

I. Policy Update

1. The Executive Meeting of the State Council rolled out new measures to streamline administration and delegate power

On September 29, Premier Li Keqiang presided over the Executive Meeting of the State Council, which decided the following. Firstly, to cancel the review and approval procedure on 62 items including the pilot production of construction projects implemented by local governments designated by the central government. Secondly, 89 intermediary service items including skills certification of express personnel will no longer be the necessary conditions for review and approval by the relevant authorities. Thirdly, the mid and post supervision will be strengthened after the reform of issuing license before operating permit. The authorities for market supervision, review and approval and sector management should undertake duties and coordinate with each other in accordance with laws and regulations to avoid supervision vacuum. At the same time, the double random supervision model should be promoted to

ensure both the inspected targets and inspecting personnel are randomly selected. The mechanism of informing both applicants and review and approval authorities by industrial and commercial administrations should be established to enhance credit supervision.

2. MOF published the circular on the second group of PPP demonstration projects

On September 29, the Ministry of Finance (MOF) published the circular on the second group of PPP demonstration projects, which provides the following. (1) The relevant finance authorities should earnestly fulfill fiscal duties and cooperate with projects implementation entities and related authorities to ensure the on-time and standard implementation. (2) Finance authorities should carry out studies on the fiscal capacity of projects in their jurisdictions to balance the demand of the regions and the sectors. (3) Finance authorities should further refine implementation plan to make it more scientific, standard and feasible. (4) Finance authorities at all levels should work together with projects implementation entities and relevant authorities to step up real-time management on project implementation. (5) MOF will establish and improve the mechanisms for follow-up guidance, counterpart contact and dynamic adjustment to ensure the successful implementation of the demonstration projects.

3. MOF issued the circular on cutting the vehicle purchase tax on passenger cars with no more than 1.6L displacement

On September 30, MOF issued the circular on cutting the vehicle purchase tax on passenger cars with no more than 1.6L displacement, which provides the following. (1) As of October 1, 2015 to December 31, 2016, the vehicle purchase tax on passenger cars with no more than 1.6L displacement will be subject to 5% tax rate. (2) The date of purchase should be the date of issuance of effective certificate, including the *Invoice on Motorcar Sales or Special Covering Warrant for Custom and Tariff*. (3) The vehicle purchase tax paid in full amount on cars eligible for the preferential treatment in the circular can be returned in accordance with relevant regulations.

4. The central government led the establishment of PPP financing support fund

According to the news released by MOF on September 30, MOF and 10 institutions including China Construction Bank Corporation and Bank of China Limited have jointly set up the PPP financing support fund of 180 billion RMB, which will work as the social capital to support the PPP projects in public sector and enhance availability of project financing. The fund preparatory group composed of fund investor representatives was

established at the same time to undertake the follow-up tasks.

5. The State Council and the Military Commission of the CPC approved to reform and improve pension system of ex-servicemen

On October 8, the State Council and the Military Commission of the CPC approved to reform and improve veteran pension system. Firstly, veterans will be subsidized with occupational pension allowance or basic pension allowance in accordance with their monthly salary and relevant standards during their service. Secondly, the pension document shall be forwarded to veterans by the finance department of the unit where they belong. Thirdly, governments at all levels shall enhance organization and coordination on veteran pensions to well implement pension treatment to veterans.

6. The Executive Meeting of the State Council decided to improve the compensatory mechanism for general broad band and telecom services in rural and remote areas

On October 14, Premier Li Keqiang chaired the Executive Meeting of the State Council, which decided the following. (1) The application of e-commerce should be expanded in the rural area. (2) The environment for the development of online retailers should be improved in the

rural area. (3) A favorable online consumption environment should be fostered. The Meeting also decided that: (1) domestic express delivery market will be further open to all sorts of capital; (2) licensing and customs clearance procedures of express delivery will be streamlined and the model of “one license for multiple premises” in the registration of express delivery companies will be explored; (3) “Internet + express delivery” will be advanced to facilitate the cooperation between express delivery companies and online retailers; (4) express delivery vehicles will be offered with convenience for getting around the city so as to enable the seamless delivery by land, sea and air; (5) the central government will identify the development of pro bono and basic express delivery facilities as one of the priority areas of spending and encouraging the financial institutions to provide secured loans and financial leasing products.

7. The State Council issued a guideline on implementing the negative list on market access

On October 19, the State Council issued a guideline on implementing the negative list on market access, which provides the following. First, the negative list on market access includes the categories of prohibited entry and restricted access, which are applicable to all types of market players in the process of their voluntary initial investment, follow-up investment, mergers or acquisitions. Second, for investment on political

security, homeland security, military security and some other specific areas, the list of prohibited entry and restricted access may take the form of restrictions on investor qualification, equity caps, limited scope of investment and operation, etc, in accordance with relevant laws, administrative regulations and the State Council decisions. Third, except for projects relating to national security, ecological security and vital public interests, all commercial investment projects are to be determined by investors themselves, without the government’s review and approval. Fourth, the commercial system reform will be pressed ahead to establish universal social credit code to all legal persons and other types of social organizations.

8. Decisions are made by the Executive Meeting of the State Council to improve R&D related additional tax deduction policies

On October 21, Premier Li Keqiang presided over the Executive Meeting of the State Council, which made the decisions to implement the following measures starting from January 1, 2016. First, the scope for R&D related activities and cost which is applicable to additional tax deduction is to be expanded. Except for specified activities and industries, all commercial R&D expenses are applicable for additional deduction. Second, the additional deduction is applicable to deductible expenses by enterprises over the past three years. Third, the post registration and record-filing

mechanism is to be put in place to simplify the review and verification process for the deduction. The applicable R&D expenses should be recorded in combination accounting.

9. MOF issued the *General Accounting System on the Budget of Public Finance*

On October 23, MOF issued the *General Accounting System on the Budget of Public Finance*, which provides the following. First, the general accounting is professional accounting for the recording, verification and supervision of the budget of public finance and governmental funds by various levels of finance authorities. The budget of the Social Insurance Fund is not applicable for the general accounting. Second, the main tasks of the general accounting include accounting verification; rigorous management of budget revenue, expenditure and transfer; standardization of account management; accounting supervision and budget management. Third, the finance authorities at all levels should, based on practical situation, designate professional and relatively stable accounting officials for the general accounting. Fourth, the general accounting should designate the accounting periods, and close relevant accounts and prepare accounting statement based on those periods. Fifth, the general accounting is to design accounting factors based on the economic features of the operation or event. The

accounting factors include assets, liabilities, net assets, revenue and expenditure.

10. MOF issued the *Management Measures on the Subsidy Fund for Improving the Education Conditions of General High Schools*

On October 26, MOF issued the *Management Measures on the Subsidy Fund for Improving the Education Conditions of General High Schools*, which provides the following. Firstly, the subsidy fund is created by the central government, appropriated from the public budget and used for the improvement of the education conditions of general high schools in poor regions. Secondly, MOF and the Ministry of Education (MOE) should jointly manage the subsidy. Thirdly, the subsidy should target general high schools in poor regions in the central and western provinces. Fourthly, the subsidy should be used to support renovation and expansion of school buildings and prohibited from repaying local debt. Fifthly, finance authorities and education authorities at corresponding levels should allocate the subsidy. Sixthly, the regulations of centralized payment of treasury should be applied in the payment of subsidy fund. Seventhly, MOF and MOE should be in charge of the implementation targets of the subsidy. Eighthly, MOF and MOE should timely carry out monitoring and inspection as well as performance evaluation on the use of fiscal fund by local governments.

11. MOF published the trial reform measures of funding support to the decoupling of industrial associations and chambers of commerce

On October 27, MOF published the trial reform measures of funding support to the decoupling of industrial associations and chambers of commerce, which provides the following. Firstly, the previous way of direct fiscal allocation to industrial associations and chambers of commerce should be reformed in accordance with the *Overall Plan of the Decoupling of Industrial Associations and Chambers of Commerce with Administrative Organizations* and the principal of taking pilot first, promoting steadily, transforming measures and providing reasonable guarantee. Secondly, the central government will render certain support to the associations and chambers with fiscal budget support previously in a bid to steadily push forward the pilot and encourage the accelerated decoupling in line with the requirement of the *Overall Plan of the Decoupling of Industrial Associations and Chambers of Commerce with Administrative Organizations*. Thirdly, strengthening monitoring management and performance evaluation on the fiscal allocation to associations and chambers to earnestly enhance fund use efficiency.

12. MOF published the circular on promoting the pilot taxation policy to the demonstration zone for independent innovation nationwide

On October 29, MOF published the circular on promoting the pilot taxation policy to the independent innovation demonstration zone nationwide, which provides the following. Firstly, the corporate partners of the limited partnership venture capital companies can deduct 70% of investment amount in unlisted small and medium high-tech enterprises from the corresponding share of income tax payable of the limited partnership venture capital companies. Secondly, resident companies registered in the demonstration zone can enjoy preferential corporate tax if they transfer technology ownership of more than five years and of permissive use. Thirdly, the income tax for equity incentives given to technical and managerial employees hi-tech SMEs can be paid by installment within five years. Relevant documents should be filed at taxation authorities.

II . Facts & Figures

1. The profits of industrial enterprises above designated size declined by 1.9% year on year from January to August

The data published by the National Bureau of Statistics (NBS) on September 23 shows that

from January to August, the profits of industrial enterprises above designated size achieved 3,766.27 billion RMB, a year on year decrease of 1.9%, and the pace of decline expanded by 0.9 percentage point over the first seven months of 2015. From January to August, the profits of mining and quarrying gained 190.15 billion RMB, decreased by 57.3% year on year; the profits of manufacturing were 3,216.13 billion RMB, an increase of 4.5%; the profits of production and distribution of electricity, gas and water reached 359.99 billion RMB, up by 13.1%. In August, the profits of industrial enterprises above designated size achieved 448.11 billion RMB, a year on year decrease of 8.8%, and the pace of decline expanded by 5.9 percentage points over July. By the end of August, the total assets of industrial enterprises above designated size was 96,155.36 billion RMB, increased by 7.5% year on year; the total liabilities reached 54,784.79 billion RMB, increased by 5.8%; the total owners' equity was 41,370.57 billion RMB, increased by 10%.

2. The central government allocated 5 billion RMB of special fund for cultural sector development

The data released by MOF on September 30 shows that MOF recently allocated 5 billion RMB of special fund for cultural sector development in 2015 to support 850 projects, an increase of 6.25% year on year. As of now, an accumulative 24.2 billion RMB has been allocated as special fund for the development of cultural sector to support

more than 4100 projects, forcefully supporting the reform of cultural system and the development of cultural sector.

3. China's PMI was 49.8% in September

The data published by NBS on October 1 shows that in September 2015, China's manufacturing Purchasing Managers Index (PMI) was 49.8%, a modest increase of 0.1 percentage point over the last month. In breakdown, the PMI of large-sized enterprises was 51.1%, increased by 1.2 percentage points month on month; that of medium-sized and small-sized enterprises were 48.5% and 46.8% respectively, both decreased by 1.3 percentage points month on month. Production index was 52.3%, an increase of 0.6 percentage point month on month. New orders index was 50.2%, increased by 0.5 percentage point month on month. Employed person index was 47.9%, remained at the same level month on month. Main raw materials inventory index was 47.5%, a decrease of 0.8 percentage point over the last month. Supplier delivery time index was 50.8%, increased by 0.2 percentage point month on month.

4. China's non-manufacturing PMI was 53.4% in September

The data published by NBS on October 1 shows that in September 2015, non-manufacturing Purchasing Managers Index was 53.4%, same as the last month. New orders index was 50.2%, up by 0.6 percentage

point over the previous month. Input price index was 50.8%, up by 1.2 percentage points over the last month. The sales price index was 47.9%, 0.1 percentage point higher over the last month. Employed person index was 49.5%, remained at the same level over the previous month. Business activities expectation index was 60%, up by 0.3 percentage point over the last month.

5. The central government allocated 11.124 billion RMB of subsidy to public hospital reform

The data published by MOF on October 8 shows that in order to support public hospital reform, the central government allocated 11.124 billion RMB of subsidy. Firstly, 5.931 billion RMB will be allocated based on the standard of 3 million RMB per county. Secondly, 1.32 billion RMB will be allocated based on the standard of 20 million RMB per pilot city. Thirdly, 273 million RMB will be allocated to districts of 100 pilot cities based on the standard of 1 million RMB per district. Fourthly, 3.6 billion RMB will be allocated to subsidize the standardized training to resident doctors based on the standard of 30,000 RMB per person. Furthermore, in a bid to support the public hospital reform of local governments in 2016, the central government recently allocated 9.804 billion RMB of subsidy for 2016 ahead of time.

6. China's CPI in September increased by 1.6%

The data released by NBS on October 14 shows that China's CPI in September increased by 1.6%, specifically, it rose by 1.6% in urban area and 1.5% in rural area; went up by 2.7% for food and 1% for non-food; and edged up by 1.4% for consumer goods and 2.1% for services. The average increase of CPI from January to September is 1.4%. In September, CPI increased by 0.1% month on month, specifically, it rose by 0.1% in urban area and 0.1% in rural area; fell by 0.1% for food and rose by 0.2% for non-food; stayed flat for consumer goods and rose by 0.3% for services.

7. China's PPI in September fell by 5.9% year on year

The data released by NBS on October 14 shows that China's PPI in September fell by 0.4% month on month, down by 5.9% year on year. IPI dropped by 0.6%, down by 6.8% year on year. The average PPI fell by 5% year on year and the average IPI decreased by 5.9% year on year from January to September, specifically, PPI fell by 21.2% for the extractive industry, 11.4% for the raw material industry, and 4.8% for the process industry; it stayed flat for the food, rose by 0.8% for the apparel, and dropped by 1% for the daily necessities and 0.6% for the durable consumer goods.

8. China's financial statistics in the first three quarters of 2015

The data released by People's Bank of China on October 15 shows that in late September, M2 balance

was 135.98 trillion RMB, up by 13.1% year on year; M1 balance was 36.44 trillion RMB, up by 11.4% year on year; M0 balance was 6.1 trillion RMB, up by 3.7% year on year. From Q1 to Q3, RMB loans increased by 9.9 trillion RMB, foreign currency loans went up by 3.8 billion USD. In late September, the balance of RMB and foreign currency loans was 97.76 trillion RMB, up by 14.5% year on year; the balance of RMB loans was 92.13 trillion RMB, up by 15.4% year on year; the balance of foreign currency loans was 884.3 billion USD, down by 1.6% year on year. From Q1 to Q3, RMB deposits increased by 13 trillion RMB, foreign currency deposits went up by 41.7 billion USD. In late September, the balance of RMB and foreign currency loans was 137.88 trillion RMB, up by 12.4% year on year; the balance of RMB deposits was 133.73 trillion RMB, up by 12.6% year on year; and the balance of foreign currency loans was 652.2 billion USD, up by 2.4% year on year. The balance of national foreign exchange reserve was 3.51 trillion USD.

9. Finance authorities of the central government disbursed 34.2 billion RMB of benefits and living allowances for disabled servicemen and their families

The data released by MOF on October 15 shows that the finance authorities of the central government has disbursed 1.9 billion RMB of top-up funds after the adjustment of the standards of benefits and living allowances for disabled servicemen and their families. As of now, a total of 34.2 billion RMB of

such benefits and allowances have been disbursed, and 19.2 billion RMB of such funds for 2016 has been disbursed in advance. The standards of benefits and allowances for disabled servicemen and their families have been adjusted for 11 consecutive years, covering 8.94 million disabled servicemen and their families and 125,000 elderly party members.

10. Fiscal revenue and expenditure in September

According to statistics released by MOF on October 19, in September, the national general public revenue was 1.0892 trillion RMB, increased by 9.4% year on year. Among the total revenue, the central government revenue was 484.4 billion RMB, an increase of 8.1%; the provincial revenue was 604.8 billion RMB, an increase of 10.6%. The tax revenue was 829.9 billion RMB, up by 3.6%. In September, the national general public expenditure was 1.7799 trillion RMB, an increase of 26.9%. Among the total expenditure, the central government expenditure was 190.1 billion RMB, down by 2.5%; the provincial expenditure was 1.5898 trillion RMB, up by 31.7%. From January to September, total national public revenue was 11.4412 trillion RMB, an increase of 7.6%; and the national public expenditure was 12.0663 trillion RMB, an increase of 16.4%.

11. Fixed asset investment grew by 10.3% year on year during the first nine months

According to the statistics released on October 19 by NBS, from January to September, the fixed asset investment totaled 39.4531 trillion RMB, registering a nominal growth of 10.3% year on year, though the growth rate was 0.6 percentage point lower than the first eight months. In terms of various industries, investment in the primary industry was 1.1007 trillion RMB over the first nine months, an increase of 27.4%; the secondary industry investment was 16.2189 trillion RMB, up by 8%; and the tertiary industry investment was 22.1335 trillion RMB, an increase of 11.2%. In terms of paid-in capital, the paid-in fixed assets investment from January to September was 41.7717 trillion RMB, an increase of 6.8% over the past year, and the growth pace was on par with that of the first eight months. Among the paid-in capital, the state budget funds grew by 20.5%, with the growth rate down by 0.6 percentage point; domestic loans fell by 4.4%, the declining pace narrowed by 0.9 percentage point; private financing saw an increase of 8.2%, with the growth rate down by 0.2 percentage point; foreign investment decreased by 26.2%, with the declining pace expanding by 0.5 percentage point; and other investment grew by 6.9%, with the growth pace picking up by 0.4 percentage point.

12. China's third quarter GDP grew by 6.9%

According to the data released on October 20 by NBS, China's third quarter GDP was 17.3595 trillion RMB, an increase of 6.9% compared with the same period of last year. The primary industry

output was 1.8085 trillion RMB, an increase of 4.1%; the output of the secondary industry was 6.9801 trillion RMB, an increase of 5.8%; and the tertiary industry output was 8.5709 trillion RMB, an increase of 8.6%. The GDP of the first three quarters totaled 48.7774 trillion RMB, an increase of 6.9%.

13. Economic performance of SOEs during the first nine months of the year

According to the data released on October 22 by MOF, from January to September, the total business revenue of the state-owned enterprises (SOEs) was 33.05717 trillion RMB, down by 6.1% compared with the same period of last year; the total operating costs were 32.14063 trillion RMB, down by 5.3%; and the total profit was 1.74285 trillion RMB, down by 8.2%. Tax payable by SOEs was 2.8044 trillion RMB, an increase of 0.2%. By the end of September, the total assets of SOEs was 117.11032 trillion RMB, an increase of 17.1%; the total liabilities were 77.68276 trillion RMB, up by 19.2%; and the total equity was 39.42756 trillion RMB, an increase of 13.1%.

14. The profits of industrial enterprises above designated size went down by 1.7% year on year from January to September

The data published by NBS on October

27 shows that from January to September, the profits of industrial enterprises above designated size achieved 4,303.24 billion RMB, a year on year decrease of 1.7%, and the pace of decline narrowed by 0.2 percentage point over the first eight months of 2015. From January to September, the profits of state-holding industrial enterprises above designated size gained 833.96 billion RMB, decreased by 24.4% year on year; the profits of collective-owned enterprises reached 34.42 billion RMB, an decrease of 1.5%; the profits of joint-stock enterprises stood at 2,885.08 billion RMB, down by 1.1%; the profits of foreign-funded enterprises, and enterprises funded from Hong Kong, Macao and Taiwan achieved 1,068.4 billion RMB, increased by 0.2%; and that of private enterprises gained 1,529.77 billion RMB, an increase of 7.1%. By the end of September, the total assets of industrial enterprises above designated size were 97,129.07 billion RMB, increased by 7.3% year on year; the total liabilities reached 55,191.44 billion RMB, increased by 5.4%; the total owners' equity was 41,937.63 billion RMB, increased by 9.9%.

15. Contracts of 21.4 billion RMB were signed in PPP projects promotion conference of Fujian Province

The data published by MOF on October 28 shows that PPP projects promotion conference

of Fujian Province was held in Beijing. The total investment volume of promoted projects reached more than 130 billion RMB, covering the sectors of transportation infrastructure, public utility, social welfare, regional development and tourism & entertainment. Among the projects, there were: 14 transportation projects, with the total investment of 63.4 billion RMB, including rail transits, high-speed roads, railway branches, city roads and bridges; 13 public utility projects, with the total investment of 16.2 billion RMB, including integrated pipelines, public parkings and sewage treatment; 13 public welfare projects, with the total investment of 7 billion RMB, including hospitals, education, emergency communications and public rental housing; 14 district development, with the total investment of 42.1 billion RMB, including the protection and rehabilitation of historic and cultural streets, the construction of logistics parks, and the development of parks for special purposes such as health, medicare and electronic information; 3 tourism and entertainment projects, with the total investment of 4.9 billion RMB.

16. China's social financing scale stock reached 134.7 trillion RMB by the end of September

The data published by People's Bank of China on October 28 shows that as of the end of September, the total social financing scale stock of China registered at 134.7 trillion RMB, an increase of 12.5% year on year. The RMB loan balance issued

to the real economy totaled 90.48 trillion RMB, an increase of 14% year on year. At the end of September, the share of RMB loan balance issued to the real economy to the social financing scale stock of the same period was 67.2%, 1 percentage point higher than last year; that of foreign loan balance was 2.5%, 0.5 percentage point lower than last year; that of entrust loan balance was 7.7%, an increase of 0.4 percentage point year on year; that of trust loan balance was 4%; that of undiscounted bank acceptance bill balance was 4.7%, 1.2 percentage points lower than last year; that of corporate bond balance was 10%, 0.7 percentage point higher than last year; that of domestic stock balance of non-financial enterprises was 3.2%, 0.1 percentage point higher than last year.

III .MOF Events

1. On September 21, Finance Minister Lou Jiwei met with Mr. Takehiko Nakao, President of the Asian Development Bank (ADB). The two sides exchanged views over China-ADB cooperation, China's fiscal situation, the fiscal and taxation system reform and the AIIB. Assistant Finance Minister Zou Jiayi attended the meeting.

2. On September 21, Vice Finance Minister Shi Yaobin met with Mr. Takehiko Nakao, President of the ADB. The two sides exchanged views over China-ADB cooperation among other issues.

3. On September 22-23, Assistant Finance Minister Zou Jiayi accompanied Mr. Takehiko Nakao, President of the ADB to visit ADB lending project in Hunan Province.

4. On October 8, Finance Minister Lou Jiwei attended the G20 Working Dinner held back to back with the World Bank/IMF Annual Meetings in Lima, Peru. Issues such as the state of global economy, international tax cooperation, financial regulatory reform and climate finance were discussed at the Working Dinner.

5. On October 8, Finance Minister Lou Jiwei attended the 15th China, Japan and Korea Finance Ministers and Central Bank Governors' Meeting. Issues such as the state of global economy, regional financial cooperation and G20 agenda of 2016 were discussed at the Meeting.

6. On October 8-10, on the sidelines of the 2015 World Bank/IMF Annual Meetings, Finance Minister Lou Jiwei met with Arun Jaitley, Finance Minister of India, Luis Vedegaray, Secretary of Finance and Public Credit of Mexico, Pierre

Gramegna, Finance Minister of Luxemburg, Anton Siluanov, Finance Minister of Russia, Axel Kicillof, Economy Minister of Argentina, Magdalena Andersson, Finance Minister of Sweden, Isabella Lovin, Minister for International Development Cooperation of Sweden, and Rodrigo Valdes, Finance Minister of Chile.

7. On October 10, Finance Minister Lou Jiwei attended and addressed at the 92nd Development Committee Meeting held by the World Bank and IMF in Lima, Peru.

8. On October 13, Vice Finance Minister Shi Yaobin and Luis Balduino, Secretary for International Affairs, Ministry of Finance of Brazil, co-chaired the 6th China-Brazil Economic and Financial Sub-committee Meeting.

9. On October 15, Assistant Finance Minister Zou Jiayi met with Kundapur Vaman Kamath, the President of the BRICS New Development Bank. The two sides discussed growth strategies of the Bank.

10. On October 19, Finance Minister Lou Jiwei attended the 2015 National Mass Entrepreneurship and Individual Innovation Week and delivered a speech in the summit forum.

11. On October 22, Mr. Zhou Qiangwu, Deputy Director General of the Asia-Pacific Finance and Development Center, met with Toshinao Nakagawa, member of the Japanese House of Representatives and the visiting Japanese Liberal Democratic Party Delegation. The two sides exchanged views on the macroeconomic situation in China and Japan as well as bilateral economic and trade cooperation.

12. On October 20, Vice Finance Minister Shi Yaobin attended and addressed at the 10th China-Korea Exchange Seminar on Taxation Policy in Haikou, Hainan Province.

13. On October 22, Finance Minister Lou Jiwei paid an on-site survey to Jiangsu province. During the survey, Minister Lou visited Suning Appliance (one commercial enterprise) and Jiangsu Industrial and Technology Research Institute and held the conversations to have in-depth knowledge about enterprises' production and operation, innovation and entrepreneurship and scientific system reform, and listened to the suggestions and opinions from enterprises and related government departments.

14. On October 23, Vice Finance Minister Shi Yaobin met with Tatsuo Yamasaki, former official of Japanese Finance Ministry. The two sides exchanged views on issues of common interest including China-Japan economic relationship,

economic and financial cooperation between the two countries and the economic situation of China and Japan.

15. On October 24, Vice Finance Minister Liu Kun attended and addressed at the Conference on Contiguous Remediation of Rural Environment Nationwide convened in Nanjing, Jiangsu Province.

16. On October 28, the Asia-Pacific Finance and Development Center hosted the International Seminar of “Developing a More Diversified Investment and Financing Mechanism for Greater Connectivity in the Asia-Pacific Region”. Vice Finance Minister Shi Yaobin attended and addressed at the opening ceremony of the meeting. The Vice President of the New Development Bank of BRICS countries, Mr. Vladimir Kazbekov delivered the keynote speech in the opening ceremony. More than 80 domestic government officials and experts, representatives of private sector and multilateral development institutions as well as foreign scholars attended the seminar.

IV. Local Finance

1. Finance authority of Guangxi Zhuang Autonomous Region took various measures to promote employment and entrepreneurship

According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on September 28, the finance authority has been providing policy support and employment service at multiple levels and through various channels to promote employment and entrepreneurship. Firstly, increasing fiscal input to provide funding guarantee to employment and entrepreneurship. The authority has made vigorous efforts to raise special fund for employment, implement employment subsidy policies and strive for the fiscal subsidy from the central government. Secondly, improving policy and perfecting policy systems to formulate supportive policy to business start-up of migrant workers and optimize the finance discount policy of guarantee loan for migrant workers in Guangxi. Thirdly, facilitating equalization of public service and enhancing grass-root capacity building of public employment service. 48 million RMB

has been raised to advance the full coverage of employment and social security service facilities in counties and towns. Fourthly, boosting fund use performance to ensure the fully execution of policies. The authority has been further innovating management model on fund performance to couple evaluation results with fund allocation.

2. Finance authority of Yunnan Province earnestly adopts measures to achieve real outcomes on budget performance management

According to the news released by the Finance Department of Yunnan Province on September 29, the finance authority issued the *Interim Measures on Budget Performance Management at Yunnan Provincial Level* to promote budget performance management reform. Firstly, the provincial budget institutions are clearly defined as the main body of budget performance management. The relevant system and working mechanism should be established and improved. Secondly, while formulating departmental budget, the provincial budget institutions should set up performance targets of execution, total departmental expenditure and medium-to-long term plan. Thirdly, provincial budget institutions should trace and evaluate the accomplishment of performance targets. Fourthly, Finance Department and budget institutions should timely report the management results to the provincial government and strictly manage budget based on evaluation results. Fifthly, actively cooperating

with relevant departments to investigate responsibilities of rules violation and annually evaluate the management of department budget performance.

3. Finance authorities of Zhejiang Province made strides in promoting government-supported insurance schemes

According to the news published by the Finance Department of Zhejiang Province on October 12, in recent years, finance authorities of Zhejiang have been studying and implementing tax incentives to boost the development of insurance industry. (1) Stepping up the policy guidance and support. The provincial government has introduced governmental rules and regulations on agricultural insurance and completed the drafting of policy guidelines on disaster risk insurance programs. (2) Accelerating the development of agriculture-related insurance. Zhejiang has raised government subsidies on the premiums of agricultural insurance and created a distinctive model of agricultural insurance for high-risk areas featuring better operability, improved product terms and broader coverage. (3) Promoting the growth of insurance-related enterprises. As of late June, 2015, Zhejiang has deployed 57.23 billion RMB of insurance funds for 24 debt investment plans, and has extended the micro loan guarantee and insurance program across the province. (4) Innovating the social

function of insurance. Liability insurance for special equipment safety, accidental injury insurance for elderly people and other types of insurances have also been included in the government-supported insurance schemes.

4. Finance Department of Fujian Province proposed eight policy measures to stabilize growth and restructure the economy

According to the news published by the Finance Department of Fujian Province on October 13, eight policy measures have been proposed to stabilize growth and restructure the economy. (1) Implementing all the fiscal and tax policies that are conducive to stable growth and economic restructuring. More efforts will be put in explaining those policies to help businesses better use them. (2) Accelerating the application of PPP. (3) Giving full play to the Provincial Industry Equity Investment Fund and the sub-funds in 7 relevant areas and urging the trustees to select, as soon as possible, sub-fund management companies and to tap private funds. (4) Making effective use of “dormant” fiscal funds in all areas, consolidating the scattered resources and boosting the supply of funds. (5) Enhancing the dynamic monitoring of budget execution. (6) Reforming and improving the sub-provincial transfer payment system. (7) Making preparation for expanding the scope of VAT reform. (8) Strengthening the regulation and management of government debts.

5. Finance authority of Anhui Province took effective measures to make good use of in-stock fiscal resources

According to the news released on October 19 by the Finance Department of Anhui Province, the local finance authority has taken effective measures this year to make good use of in-stock fiscal resources. First, actions were taken to improve the management mechanism for the in-stock capital. The local government took differentiated and targeted measures to put in-stock capital into effective use, and standardized the management procedure. Second, efforts were made to make good use of the in-stock capital. Fiscal funds which were in the treasury account, special account and departmental account were put under strict scrutiny. Government agencies at various levels were required to make effective and prompt use of the funds. Third, the efficiency of budget implementation was enhanced. The Finance Department of Anhui Province has established and improved the mechanisms to analyze, implement and evaluate budget spending, which were conducive to more efficient and effective use of fiscal funds. Fourth, the fiscal authority has implemented 20 specific measures to make comprehensive use of fiscal funds, in a bid to optimize the allocation of fiscal resources.

6. Finance authorities of Shandong Province issued six measures to speed up fiscal spending

According to the news released on October 21 by the Finance Department of Shandong Province, six targeted measures are to be implemented to speed up fiscal spending in the Province. First, for projects approved in the budget at the beginning of the year but yet to be implemented, efforts are to be made to speed up the capital paid-in process to ensure timeliness and efficiency of the fiscal spending. Second, the budget spending of governmental funds is to be accelerated. The target is to reduce the size of carried-forward balance at the end of the year by 20% compared with the last year. Third, comprehensive examination and analysis is to be carried out for the carried-over surplus funds in the departmental budget, in a bid to accelerate budget spending. Fourth, the efforts to recycle the stock of fiscal funds are to be stepped up. Carried-over funds and balance over two years are to be strictly recycled. Fifth, mechanisms are to be established to ensure targeted use of transfer funds. Sixth, relevant incentives as well as notification and review system are to be established.

7. Shanxi Province took vigorous measures to foster high standard farmland for comprehensive development of agriculture

According to the news released by the Finance Department of Shanxi Province on October 26, in order to steadily implement various targets of comprehensive agricultural development in the

12th Five-year Plan period and ensure the good outcomes of projects, the provincial departments for comprehensive agricultural development adhere to 3 principals. Firstly, sticking to high standard and the overall target that farmland is leveling and fertile, water conservancy fertilization is equipped, field path is smooth, forest network is appropriate, science and technology are advanced and applicable and the yield is efficient and of high quality. Secondly, sticking to the principal of land conservation and reasonable utilization to foster the development of farmland infrastructure, the construction rate of which should be in line with relevant standard. Thirdly, sticking to explore new financing channels. While maintaining existing investment channels and scale, the provincial departments make strenuous efforts to explore new financing channels and encourage social forces and funds to invest in the construction and maintenance of high standard farmland.

8. Gansu Province makes coordinated efforts to promote comprehensive use of fiscal funds

According to the news released by the Finance Department of Gansu Province on October 28, in order to make fiscal fund play a role in stabilizing growth and adjusting structure, the provincial government has been: firstly, establishing a complete budget system that is coordinated and complementary. Secondly, promoting coordination of multi-year budget

and establishing multi-year budget balancing mechanism. Thirdly, enhancing coordinated management on budget formulation, including all departmental revenue in departmental budget and making overall plan for expenditure. Fourthly, stepping up coordination on budget execution. Fifthly, strengthening coordinated use of special-purpose fund and strictly controlling the scale of new special fund. Sixthly, reinforcing coordinated use of departmental project fund. Seventhly, coordinately using fiscal stock fund by continuously cleaning up stock fund. Eighthly, coordinately allocating stock debt fund and newly added stock fund.

V. Remarks & Opinions

1. Lou Jiwei: international community should work together to address the current challenges

Recently, Finance Minister Lou Jiwei said at the 92nd Development Committee Meeting that many developing countries are faced with both cyclical and structural challenges, which heightens the difficulty of realizing the 2030 SDGs and requires the joint efforts of international community to address them. The

World Bank should mobilize more resources for developing countries to promote their balanced economic, social and environmental development. It is important to not only increase support on infrastructure, agriculture and other areas directly related to economic growth, expand global aggregate demand, but also help developing countries to advance structural reform and raise potential growth rate. As the World Bank amends its safeguard policies, it should respect the laws and regulations of recipient countries, take into account their opinions, commit to provide highly efficient services to developing countries, and help them realize goals of poverty reduction and development. The key to the climate finance issue is that developed countries should fulfill their commitment of providing 100 billion USD per year to help developing countries combat climate change. China is vigorously advancing the ecological civilization, promoting green, low-carbon, climate-resilient and sustainable development, accelerating institutional innovation, enhancing policy action, and setting specific environmental targets for 2030. President Xi Jinping has announced that China will make available 20 billion RMB for setting up the China South-South Climate Cooperation Fund to help other developing countries cope with climate change, including to enhance their capacity to access GCF funds, which once again testifies to the responsible attitude of China in actively involving in the international cooperation of climate change.

2. Lou Jiwei: give active play to fiscal finance to promote entrepreneurship and innovation

Recently, Finance Minister Lou Jiwei attended the 2015 National Mass Entrepreneurship and Individual Innovation Week and delivered a speech in the summit forum. Minister Lou emphasized that under the backdrop of economic “new normal”, it is an important policy direction to encourage entrepreneurship and innovation by the general public to ensure steady economic growth, structural adjustment and people’s livelihood. Mass entrepreneurship and individual innovation is the key to strengthen the endogenous growth of the economy, boost innovation-driven growth, and enhance economic efficiency. The Ministry of Finance is committed, based on practical needs, to strengthening fiscal and tax policy support, and nurturing an enabling policy and institutional environment for the growth of small and micro enterprises (SMEs), in a bid to foster mass entrepreneurship and individual innovation. First, generous tax deductions for SMEs were implemented despite of heavy revenue pressure. Second, foster enabling environment for entrepreneurship and innovation by initiating showcase-city projects. Local governments were encouraged to explore additional and viable supporting models. The Ministry of Finance, together with the Ministry of Industry and Information Technology, the Ministry of Science and Technology, the Ministry of Commerce, and the State Administration for Industry and

Commerce, jointly launched the project of “showcase-city for small and micro enterprise entrepreneurship and innovation”. Third, the national SME development fund and guiding fund for entrepreneurship and investment in emerging industries were established to broaden financing channels for entrepreneurship and innovation. To address financing challenges faced by SMEs and increase their capital investment, after approval by the State Council, the central government provided 15 billion RMB of capital, which leveraged investment by enterprises, financial institutions and local governments, to establish a 60 billion RMB of National SME Development Fund. Fourth, fiscal policies were improved to better support employment and start-up business. Policies were implemented to combine innovation, start-up firms and job creation. Policy support was given to guarantee loans for start-up business. Small-sum guarantee loans were adjusted to guarantee loans for entrepreneurs.

3. Shi Yaobin: China adopted multiple measures to cope with economic downturn

Vice Finance Minister Shi Yaobin said in his recent speech that since last year, China’s economic performance has encountered many new pressures, which brought new challenges to stable growth. The Chinese government adopted active measures and made forceful decisions, all of which yielded sound outcomes, mainly including: continuously facilitated administration streamline

and power delegation, reformed administrative review, increased the supply of public products and services, promoted mass entrepreneurship and individual innovation, and enhanced dynamism of economic development; rolled out a series of targeted control measures such as cutting benchmark rate and interest rate, reducing tax and fees and stabilizing market in a bid to cope with downward pressure; supported the development of “Internet+”, smart manufacturing and the application of green and low-carbon products so as to build the upgraded version of China’s economy. In terms of taxation policy, the Chinese government has been further deepening the reform of taxation system, actively promoting taxation legislation, constantly implementing and improving taxation policy and giving full play to the role of macro-control of taxation to guarantee the sound and stable growth of economy. The major measures include: firstly, deepening reform to promote the establishment of the taxation system that is beneficial to scientific development, social justice and market integrity. Secondly, promoting statutory taxes and striving to improve law and regulation system of tax. The Chinese government clarifies the principal, timetable and steps of statutory taxes to accomplish legislation by 2020, which include the legislation on VAT, property tax and environmental protection tax. *Tax Administration Law* is to be amended. Thirdly, further playing the role of taxation for stabilizing growth, promoting reform, adjusting structure and benefiting people to implement targeted control. Regarding international tax cooperation, the

Chinese government has been deeply involved in global taxation government under the framework of G20 and playing a constructive role. As the host of G20 presidency next year, the Chinese government will continue to push all parties to consolidate current outcomes, support the establishment of a more inclusive, fair and transparent framework and encourage interested non-G20 members, in particular developing countries to fully and equally participate.

4. Gao Peiyong: fiscal and taxation reform in the “new normal” of China’s economy

Gao Peiyong, the President of National Academy of Economic Strategy, said in his recent article that past fiscal and taxation system reforms were often accompanied with high speed of economic growth. Given the huge space created by the fast economic development and fiscal revenue growth, fiscal and taxation system reform can be carried out in a relatively easy condition, thus reform targets were mainly approached or realized through the way of “increment adjustment”. The reform of 1994 and other ones with huge influence all happened in the period of fast growth. While the new round of reform was launched in the background that China’s economy has taken transitional changes and entered the “new normal”, which means that: firstly, with more than 30 years of high speed growth, the structure of industries and factors input that support China’s economic growth started to change, leading China’s

economy to shift from high speed of growth to medium-to-high speed of growth. Secondly, as the core of the economic structure adjustment is to address excessive production capacity, the enterprises have to be merged and reorganized and even exit from market. Thirdly, the remaining accumulative and spillover effects generated by the stimulus policy since 2008 have narrowed the space for macro-policy choice and control. Under the new circumstance of simultaneously dealing with the slowdown in economic growth, making difficult structural adjustments, and absorbing the effects of previous economic stimulus policies, fiscal and taxation system reform faces unprecedented tasks and challenges. First of all, the fiscal revenue is growing in a slower pace while expenditure is under heavier pressure because of painful structural adjustment. The reform should be undertaken in a more severe situation and the use of traditional incremental

adjustment is restrained. Secondly, not only the choice of fiscal policy is limited by factors such as digestion of the previous stimulus policies, but also the new macro-control mechanism and means adapting to the “new normal” of economy should be explored in the face of downward pressure. The fiscal and taxation system reform has to be promoted in the relatively tight macro-economy and it is more difficult to break through obstacles represented by vested interest groups. In addition, the rule of fiscal and taxation system in the transitional changing economy has not been fully understood, yet the transformation of economic development pattern and the maintenance of sustainable and sound economy urgently need new reform dividend. Therefore, the fiscal and taxation system reform has to be taken while the reform pressure is relatively huge and the reform tasks and targets are not easy to be fulfilled any more.