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China Budget 2026: Healthcare and Innovation Take Center Stage

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The focus will shift toward scaling innovation, improving cross-sector coordination, and strengthening domestic capabilities



China's 2026 budget marks the beginning of the 15th Five-Year Plan, placing technology and innovation at the centre of growth across sectors, including life sciences. Presented on March 5 and approved on March 12, the budget reflects this strategic direction through increased spending on science and technology, support for enterprise-led R&D, and targeted funding for advanced manufacturing, biomedicine, and digital transformation.

China's sustained investment in science and technology has already supported major national projects under the 'Innovation 2030' initiative, including artificial intelligence (AI), quantum technology, and biotechnology. This has driven progress in areas such as quantum computing, space technology, and nuclear fusion. Building on this foundation, the 2026 budget reinforces a policy focus on advancing self-reliance in science and technology, responding to global technological shifts, and strengthening domestic capabilities.

Central government expenditure on science and technology will reach RMB 426.4 billion, representing a 10 per cent increase. In addition to direct funding, policy aims to expand financing channels by leveraging public capital to attract private and financial investment. At the same time, reforms are being introduced to improve fund allocation and management, with a balance between deregulation, incentives, and oversight.

A key priority is the development of regional innovation systems. Major clusters such as Beijing (Beijing-Tianjin-Hebei), Shanghai (Yangtze River Delta), and the Guangdong-Hong Kong-Macao Greater Bay Area are being strengthened as leading innovation hubs. Local governments are also encouraged to develop region-specific innovation centres aligned with national priorities and local industrial strengths. These efforts are complemented by initiatives to improve public access to science and enhance overall scientific literacy.

Investment in basic research is also rising, with central government spending increasing by 16.3 per cent. The approach combines targeted national projects with investigator-driven research, supported through both competitive grants and stable funding mechanisms. In parallel, the government is strengthening national laboratories, key research facilities, and institutional reforms to improve coordination and research output.

Policy further integrates education, research, and talent development. Key measures include university reforms, the development of priority disciplines, and positioning research institutes as training hubs. Talent programmes aim to attract and cultivate researchers, engineers, and skilled technical workers, building a robust pipeline to support long-term innovation.

Industrial transformation and upgrading

The budget allocates RMB 200 billion in ultra-long-term special treasury bonds to support large-scale equipment upgrades. It also lowers investment thresholds and expands access to funding for small and medium-sized enterprises (SMEs).

Spending will support key manufacturing value chains through ongoing action plans focused on industrial base reconstruction and the development of advanced technological equipment. These measures aim to strengthen supply chain resilience and improve domestic control over critical technologies. A third batch of pilot cities will be introduced to scale the adoption of digital, intelligent, and green manufacturing technologies.

Targeted support is directed toward sectors such as integrated circuits, aerospace, and biomedicine, alongside emerging industries including advanced energy systems, quantum technology, embodied intelligence, and 6G communications. At the same time, the ‘artificial intelligence +’ initiative will be expanded to accelerate AI integration across industries and foster the development of an intelligent economy.

Enterprise innovation and development

The budget places strong emphasis on enhancing the role of enterprises in technological innovation. A combination of policy tools—including tax incentives, special funds, government-backed investment funds, and financing guarantees—will support high-tech firms and technology-oriented SMEs.

Key initiatives include the establishment of an enterprise R&D reserve fund system and support for companies to form innovation consortia and participate in national research programmes. Fiscal incentives and subsidies for specialised and innovation-driven SMEs will continue to encourage increased R&D investment.

The budget also expands digital transformation pilot programmes for SMEs across multiple cities, promoting the integration of digital technologies into industrial operations. Additional measures—such as insurance compensation for first-of-its-kind equipment and new materials, along with increased government procurement of domestically developed products—are designed to accelerate the commercialisation of research outcomes.

Support for venture capital and angel investment will also continue, including efforts to expand the National Venture Capital Guidance Fund. These measures aim to foster startup growth and enable more companies to scale into leading technology enterprises.

Healthcare and medical services

The budget prioritises improvements in healthcare capacity and service delivery under a health-first development strategy. It emphasises stronger coordination across healthcare services, medical insurance, and the pharmaceutical sector, alongside enhanced governance mechanisms.

Funding will support the public health system, including basic public health services and disease control infrastructure. Reforms in public hospitals will continue, with a focus on public welfare. Additional investment will strengthen medical infrastructure, particularly in county-level and primary care institutions, as well as specialised departments.

Workforce development remains a priority, with expanded high-level medical talent programmes. The budget also supports the development of traditional Chinese medicine and its integration with Western medical practices.

On the financing side, the per capita government subsidy for basic medical insurance for urban and rural residents will increase by RMB 24, bringing the total to RMB 724 per person per year. The budget further strengthens the three-tier system of basic medical insurance, critical illness insurance, and medical assistance, while continuing reforms in payment systems and enhancing oversight of medical insurance funds.

China has already established a strong biotechnology sector, supported by sustained investment in research, manufacturing, and healthcare systems. Looking ahead, the focus will shift toward scaling innovation, improving cross-sector coordination, and strengthening domestic capabilities. The 2026 budget reflects this trajectory by aligning science and technology funding with industrial development and healthcare delivery.

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