote the healthy and orderly

¹ Translator’s note: The Chinese official notice of this document, “Notice of the Ministry of Science and Technology on the Publication of the *Guiding Opinions on Promoting the Development of New-Style Research and Development Institutions*” (科技部印发《关于促进新型研发机构发展的指导意见》的通知), has the document number Guo Ke Fa Zheng (2019) No. 313 (国科发政〔2019〕313号).

development of new-style research and development (R&D) institutions (新型研发机构), and enhance the overall efficiency of the national innovation system.

1. New-style R&D institutions are independent legal institutions (独立法人机构) that focus on the needs of scientific and technological (S&T) innovation and mainly engage in scientific research, technological innovation, and R&D services. They have diversified investment entities, modernized management systems, marketized operating mechanisms, and flexible employment mechanisms. They can be registered as private S&T non-enterprise units² (social service institutions), public institutions,³ or enterprises in accordance with the law.

2. To promote the development of new-style R&D institutions, we must highlight institutional and mechanism innovation, strengthen policy guidance and assurance, focus on both incentives and constraints, and mobilize participation from all sectors of society. Through the development of new-style R&D institutions, we will further optimize the layout of scientific research forces, strengthen industrial technology supply, promote the transfer and conversion of S&T achievements into practical applications (科技成果转移转化), and promote the deep integration of S&T innovation and economic and social development.

3. The development of new-style R&D institutions adheres to the principle of “The organizer has responsibility for the institution, and the entity that establishes the institution can dissolve it” (“谁举办、谁负责，谁设立、谁撤销”). The managing work unit (the operational oversight unit, or funder) shall provide guarantees for the management, operation, R&D, and innovation of new-style R&D institutions, guide new-style R&D institutions to focus on scientific research, technological innovation, and R&D services, avoid an overly generalized functional orientation, and prevent expansion into other fields.

4. In general, new-style R&D institutions should meet the following conditions.

² Translator's note: A "privately run non-enterprise work unit" (民办非企业) is a nonprofit run by a private individual or social organization that is not government-funded. Privately run non-enterprise work units typically provide similar types of service to society that nonprofits provide in the United States. However, if the work unit is suitably large, it will almost certainly include Communist Party members who are answerable to higher-ups in the Party.

³ Translator's note: "Public institutions" (事业单位) are organizations created and led by Chinese government departments that perform a variety of functions. Notably, universities, research institutes, and hospitals in China tend to be public institutions. Unlike state-owned enterprises (SOEs), public institutions do not create material products and are non-profit. Public institutions are not considered government agencies, and their employees are not civil servants. Most public institutions are fully or partially government-funded, but some fully privately funded (but still government-led) public institutions exist.

(1) Possess independent legal person status and a sound internal control system.

(2) Primarily carry out basic research, applied basic research, research and development of key general purpose technologies for industry, the transfer and conversion of S&T achievements into practical applications, and R&D services.

(3) Possess the necessary conditions and facilities to carry out R&D, testing, services, and other relevant activities.

(4) Possess a talent team with a relatively reasonable and stable structure and strong R&D capabilities.

(5) Possess relatively stable sources of income, mainly including investment funds from funders, income from technology development, technology transfers, technology services, and technology consulting, income from government purchases of services, and funds obtained from undertaking scientific research projects.

5. In principle, new-style R&D institutions established with diversified sources of investment should implement a decision-making system based on a board of directors and a responsibility system based on a president (院长), director (所长), or general manager (hereinafter referred to as the "head of institution" [院所所长] system). They should formulate articles of association (章程) in accordance with laws, regulations, and agreements with investors, and conduct management and operations in accordance with the articles of association.

(1) The articles of association shall clearly define the duties, composition, and formation mechanism of the board of directors, the method of appointment and qualifications of the chairman and directors, the main sources of funds and scope of operations, the management of the main business income, and the distribution mechanism for resource-type earnings from government support (政府支持的资源类收益).

(2) In principle, the members of the board of directors should include funders, industry and sector experts, and representatives of the institution. The board of directors is responsible for selecting the president and directors of the institution, formulating and amending the articles of association, and reviewing development plans, annual work plans, financial budgets, salary allocations, and other major matters.

(3) The legal representative is usually the head of the institution. The head of the institution bears full responsibility for scientific research and daily management

work, promotes internal management and supervision, implements the resolutions of the board of directors, and is accountable to the board of directors.

(4) An advisory committee shall be established to consult on institutional development strategies, major scientific and technological issues, scientific research integrity and ethics, and other matters.

6. New-style R&D institutions should comprehensively strengthen Party building. In accordance with the provisions of the *Charter of the Chinese Communist Party* (《中国共产党章程》), Party organizations should be established to give full play to the role of Party organizations as a battlefield bastion (战斗堡垒) in new-style R&D institutions, strengthen political guidance, and ensure that the Party's leadership is fully and properly implemented.

7. We should encourage new-style R&D institutions to establish scientific R&D organization systems and internal control systems and strengthen the construction of scientific research integrity and ethics. New-style R&D institutions should independently determine R&D topics, dynamically establish and adjust R&D units, flexibly allocate scientific researchers, organize R&D teams, and allocate scientific research equipment based on the actual needs of scientific research, technological innovation, and R&D services.

8. New-style R&D institutions should adopt marketized employment mechanisms and salary systems, give full play to the decisive role of the market mechanism in allocating innovation resources, independently recruit personnel openly from society, reasonably determine employee wages based on marketized salaries, and establish an income distribution mechanism that is tied to innovation capabilities and performance. Personnel from universities and research institutions who work part-time in new-style R&D institutions carrying out technological R&D and services through project cooperation and other means shall be managed in accordance with contracts signed between the two parties.

9. New-style R&D institutions should establish a categorized evaluation system. Focusing on scientific research, technological innovation, and R&D services, they should set evaluation indicators in a scientific and reasonable manner, highlight innovation quality and contributions, and pay attention to the role of user evaluations.

10. We encourage new-style R&D institutions to implement information disclosure systems and publicize important matters, annual reports, and other information through public channels.

11. New-style R&D institutions with the necessary prerequisites can implement the following policy measures as appropriate.

(1) Apply for various government S&T projects, S&T innovation bases, and talent programs such as national S&T major special projects (国家科技重大专项), the National Key R&D Program (国家重点研发计划), and the National Natural Science Foundation of China in accordance with application requirements.

(2) Organize or participate in professional title evaluation work in accordance with regulations.

(3) In accordance with the provisions of the *Law of the People's Republic of China on Promoting the Conversion of S&T Achievements*⁴ and other regulations, provide incentives for S&T personnel to carry out the conversion of S&T achievements into practical applications through methods such as equity sales, equity rewards, stock options, project income dividends, and position-based dividends.

(4) In line with the actual needs of industrial development, build a strategic alliance for industrial technological innovation, explore long-term and stable mechanisms for industry-academia-research institute (产学研) integration, organize and carry out industrial technological R&D innovation, and formulate industry technical standards.

(5) Actively participate in international S&T and talent exchanges and cooperation. Build national international S&T cooperation bases (国家国际科技合作基地) and national talent and intellect recruitment demonstration bases (国家引才引智示范基地); develop foreign talent resources, and absorb, gather, and cultivate international world-class high-level innovation talents; carry out R&D in conjunction with renowned overseas universities, research institutes, multinational corporations, and other institutions, and establish R&D and S&T service institutions.

12. We encourage the establishment of new-style R&D institutions of the nature of S&T-type privately run non-enterprise work units (social service institutions). S&T-type privately run non-enterprise work units should be registered and managed in accordance with the law, and the profits from operations should be mainly used for institutional management and operations, construction and development, and R&D innovation. Dividends should not be distributed to funders. Qualified S&T-type privately run non-enterprise work units enjoy tax incentives in accordance with the *Enterprise Income Tax Law of the People's Republic of China*, the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China*,

⁴ Translator's note: CSET's English translation of the *Law of the People's Republic of China on Promoting the Conversion of S&T Achievements* is available online at: <https://cset.georgetown.edu/publication/law-of-the-peoples-republic-of-china-on-promoting-the-conversion-of-scientific-and-technological-achievements/>.

and the provisions on enterprise income tax for nonprofit organizations, individual income tax on personnel involved in the conversion of S&T achievements into practical applications, and import tax on S&T innovation.

13. New-style R&D institutions that are enterprises should be registered and managed in accordance with the *Regulation of the People's Republic of China on the Administration of Company Registration*. We should encourage new-style R&D institutions that are enterprises not to distribute operating profits as dividends, but rather use profits mainly for institutional management, operation, construction, development, and R&D innovation. In accordance with the *Notice of the Ministry of Finance, the State Taxation Administration, and the Ministry of Science and Technology on Improving the Policy of Increased Pretax Deduction for Research and Development Expenses* ([2015] document No. 119), new-style R&D institutions that are enterprises enjoy the policy of increased pretax deductions. In accordance with the *Administrative Measures for the Accreditation of High-Tech Enterprises* ([2016] document No. 32), new-style R&D institutions that are enterprises can apply for recognition as high-tech enterprises and enjoy corresponding tax incentives.

14. Local governments may comprehensively adopt the following policy measures to support the construction and development of new-style R&D institutions based on regional innovation and development needs.

(1) Provide support in the areas of infrastructure construction, purchase of scientific research equipment, housing support services for talents, and operating funds in order to promote the orderly construction and operation of new R&D institutions.

(2) Use innovation vouchers (创新卷) and other support methods to encourage enterprises to purchase R&D and innovation services from new-style R&D institutions.

(3) Organize and carry out performance evaluations and provide corresponding support to new-style R&D institutions based on the evaluation results.

15. We encourage local governments to support the construction and operation of new-style R&D institutions through special funds for central government guidance of local S&T development. We encourage the National Fund for Technology Transfer and Commercialization (国家科技成果转化引导基金) to support new-style R&D institutions in transferring, commercializing, and utilizing S&T achievements generated by government fiscal funding (财政资金).

16. The Ministry of Science and Technology will organize follow-up evaluations of new-style R&D institutions, build a database of new-style R&D institutions, and

publish an annual report on new-style R&D institutions. It will include new-style R&D institutions in the implementation scope of the innovation survey and statistical survey system and gradually encourage the inclusion of new-style R&D institutions that are small-scale enterprises⁵ in the scope of national statistics. Local S&T administrative departments are responsible for coordinating and promoting the construction and development of new-style R&D institutions in their regions, carrying out monitoring and evaluation, and making dynamic adjustments (动态调整).

17. We should establish supervision and accountability mechanisms for new-style R&D institutions. New-style R&D institutions that violate administrative regulations such as those of S&T plans and funds or that are guilty of violations of scientific research ethics, academic style (学风) or work style (作风), and scientific research integrity will be held accountable in accordance with the law.

18. Local governments may refer to these opinions and study and formulate policies and measures to promote the development of new-style R&D institutions and carry out pilot projects that accord with their actual situation and their distinctive characteristics.

⁵ Translator's note: The term "small-scale enterprises" (规模以下企业) refers to companies that have less than 20 million Chinese yuan Renminbi (RMB) in annual operating income.