

I. Policy Update

1. The General Office of the Central Committee of CPC and the General Office of the State Council published the *Comprehensive Implementation Plan for Deepening Rural Reform*

On November 3, the General Office of the Central Committee of CPC and the General Office of the State Council published the *Comprehensive Implementation Plan for Deepening Rural Reform*. (1) Rolling out the pilot program for reforming rural land requisition, trading of collective construction land and rural residential land system. (2) Deepening the reform of rural land contracting and operating system. (3) Building a sound protection and compensation system for arable land, strictly enforcing the overall plan on land use, enhancing arable land protection, and designating the permanent farming land for special protection. (4) Pushing forward the certification of households' rights to rural collective assets and the reform of joint-stock cooperative system. (5) Deepening the forestry and water conservancy reform and adopting the strictest system for regulating forest land use. (6) Promoting the orderly transfer of land operating rights. (7) Modernizing agricultural operation by delivering convenient and innovative services to rural households. (8) Enhancing the oversight and risk prevention of farm land leasing by industrial

and commercial entities.

2. MOF issued the circular on improving the policy on extra deduction of R&D expenses before taxation

On November 3, the Ministry of Finance (MOF) issued the circular on improving the policy on extra deduction of R&D expenses before taxation. (1) In case of the R&D expenses that are actually incurred in the R&D activities of enterprises and do not constitute intangible assets which should be booked into the current profit or loss, such expenses shall be deducted from the taxable income for the current year at 50% of the actual amount incurred and on an actual basis as required; if intangible assets are constituted, such expenses shall be amortized at 150% of the costs of the intangible assets before tax. (2) The expenses arising from the R&D activities conducted by an external agency or individual that is entrusted by an enterprise shall be included in the R&D expenses of the enterprise at 80% of the actual amount incurred and be calculated and subject to extra deduction, and the entrusted party shall not apply the extra deduction again. (3) In case of the jointly developed projects, the actual R&D expenses borne by each party shall be separately calculated and deducted.

3. The Central Committee of CPC published the suggestions for setting the 13th Five Year Plan on national economic and social development

On November 4, the Central Committee of CPC published the suggestions for setting the 13th Five Year Plan on national economic and social development. (1) Nurturing new

engines of growth and boosting growth through consumption, investment and exports. (2) Exploring new development space, particularly in regional development, industry development, infrastructure, internet economy and blue economy. (3) Implementing the innovation-driven growth strategy, encouraging the government to provide better services to enterprises, making the enterprises the dominant player in fostering innovation and deepening the reform of scientific system. (4) Advancing the modernization of agriculture, maintaining stable contractual relations to rural land, deepening rural financial reform and improving agricultural insurance system. (5) Building a new industry system by strengthening the industrial sector, supporting the development of strategic emerging industries, implementing the intelligent manufacturing and accelerating the development of modern service sector. (6) Creating a new development system by reforming SOEs, fiscal and tax system, financial system, easing the market access of private businesses and improving the business environment.

4. The Executive Meeting of the State Council made plan on the implementation of the 5th Plenum and the setting of the 13th Five Year Plan

On November 4, Premier Li Keqiang chaired the Executive Meeting of the State Council. The following decisions are made on the meeting. (1) Spending special fiscal funds on priorities areas of the *Made in China 2025 Strategy* and on the technological upgrading of enterprises. (2) Accelerating the consolidation or market exit of “zombie firms” and helping SOEs resolve past

problems and improve efficiency. (3) Encouraging financial institutions to increase lending to profitable businesses with market potential and promoting the financial leasing of large-size manufacturing equipments and production lines. (4) Urging financial institutions to strengthen internal control and to build up the capacity of price-setting and risk management. (5) Enhancing the oversight of irrational pricing behavior and strengthening industry self-discipline and risk prevention. (6) Adopting the list management approach, where necessary, on some intermediary services and conducting joint assessment and review. (7) Promoting online review and approval and facilitating the connection among various online platforms.

5. MOF published the circular on the input tax credit of coal mining enterprises

On November 4, MOF published the circular on the input tax credit of coal mining enterprises: when coal mining enterprises procure tunnel auxiliary equipments and related taxable goods, labor and services for the purposes of tunnel construction and excavation other than tunnel development, or when coal mining enterprises procure taxable goods, labor and services for the purposes of tunnel backfill and ecological restoration of open-pit coal mines, the input VAT is allowed to be credited against the output tax.

6. The State Council issued guidance on accelerating the development of e-commerce in rural areas

On November 9, the State Council issued guidance on promoting the development of rural

e-commerce, which provides the following. First, local governments and businesses are encouraged to explore new models of rural e-commerce based on local conditions. Second, the e-commerce training program for millions of rural population is to be initiated, which is to provide training for farmers, rural cooperatives and government staff. Third, rural logistics system is to be improved by integrating multi-stations and service network. Fourth, improve the compensation mechanism for telecommunications service in rural areas, speed up rural information infrastructure development and expand broadband coverage. Fifth, encourage inter-connected development between village-level e-commerce service and rural financial service, in a bid to achieve complementary advantages, resource integration and higher efficiency.

7. The State Council issued guiding measures on strengthening and improving the supervision of state-owned assets in the private sector to prevent loss of state assets

On November 11, the State Council issued guiding measures on strengthening and improving the supervision of state-owned assets in the private sector to prevent loss of state assets. First, strengthen internal oversight of the business. The Board of Managers is to be put under stricter scrutiny and its operation should be standardized. More power is to be given to the Board of Supervisors, the democratic supervision by enterprises' employees, and grass-root Party units in the enterprises. Second, step up external supervision. The state-owned assets supervision mechanisms should be strengthened by more appointment of outsiders to the Board of Supervisors, better auditing and supervision

system for the SOEs and greater oversight by disciplinary inspection organization, all in a bid to establish efficient external oversight collaborative mechanisms. Third, ensure public supervision through greater information disclosure. Important information about the state assets and SOEs is to be published to invite public oversight. Fourth, enhance accountability for the supervision of state-owned assets. Illegal operation of SOEs is to be strictly held accountable and punished.

8. The Executive Meeting of the State Council deployed to promote industrial upgrading through consumption upgrading

On November 11, Premier Li Keqiang presided over the executive meeting of the State Council, which made the following decisions. First, accelerate the classification reform of the public education, health and culture institutions. Broaden the market access to those institutions by private capital, and gradually reduce restrictions for foreign investment. Second, enhance the level of standardization. Market players are to be subject to more stringent regulatory standards to ensure quality of consumer goods. A unified national credit information sharing platform is to be established. Third, increase tax and financial policy support for the development of consumer credit. The pilot program of consumer finance company is to be extended nationwide. Fourth, broaden the channels for imports of goods. The imports of popular daily consumer goods are to be increased, additional duty-free shops on the ports of entry are to be opened, and tax refund by foreign visitors upon departure is to be improved.

9. MOF issued the circular on further enhancing the management of the proportions of lottery funds

On November 16, MOF issued the circular on further enhancing the management of the proportions of lottery funds. (1) Strictly limiting the proportion of lottery prize. The proportion of lottery prize shall be set according to a certain payout ratio and be within the ceiling imposed by the State Council. (2) Ensuring the proportion of lottery welfare funds. The proportion of lottery welfare funds shall be reasonably determined in the lottery game rules and be kept at no less than 20%. (3) Controlling the proportion of lottery issuance expenses. The proportion of lottery issuance expenses shall be reasonably determined according to the types and features of lottery, the scale and the method of issuance. (4) Starting from January 1, 2016, with regard to the types of lottery that are approved by MOF and sold on market, the proportion of issuance expenses for the passive lottery and instant game should remain unchanged at 15%.

10. MOF published the *Guidelines on Comprehensively Developing the Agricultural Sector to Support Agricultural Industries with Local Advantages and to Promote Agricultural Industrialization*

On November 17, MOF published the *Guidelines on Comprehensively Developing the Agricultural Sector to Support Agricultural Industries with Local Advantages and to Promote Agricultural Industrialization*. (1) Enabling fiscal funds to direct and mobilize financial capital and private capital to form a diversified supportive system

featuring subsidized loans, fiscal subsidies and government-financed equity investment fund. (2) The subsidized loans will mainly go to leading enterprises and farmer's cooperatives that are strong, large and have good demonstration effects. (3) Fiscal subsidies will mainly go to farmer's cooperatives, family farms, major crop growers and agricultural service providers. (4) Areas with ripe conditions will be encouraged and guided to provide support to agriculture by creating government-financed equity investment fund and guarantee fund for lending projects. (5) Local government will be encouraged to explore other supportive approaches that will spur the participation of private capital and strengthen the clusters of industries with local advantages.

11. MOF published the *Rules on Harmonizing the New and the Old General Budget Accounting Systems of Public Finance*

On November 17, MOF published the *Rules on Harmonizing the New and the Old General Budget Accounting Systems of Public Finance*. (1) The balance under the accounting titles of the old book will be transferred to the new book. If the deposit balance under the old title of "treasury deposit" is subject to treasury cash management, it will be transferred to the title of "deposit under treasury cash management"; otherwise it will be transferred to the title of "treasury deposit"; the balance of lending is transferred to the title of "lending", otherwise it is transferred to the title of "other receivables"; the balance under the old title of "securities" is transferred to the title of "securities"; the balance under the old title of "money in-transit" is transferred to the title of "money in-transit"; and the balance of "bonds

to be issued” under the old title is transferred to the title of “bonds to be issued”. (2) The items unaccounted in the old book will be shown on the new book. If the receivable re-lent loans financed by local government bonds and sovereign debts are not booked until December 31, 2015, they will be recognized in the opening balance under relevant titles on the new book; if the payable short-term and long-term government bonds are not booked until December 31, 2015, those borrowings will be recognized in the opening balance under relevant titles on the new book.

12. The State Council plans to accelerate the technological upgrading of businesses and to bring industries to the middle and high end

On November 18, Premier Li Keqiang chaired the Executive Meeting of the State Council to plan the move of accelerating the technological upgrading of businesses and bringing industries to the middle and high end. The following decisions are made on the meeting. (1) The guiding catalogue on the technological upgrading of industrial enterprises will be published and the annual guiding plan on such key programs will be drawn up to direct the flow of private capital and spur enterprises to proactively upgrade themselves to better meet market demands. (2) The initial procedures will be streamlined and parallel and serial approval be promoted to accelerate program implementation; the management model of requiring qualified programs that do not entail new construction land to simply file the program records will be explored and disseminated. (3) More efforts will be made to roll out supportive fiscal and tax policies and innovate the way of using central

governments’ funds for technological upgrading to raise the effectiveness of fund use and encourage funds from local governments for this endeavor. Better financial services will also be provided and the incentive mechanisms like financing guarantee and risk compensation will be improved.

13. The State Council issued a notice to implement zero tariff to 97% tariff items from the Union of Comoros and seven other least developed countries

On November 24, the Customs Tariff Commission of the State Council issued a notice to implement zero tariff to 97% tariff items from the Union of Comoros and seven other least developed countries (LDCs). The implementation arrangement was reviewed and endorsed by the third plenary session of the Commission, and approved by the State Council. According to the latest exchange of letters, starting from December 10, 2015, China implements zero tariff to 97% tariff items originated from the Union of Comoros, the Islamic Republic of Mauritania, the Republic of Togo, the Republic of Liberia, the Republic of Rwanda, the Republic of Angola, the Republic of Zambia, and the Federal Democratic Republic of Nepal, all together eight LDCs. The determination of the 97% tariff free items is based on the Annex 6 of the “Notice on 2015 Tariff Implementation Plans by the Customs Tariff Commission of the State Council”.

14. The State Council issued guidance on promoting new types of consumption to provide new source of growth for the economy

On November 24, the State Council issued guidance on promoting new types of consumption to provide new source of growth for the economy. First, identify key areas and direction of consumption upgrading. Priority areas include consumer services, information consumption, green consumption, fashion business, quality consumption, rural consumption, etc. Second, accelerate institutional innovation in key areas. Efforts are to be made to accelerate the development of a unified national market, expand the market access for domestic and foreign businesses in the services sector, strengthen institutional safeguards to boost the growth of emerging industries, and push forward relevant reforms of urbanization. Third, optimize the overall consumption environment. Measures are to be taken to raise the level of standardization, improve quality supervision, enhance market credibility, improve consumer protection mechanisms, strengthen infrastructure network support, expand rural consumer market, and actively explore international consumer market. Fourth, optimize policy support system. The government is to strengthen fiscal support to encourage innovation of financial products and services. Actions are to be taken to optimize the structure of government investment, improve the land policy, foster innovative human resources policy, and develop sound environmental policy.

15. MOF issued a circular on the reform of budgetary allocation system of universities that directly affiliated to the central government

On November 25, MOF issued a circular on

the reform of budgetary allocation system for universities that directly affiliated to the central government. First, the basic expenditure system is to be improved. On the basis of the current budget per student, gradually establish a mechanism to ensure relatively stable budget per student for university undergraduates. Second, the expenditure system is to be restructured. The new system is to include earmarked funds for improving the basic conditions of the campus and for advancing educational reforms. Third, classification reform of the universities is to be accelerated. Categorized management and differentiated evaluation system are to be introduced. Universities are to be structured and positioned properly to avoid homogenization. Fourth, a standardized and dynamic tuition setting mechanism is to be introduced to improve cost-sharing and investment diversification of the universities. Public donations and inputs from various government agencies including local governments, industrial associations and enterprises are encouraged to support the reform and development of the universities.

II. Facts & Figures

1. China's manufacturing PMI in October was 49.8%

The data published by the National Bureau of Statistics (NBS) on November 1 shows that China's manufacturing PMI in October was

49.8%, which was the same as September. In a breakdown of enterprise size, PMI was 51% for large-sized ones, down by 0.1 percentage point month on month; 48.7% for medium-sized ones, up by 0.2 percentage point month on month; and 46.6% for small-sized ones, down by 0.2 percentage point month on month. In specific terms, the production index was 52.2%, down by 0.1 percentage point month on month; the new order index was 50.3%, up by 0.1 percentage point month on month; the employee index was 47.8%, down by 0.1 percentage point month on month; the raw material inventory index was 47.2%, down by 0.3 percentage point month on month; and the supplier delivery time index was 50.6%, down by 0.2 percentage point month on month.

2. China's non-manufacturing business activity index in October was 53.1%

The data published by NBS on November 1 shows that China's non-manufacturing business activity index in October was 53.1%, which was down by 0.3 percentage point from September but still remained within the expansion range. The index was 52.3% for service sector, down by 0.7 percentage point month on month; and was 57.1% for the construction industry, up by 1.9 percentage points month on month.

3. China's lottery sales in September

According to the data released on November 11 by MOF, lottery sales in September totaled 29.078 billion yuan, down by 3.174 billion yuan compared with the same period of last year, a decrease of 9.8%. Among the total sale, the

welfare lottery sales was 15.5 billion yuan, down by 1.97 billion yuan, a 11.3% drop. The sports lottery sales was 13.578 billion yuan, down by 1.204 billion yuan, decreasing by 8.1%. From January to September, the national total lottery sales was 271.899 billion yuan, down by 7.508 billion yuan compared with the same period of last year, shrinking by 2.7%. Among the total sales, the welfare lottery sales was 148.944 billion yuan, down by 1.488 billion yuan, a drop of 1%. The sports lottery sales totaled 122.955 billion yuan, down by 6.02 billion yuan, decreasing by 4.7%.

4. Fiscal balance in October

According to the data released on November 12 by MOF, in October, the general public revenue was 1.4435 trillion yuan, an increase of 8.7%. Among them, the central level revenue was 723.8 billion yuan, an increase of 8.6%. The local level revenue was 719.7 billion yuan, up by 8.8%. Among the total general income, tax revenue accounted for 1.2023 trillion yuan, an increase of 1.8%. The national public expenditures was 1.3491 trillion yuan, up by 36.1% compared with last year. Among them, the central level expenditure was 188.5 billion yuan, up by 16.8%. The local level expenditures was 1.1606 trillion yuan, an increase of 39.9%. From January to October, the national revenue from governmental funds was 3.0472 trillion yuan, down by 28.6% compared with the same period of last year. The national expenditure from the governmental funds was 2.899 trillion yuan, down by 19% year on year.

5. Final accounts of China's social insurance funds in 2014

The data released by MOF on November 16 shows that the revenue of China's social insurance funds totaled 4.0439 trillion RMB in 2014, up by 12.4% year on year; the expenditure totaled 3.3681 trillion RMB, up by 17.2% year on year; the balance of 2014 was 675.8 billion RMB and the cumulative balance at year end was 5.1635 trillion RMB. Specifically, the revenue of basic pension insurance for enterprise employees was 2.3273 trillion RMB, up by 11.9% year on year; the revenue of the basic pension insurance for urban and rural residents was 234.3 billion RMB, up by 7.8%; the revenue of the basic medical insurance of urban employees was 785.4 billion RMB, up by 14.3%; the revenue of the basic medical insurance of residents was 447.7 billion RMB, up by 14%; the revenue of the work injury insurance was 67.1 billion RMB, up by 13.7%; the revenue of the unemployment insurance was 138 billion RMB, up by 8%; and the revenue of the maternity insurance was 43.9 billion RMB, up by 21.3%.

6. MOF will issue 14 billion RMB of RMB-denominated government bonds in Hong Kong

The data released by MOF on November 16 shows that China plans to issue 28 billion RMB of RMB-denominated government bonds in Hong Kong in 2015. Of the 28 billion RMB bonds, 14 billion RMB has been issued on May 20, and the remaining 14 billion RMB will be issued in the week of November 23. Among the second batch of bond issuance, 2 billion will be sold to Hong Kong residents through placing banks and the platform of Hong Kong Exchange, and the remaining 12 billion RMB will be sold to institutional investors, foreign

central banks and regional monetary authorities through the Hong Kong Central Moneymarkets Unit (CMU).

7. Performance of SOEs from January to October

According to data released on November 20 by MOF, the total business revenue of SOEs was 36.79048 trillion yuan from January to October, down by 6.3% compared with the same period of last year; the total operating costs was 35.88007 trillion yuan, down by 5.4%. Among the total costs, spending on sales and financial management went up by 0.1% and 9.5% respectively, while the administrative expense dropped by 0.4%. The total profit was 1.88066 trillion yuan, down by 9.8%. Tax payable stood at 3.11749 trillion yuan, an increase of 0.8%. As of the end of October, the total assets of SOEs was 117.34756 trillion yuan, an increase of 16.8%; the total liabilities was 77.9163 trillion yuan, grew by 19%; and the total equity was 39.43126 trillion yuan, up by 12.9%.

8. The central government allocated 16.649 billion yuan of grants to support grassland ecological protection

According to news released on November 25 by MOF, in order to step up grassland ecological protection, the central government allocated fiscal funds as incentive grants in eight provinces and the Xinjiang Production and Construction Corps since 2011. In 2012, the policy expanded to cover all pastoral and semi-pastoral regions. In 2015, the central government further increased inputs by allocating 16.649 billion yuan of grants, an increase of 880 million yuan. The funds were

provided as subsidies for grazing ban, rewards for moderate and balanced grazing, incentives for advanced pasture seed, and subsidies for grassland production. Evaluation incentives were provided to encourage better husbandry development models in the grassland.

9. MOF successfully issued 12 billion yuan of treasury bonds in Hong Kong

According to the data released by MOF, MOF issued 10 billion yuan of treasury bonds to institutional investors through bid invitation on November 26. The issuance included 5 billion of 3-year bonds, 3 billion of 5-year bonds, one billion of 10-year bonds and one billion of 20-year bonds. The bidding rate was 3.29%, 3.4%, 3.31% and 4% respectively. MOF issued an additional 2 billion of 3-year treasury bonds to five foreign central banks and regional monetary authorities, with the interest rate on par with the bidding rate of the same maturity. Furthermore, MOF issued 2 billion of 2-year bonds with a coupon rate of 3.45% to Hong Kong residents, bringing the total issuance to 14 billion yuan.

10. The value-added output of cultural and related industries increased by 12.1% in 2014

According to the data released on November 26 by NBS, the value added by the cultural and related industries was 2.394 trillion yuan in 2014, an increase of 12.1% over the previous year, 3.9 percentage points higher than the nominal GDP growth rate during the same period. The cultural added value accounted for 3.76% of the GDP, 0.13 percentage point higher than last year. In terms of various sectors, the added value from cultural

manufacturing was 991.3 billion yuan, an increase of 8.2% over the previous year; cultural wholesale and retail generated 238.6 billion yuan, up by 11.2%; and the cultural services created 1.1641 trillion yuan, an increase of 15.9%. In terms of various activities, the added value from cultural production industry was 1.4671 trillion yuan, and that from culture-related products was 926.9 billion yuan.

11. Industrial enterprises above designated size saw a fall of 2% in total profit in the first ten months of the year

According to data released on November 27 by NBS, from January to October, industrial enterprises above designated size realized a total profit of 4.8666 trillion yuan, down by 2%, 0.3 percentage point higher than the declining rate of previous nine months. Among all the enterprises, the state-holding enterprises realized a total profit of 908.06 billion yuan, down by 25%; the profit from collective enterprises was 39.53 billion yuan, decreasing by 1.8%; and joint-stock enterprises generated a total profit of 3.26987 trillion yuan, a drop of 1.5%. In comparison, the profit from foreign and Hong Kong, Macao and Taiwan invested enterprises was 1.20829 trillion yuan, an increase of 0.3%; and there was a total profit of 1.7511 trillion yuan from private enterprises, an increase of 6.2%. As of late October, the total assets of the industrial enterprises above designated size was 98.24087 trillion yuan, an increase of 7.3%; the total liabilities was 55.76756 trillion yuan, up by 5.6%; and the total equity was 42.47331 trillion yuan, an increase of 9.6%.

III . MOF Events

1. On October 27, Assistant Finance Minister Zou Jiayi met with Mr. Hartwig Schafer, Vice President of the World Bank, and exchanged views on the World Bank's reform of environmental and social safeguard policies.

2. On November 3 and 4, Vice Finance Minister Shi Yaobin and Mr. Andin Hadiyanto, Chief Negotiator of Indonesia, co-chaired the 8th Chief Negotiators' Meeting on Establishing the AIIB in Jakarta, Indonesia.

3. On November 6, Assistant Finance Minister Zou Jiayi met with the council members and delegates of the Council of CAREC Institute, who have come for the special consultation and the third council meeting. They exchanged views on how to determine the legal status of the Institute as an intergovernmental organization, and the operation and development of the Institute after its establishment.

4. On November 6, Vice Finance Minister Liu Kun attended the video conference on the

adjustment of petroleum subsidies for the national bus system, and delivered a speech.

5. On November 9-13, Vice Finance Minister Yu Weiping attended the opening ceremony of the Sixth South-South Learning Forum in Beijing, and delivered a speech which was titled "facing up to the challenges, optimizing the social security system, and actively promoting the development of social assistance system".

6. On November 10, Vice Finance Minister Zhu Guangyao attended the media briefing held by the Ministry of Foreign Affairs for domestic and foreign journalists, during which he gave briefings for the 10th G20 summit and the 23rd APEC leaders' informal meeting to be attended by President Xi Jinping.

7. On November 12 and 13, Vice Finance Minister Hu Jinglin attended and addressed the Symposium on the Work of National Comprehensive Rural Reform in Hebi, Henan Province.

8. On November 12 and 13, the 7th High Level Experience Sharing Program on the Leading Role of Think Tanks in Sustainable Development was held in Changsha, Hunan Province. Vice Finance Minister Shi Yaobin attended and addressed the opening ceremony. There were more than 90 participants at the Program, including officials

of the Ministry of Commerce, the State Council Leading Group Office of Poverty Alleviation and Development and the Hunan provincial government, the representatives from the governments and think tanks of Zimbabwe, Egypt and other 9 African countries, experts from the World Bank, UNDP and other international organizations, and scholars from Peking University and other domestic think tanks.

9. On November 20, Vice Finance Minister Yu Weiping attended a regular policy briefing held by the Information Office of the State Council, during which he introduced policy measures to further improve the financial safeguard mechanisms for urban and rural compulsory education, and took questions from the journalists.

IV. Local Finance

1. Guangdong Province steadily moved forward the reform of zero-based budgeting

According to the news released by the Finance Department of Guangdong Province on November 2, *the Rules for Implementing the Pilot Program of Zero-based Budget in the Provincial Departments in 2016* has been unveiled, which called for greater scope of the pilot program, improved zero-based budgeting process and stable enforcement

of zero-based budgeting. (1) In addition to the 6 pilot departments of 2015, 12 more departments will be added to the pilot program, increasing the total tally to 18. (2) The staffing quota and criteria of public servants including employees of public institutions will be further revised and improved. (3) The 2016 budget proposal of pilot departments will be verified according to their work plan and 3-year mid-term plan for 2016. (4) The performance target filing and review system will be fully put into place. (5) The proposed projects will undergo feasibility study and rigorous review, and be funded according to the order of priorities and the availability of resources. (6) Zero-based budgeting will be connected with medium-term fiscal plan and project pool reform, and all the project expenditure will be included into the management of project pipeline.

2. The Finance Department of Yunnan Province has created an internal communication and coordination mechanism to facilitate budget performance management

According to the news released by the Finance Department of Yunnan Province on November 3, to facilitate budget performance management, an internal communication and coordination mechanism has been created and internal working rules and procedures have been established. (1) Budget division is the leading division for the work of budget performance management, and is responsible for setting relevant policies, coordinating performance targets, tracking and assessing performance. (2) Funds management divisions will fully involve in, coordinate, guide and facilitate the budget performance management work. (3) Supervision and inspection division will

conduct procedural control on the compilation of provincial budget and supervise the procedures and key links. (4) Treasury division is responsible for providing data and information on the enforcement of budget performance management, and helps apply the results of performance assessment. (5) Budget review center will reexamine the departmental performance targets and their reports on performance tracking and self-assessment.

3. Fiscal authorities in Zhejiang Province gave staunch support for insurance programs and yielded remarkable results

According to the news released on November 10 by the Finance Department of Zhejiang Province, fiscal authorities in Zhejiang have given strong policy support to the development of insurance sector in recent years, by means of premium subsidy, risk compensation, tax credit, etc. First, policy support was instrumental. For the 17 policy insurance programs in Zhejiang, the provincial government has formulated governmental rules for agricultural insurance, which was the first in China. Second, measures were adopted to accelerate the development of agriculture insurance. During the first eight months in 2015, the fiscal authorities have provided 29.82 billion yuan of guarantee for 33 agricultural products, and offered 290 million yuan of compensation to 63,000 rural households. Insurance innovation was encouraged to support commercial insurance to participate in areas uncovered by policy insurance. Third, private investment in insurance was encouraged. As of the end of June 2015, there were 24 equity investment programs in insurance in the province

(including the city of Ningbo), with the total investment of 57.23 billion yuan. Fourth, social functions of insurance services were explored. Additional feature insurance products were tapped, such as equipment safety insurance, accident insurance for the elderly, rural micro-insurance programs, etc, in a bid to diversify the policy insurance products and expand the service coverage.

4. Kunming City adopted four measures to accelerate the introduction of PPP

According to the news released on November 12 by the Finance Department of Yunnan Province, the city of Kunming recently adopted four PPP related policy measures, covering PPP project management, budget management, government procurement and performance evaluation. First, the municipal PPP leading group is responsible for coordinating the overall arrangements and schedule of PPP projects in the city, and is to give guidance and assistance. The office of the leading group is set up in the municipal Finance Bureau. The responsibilities of Finance Bureau, NDRC Office, industrial regulators and project managers are clearly defined. Second, the budget parameters are set for PPP projects. There are clearly defined ceiling for total fiscal expenditure, budget arrangements and necessary adjustment. Third, the procurement procedure for the PPP projects is specified, including procurement models, pre-qualification, composition of assessment staff, assessment requirements, announcement of bidding results, project contract and so on. Fourth, performance evaluation is emphasized to ensure economic efficiency. Initiated PPP projects must have expected performance targets, which is to be

the main content of government procurement and relevant contracts.

5. Guangdong Province orderly moved forward the agenda of fiscal and tax reform

According to the news released by the Finance Department of Guangdong Province on November 18, Guangdong has been following a problem-oriented approach to deepen fiscal and tax reform and is orderly moving forward the reform agenda. (1) For the reform tasks led by Guangdong, it defined each accountable person at the division and department levels, created a regular practice of reporting and monitoring reform progress and put special emphasis on the items with undesirable outcomes. (2) It published the *Guidelines on Deepening the Reform of the Budget Management System* which further clarified the requirements, basic principles, major tasks and supportive measures of the budget reform. (3) It advanced the reform agenda in a comprehensive and coordinated way, for example, it published the *Guidelines on Further Improving the Management of State Capital Operation Budget* to better regulate the preparing, implementation and supervision of such budget at provincial level and drafted the *Plan on Implementing the Accrual-based Government Financial Reporting System* to guide cities and counties to expand their trial efforts.

6. Sichuan Province took innovative measures to enable financial funds to better support the real economy

According to the news released by the Finance Department of Sichuan Province on November

19, Sichuan is changing the way in which public finance supports development and has introduced a series of innovative fiscal measures. (1) For the financial institutions extending their first ever loan to enterprises with no borrowing records, the finance authorities will give them subsidies valued at 1% of the extended credit. (2) The finance authorities will support the locally incorporated banking financial institutions in Sichuan to issue special financial bonds to help boost micro businesses and agriculture. (3) The financial institutions will be encouraged to finance the projects invested by the Investment Guidance Fund for Industry Development. (4) City and county governments will be encouraged to provide risk subsidies to financial institutions that have incurred losses from their loans to innovative and emerging industries in their jurisdictions. (5) The originators that undertake asset securitization will be given a one-off subsidy valued at 0.5% of their financing, or no more than 5 million RMB.

7. Gansu Province sped up implementation of the PPP model

According to the news released on November 23 by the Finance Department of Gansu Province, the provincial authorities took PPP as an important policy tool to stabilize growth, adjust economic structure, and improve people's livelihood. By making active exploration and efforts, remarkable breakthroughs have been made. First, 38 supporting policy measures were adopted in seven priority areas. Projects with priority input from the government were identified to attract private capital. Second, to foster PPP development, efforts were made in administrative streamlining and decentralization, which improved government service and attracted more private investment.

Third, a unified and dynamic pool for PPP projects was established at the provincial level. The projects were reviewed for three times. The vetting process was rigorous and covered broad areas of public service and infrastructure. Fourth, a monitoring system was established with designated officials for demonstrative projects, regular reporting of project progress and tracking and accountability mechanism, which sped up the project implementation.

8. Tianjin Municipality further enhanced policy support for student loans and grants

According to the news released on November 26 by the Finance Bureau of Tianjin Municipality, the municipal bureau is to increase financial support to improve various sorts of student loans and grants. First, the national level student grants is to be increased. Starting from the spring semester of 2015, the national grants for students in secondary vocational schools and high schools is to be increased from 1,500 yuan per student to 2,000 yuan per student, so as to help students from financially challenged families to complete their studies. Second, policies for college student loans are to be improved. The procedures for student loans are further simplified, with all interests incurred during the study period being shouldered by fiscal subsidies. The loans is extended to a maximum period of 20 years, and grace period for paying off the principal is extended from 2 years to 3 years. Third, public information about student loan policies is to be improved. The accessibility of relevant information about governmental assistance for students is to be enhanced through more public disclosure, higher policy transparency and better services.

V. Remarks & Opinions

1. Lou Jiwei: shifting from “asset management” towards “capital management”

Recently, Finance Minister Lou Jiwei provided detailed explanation on the *Several Opinions on the Reform and Improvement of State-owned Asset Management System*. According to Minister Lou, the difficulty of state-owned asset management lies in how to properly handle the relationship between government and market so as to ensure power is not overused, underused or misused, which is also the key to reform and requires greater efforts of top-level design and prudent and orderly implementation. Since the 16th National Congress of CPC, China has created a state-owned asset management system in which the central and local governments, on behalf of the state, are expected to fulfill their duties as capital providers. However, there still exist some problems in the current state-owned asset management system. For example, the model of “managing personnel, business affairs and assets” is meddling in the administration of SOEs, resulting in murky relations between government and enterprises and impeding enterprises’ role as important market players; the state-owned asset supervision mechanism is not sufficiently sound and the loss of state-owned assets and violations of discipline and laws are conspicuous in some areas and enterprises; the structure of the state-

owned economy still needs to be improved and the efficiency of state-owned asset allocation remains low. In light of these problems, the third plenary session of the 18th central committee of CPC states that it is important to improve the state-owned asset management system, strengthen the regulation of state-owned assets by focusing on capital management, and reform the authorized operation system of state-owned assets. The problems of SOEs are actually the problems of the management system. Reforming and improving the state-owned asset management system is a significant component of SOE reform. To realize the transition from managing personnel, business affairs and assets towards managing capital, it is important to respect the law of market economy, truly establish SOEs as dominant market players, keep up with the changes in the modern and globalized market, adapt to the new normal of economic growth, strengthen the endogenous growth power and market vitality of the state-owned economy and better preserve and enhance the value of state-owned assets.

2. Lou Jiwei: vigorously implement the strategy of building a stronger nation through better human resources, and actively nurture the development of high-standard accounting personnel for the country

In a recently speech, Finance Minister Lou Jiwei said that the more developed an economy, the more important the accounting personnel. At present and in a foreseeable future, we should conscientiously implement the guidance by the CPC Central Committee and the State Council in financial and economic work, and improve the training for outstanding accounting personnel for

the country. First, the accounting personnel should serve economic development. We should value high quality personnel, based on the economic “New Normal”, and take serving economic and social development as the fundamental goal for the training of accounting personnel. Second, reform and innovation should be made in the HR mechanism. Further innovation should be made in the training, management, promotion and evaluation of the accounting personnel, especially for high standard ones. Training curriculum should be improved to emphasize management accounting. Third, we should have international perspective. While the Chinese economy is deeply integrated into the world, Chinese enterprises are going global and foreign investors are flooding in at the same time. Therefore, training of high standard accounting personnel should be based on national conditions and draw advanced concepts and methods from abroad. Fourth, the government should give guidance and make comprehensive arrangement. The national accounting training program should be used as an important platform, and the objective is to nurture a large number of excellent accounting personnel with international vision, optimized knowledge structure, rich practical experience, innovation ability and sound professional ethics.

3. Shi Yaobin: building a multilateral cooperation mechanism of think tanks

At the 7th High Level Experience Sharing Program on the Leading Role of Think Tanks in Sustainable Development on November 12, Vice Finance Minister Shi Yaobin said that think tanks have now emerged as a very important force for global development and cooperation. Against the

backdrop of sluggish global economic recovery and growing challenges of poverty reduction and development, the endeavor of working together to forge an alliance of think tanks on investing in Africa by leveraging development financial institutions like the World Bank and China Development Bank, mobilizing the rich intellectual resources of China and Africa, and enhancing the exchange and cooperation among think tanks will give strong impetus to the cause of common and sustainable development. Bilateral and multilateral development institutions, governments, enterprises and think tanks should be mobilized to build up consensus and work together so as to create an effective multilateral cooperation mechanism of think tanks and deliver solutions to promote investment in Africa, enhance the development capacity of Africa and foster a new type of partnership with Africa. Meanwhile, the think tanks should provide better consulting services for decision making to help make Africa's development more independent and effective; produce more reliable knowledge products in a faster way to extend strong intellectual support to practical cooperation with Africa; and effectively connect the development strategy of different countries.

4. Liu Shangxi: four “disconnections” need to be addressed to resolve the

downside risks of China's economy

Mr. Liu Shangxi, the head of the Research Institute for Fiscal Science, pointed out in one of his recent articles that to mitigate the downside risk of China's economy, the key is to promote structural reforms, which in turn relies on addressing four “disconnections”. First, the disconnection between production and consumption, which reflects the distortion between supply and demand. Second, the disconnection between the financial sector and the real economy. On one hand, the money supply is increasing; but on the other hand, interest rates are high, various local financing vehicles and SMEs are facing financing difficulties and high funding costs. The liquidity does not go to the real economy. Third, the disconnection between R&D and the economy. The input into R&D is huge, but it hasn't translated into proportionate economic growth. Fourth, the disconnection between education and the economy. The structural unemployment has become an increasingly prominent problem. The training of human resources does not fit well to the demand of the economy. If the four “disconnections” cannot be solved properly, the structural reform would fail to achieve substantive progress. Structural problems are not about respective proportions of various sectors or industries, but structural disconnections.