

CHINA FINANCE

MONTHLY 中国财政月度资讯

■ September, 2016 | 第 9 期



HIGHLIGHTS

- Finance Minister Lou Jiwei: inclusive growth and structural reforms
- On September 23, Finance Minister Lou Jiwei attended the ceremony of laying the foundation stone for AIIB headquarters in Beijing
- The State Council executive meeting made plans to address weaknesses in key areas and weak links
- MOF issued a circular on enhancing transparency of budget and final accounts for local governments
- China's fiscal revenue and expenditure in August

Brief Introduction to IEFI

The International Economics and Finance Institute (known as IEFI) is the think tank of the Ministry of Finance of China. It is devoted to financial and economic studies at home and abroad, and to the promotion of global and regional economic cooperation and integration.

The think tank provides policy recommendations to the top decision-makers of MOF and other government agencies of China. It communicates with other government agencies, international organizations, prestigious domestic and foreign think tanks, and other academic groups to strengthen knowledge cooperation, idea exchanges and experience sharing. It publishes research papers and organizes high-level forums and seminars.

IEFI is committed to be a world-class economic think tank.

Contents

- █ I . Policy Update
- █ II . Facts & Figures
- █ III . MOF Events
- █ IV . Local Finance
- █ V . Remarks & Opinions

I. Policy Update

1. MOF and other ministries jointly issued the *Guidance on Developing Leisure Agriculture*

On September 5, the Ministry of Finance (MOF) and other ministries jointly issued the *Guidance on Developing Leisure Agriculture*, which identified measures to: (1) encourage tailored development plans based on rural conditions and consolidation of various regulations; (2) encourage the development of rural leisure farms, rural hotels and featured inns; (3) support the construction of clusters of featured villages, parks and cooperatives of leisure agriculture, and improve service facilities; (4) support the poor households in developing leisure agriculture cooperatives, small farmhouses and picking gardens; (5) carry out general survey of agricultural heritages, strengthen dynamic supervision on identified agricultural heritages, and revive traditional Chinese craftsmanship; (6) strengthen efforts to protect traditional villages and houses by improving the protection and management mechanisms; and (7) put emphasis on building a series of leisure agriculture brands.

2. The State Council made plans to address weaknesses in key areas

and weak links

On September 5, Premier Li Keqiang chaired an executive meeting of the State Council, which identified measures to: (1) accelerate the implementation of overarching, fundamental and strategic projects outlined in the 13th Five-Year Plan, actively resolve excess capacity, and eliminate outdated production capacity; (2) further liberalize investment restrictions in infrastructure, and allow equal treatment in market access, professional accreditation and social security for private and public institutions in education, medical service, elderly care and other areas relating to people's livelihood; (3) adopt innovative approaches to make use of precipitated funds. The central budget is to increase investment in water conservation projects and urban waterlogging prevention facility, especially through PPP projects; (4) Adopt further measures to attract FDI, including rapid roll-out of experience learned in the FTA pilot, introduction of negative list for foreign investment and the policies to facilitate the shift of processing trade to the Midwest; (5) Adopt incentive and disincentive mechanisms in weakness areas.

3. MOF and the State Oceanic Administration jointly issued the *Circular on Fiscal Support for Demonstrative and Innovative Development of Marine Economy during the 13th Five-Year Plan Period*

On September 6, MOF and the State Oceanic Administration jointly issued the *Circular on Fiscal Support for Demonstrative and Innovative Development of Marine Economy during the 13th Five-Year Plan Period*. The two ministries will focus on shoring up weak links, fostering new development engines and nurturing regional comparative advantages in the marine industry. Measures will be taken in several selected cities to cultivate demonstrative and innovative development of marine economy, foster collaborative innovation in the industrial chain and cluster innovation in industrial incubators, support marine enterprises to make innovation in technology, management and business models, and encourage key industries to extend industrial chain and enhance core competitiveness. The objective is to, after several years of efforts, produce a number of internationally competitive niche products, and foster a number of leading and innovative enterprises, SMEs and industrial clusters in marine economy. With an advanced industrial structure and the shift to efficient and quality marine economy, we strive to build a healthy marine economy with balanced structure, speed, quality and efficiency in its development.

4. MOF issued a circular on the additional urban maintenance tax and education fees relating to remote and advance VAT payments

On September 6, MOF issued a circular on the

additional urban maintenance tax and education fees relating to remote and advance VAT payments. (1) When a taxpayer provides construction service, or sells or rents a real estate in a location other than his home residence, advance VAT payments should be made in the location where the construction service is provided or the real estate is located. The additional urban maintenance tax and education fees relating to the advance VAT should be calculated based on the amount payable, and be collected in the location where the service is provided or the transaction is occurred. (2) When advance VAT taxpayers declare the paid VAT at their resident location, the additional urban maintenance tax and education fees relating to the advance VAT should be calculated based on the amount actually paid, and be collected in the resident location.

5. MOF issued a circular on VAT, property tax, urban land-use tax incentives for heating providers

On September 7, MOF issued a circular on VAT, property tax, urban land-use tax incentives for heating providers. (1) From January 1, 2016 to the end of the heating season in 2018, the income of heating providers from residential heating services is exempt from VAT. (2) From January 1, 2016 to December 31, 2018, residential heating providers' plants or property used to generate the heating service are exempt from property tax and urban land-use tax, while the plants or property of the heating provider for other purposes

are subject to standard property tax and urban land-use tax.

6. MOF published the *Measures for Administering the Funds and Projects for National Comprehensive Development of Agriculture*

On September 9, MOF published the *Measures for Administering the Funds and Projects for National Comprehensive Development of Agriculture*. (1) The funds necessary for comprehensive agricultural development will be arranged by the central finance authorities in their annual budget in view of the related targets and tasks, while the matching fiscal resources from the local finance authorities shall also be in their annual budget. (2) The allocation of the central fiscal funds for comprehensive agricultural development will mainly follow the factor method. (3) Grants, subsidies, and other forms of support can be used to catalyze private capital for comprehensive agricultural development. (4) The National Office for Comprehensive Agricultural Development will determine the proportion of self-financing by considering the project nature and the recipients of support. (5) The funds for comprehensive agricultural development will prioritize land management projects. (6) The funds for comprehensive agricultural development shall be used for farmland irrigation and drainage, land leveling and soil improvement. (7) County governments are required to keep accounts of the funds for comprehensive agricultural development by following the regulations of the

centralized treasury payment system. (8) The surplus funds for comprehensive agricultural development shall be returned to the corresponding level of finance authorities as required.

7. MOF published a circular on the central fiscal support for the demonstration of innovative development of maritime economy during the 13th Five-Year Plan

On September 9, MOF published a circular on the central fiscal support for the demonstration of innovative development of maritime economy during the 13th Five-Year Plan. (1) The demonstration cities shall move forward innovation on multiple fronts such as technology, management and business model, and foster new drivers of industry development. (2) A combination of subsidized loans, rewards, and equity investment shall be used to support innovative industries and more funds shall be channeled to strategic and emerging industries in the maritime sector. (3) The work targets shall be quantified, verifiable and operable. (4) Trial and exploratory efforts shall be made and relevant experiences be summed up.

8. China will make tariff concession on 201 IT products as of September 15

According to the news released by MOF on September 14, China will make tariff concession

on 201 IT products as of September 15. These products cover 480 tariff numbers in Chinese tax code, including new generation of multi-component integrated circuits, touch screens, semi-conductors and their manufacturing equipments, audiovisual products, medical equipments and apparatus, and components and raw materials required for making IT products. The tariff cut is aimed at implementing the negotiation outcomes of the expansion of WTO Information Technology Agreement. On December 16, 2015, 24 participating parties, including China, jointly issued the *Ministerial Statement on the Expansion of Trade in Information Technology Products* in Nairobi, Kenya, and pledged to eliminate tariffs on 201 products.

4

9. MOF published a circular on the mid-term assessment of the Plan for Promoting High-standard Farmland and Comprehensive Development of Agriculture

On September 19, MOF published a circular on the mid-term assessment of the *Plan for Promoting High-standard Farmland and Comprehensive Development of Agriculture*. (1) The provinces that have completed the tasks set out in the Plan or are close to complete those tasks shall present relevant data and specify the focus of local agricultural development and the direction of fund use going forward. (2) The provinces that implement the Plan as scheduled shall sum up experiences and take stock of their existing problems. (3) The provinces

that implement the Plan behind schedule shall get to the bottom of the problems, pursue a problem-oriented approach, and take the initiative to work out the problems while taking into account the local circumstances.

10. The State Council published the *Interim Measures for Administering the Sharing of Government Information*

On September 20, the State Council published the *Interim Measures for Administering the Sharing of Government Information*. (1) The National Development and Reform Commission (NDRC) will be responsible for drafting the *Guidelines for Compiling the Catalogue of Government Information*. (2) All government agencies shall compile and maintain the catalogue of government information as required. (3) The government information falls into three types: unconditional sharing, conditional sharing, and prohibited sharing. (4) NDRC will oversee the establishment of a national platform for the sharing of government information as well as a nationwide system for this purpose. (5) The government agencies that use the shared information shall do so in accordance with their mandates. (6) The government agencies that supply the shared information shall timely maintain and update the information. (7) The government agencies that use the shared information shall do so in accordance with their mandates and by following the relevant laws and regulations, and strengthen due oversight throughout

this process.

11. MOF published a circular on the tax policy concerning the science and technology parks of national universities

On September 20, MOF published a circular on the tax policy concerning the science and technology parks of national universities. (1) From January 1, 2016 to December 31, 2018, the real estate and land that the eligible parks use by themselves or provide for the incubated firms free of charge or through rental shall be exempted from property tax and urban land use tax; from January 1 to April 30, 2016, the incomes from renting premises and buildings to the incubated firms or from providing incubation services for them shall be exempted from business tax; during the VAT reform, those incomes shall be exempted from VAT as well. (2) The incomes of the parks that meet the criteria of non-profit organization shall be eligible for preferential corporate income tax treatment according to the corporate income tax law and relevant tax policy.

12. MOF published a circular on improving the income tax policy concerning equity incentives and technology invested as capital stocks

On September 22, MOF published a circular on improving the income tax policy concerning equity incentives and technology invested as capital stocks. (1) Tax deferral can be applied to the stock options, equity options, restricted stocks and equity rewards of eligible non-public firms. (2) The stock options, restricted stocks and equity incentives of public firms are eligible for the extension of tax deadline. (3) Selected preferential tax policies can be applied to technology invested as capital stocks. (4) Individuals who obtain stocks (equities) from their employers below market fair price shall pay individual income tax if they fail to meet the criteria for tax deferral. (5) After individuals have obtained equities through equity incentives or technology invested as capital stocks, in case of non-public firms going public on domestic exchange, the prevailing tax regulations on restricted shares shall govern the disposal of tax-deferred equities. (6) The transfer of equities by individuals is regarded as eligible for the preferential policy of tax deferral. (7) During the period of holding the tax-deferred equities, the incomes from converting capital reserve into shares and from reinvesting those equities into non-monetary assets shall be liable for taxes.

5

13. MOF issued a circular on enhancing transparency of budget and final accounts for local governments

On September 24, MOF issued a circular on enhancing transparency of budget and final accounts

for local governments, which included requirements to: (1) further enhance accountability; (2) strengthen the guidance for and coordination of the disclosure; (3) improve the basic work related to disclosure; (4) improve relevant assessment and evaluation; (5) strengthen supervision and inspection; (6) take noncompliance accountable; (7) take corrective measures; (8) verify the implementation in 2016; and (9) make early arrangement for 2017.

14. MOF issued the *Implementation Plan on Differentiated Assessment for Various Types of Central Enterprises Based on Their Functions*

On September 27, MOF issued the *Implementation Plan on Differentiated Assessment for Various Types of Central Enterprises Based on Their Functions*, which stipulates the following. (1) For central enterprises with main business in areas of fully commercial competition, the assessment is to focus on the economic efficiency, capital return ratio and market competitiveness of the enterprises, and to urge the enterprises to raise operation efficiency and profitability. (2) For central enterprises in key industries and fields relating to national security and vital for national economy, or undertaking important and designated tasks, the assessment is to focus on their performance to serve national strategy, safeguard national security and economy, foster strategic industries, and complete major special tasks. (3) For central enterprises for public welfare, the assessment

is to focus on the quality of public products or services provided, cost control, operational efficiency and safeguarding capabilities.

15. MOF issued the *Measures on the Project Administration for the National Social Science Fund*

On September 28, MOF issued the *Measures on the Project Administration for the National Social Science Fund*, which provides the following. (1) Project expenses of the Fund refer to spendings incurred during project implementation which are related to the research and covered by the Fund. There are direct and indirect expenses. (2) The indirect expenses are under the management of the project organizer. (3) The project organizer should prepare fact-based budget, and explain the use of direct expense and the underlying rationale. (4) The project budget is to be submitted to and approved by the National Social Science Planning Office. The budgets rejected by the Office should be adjusted as required before re-submission. (5) Projects with joint-sponsors and requiring external allocation of funding should be separately listed in the project budget. The amount of externally allocated funding should be determined by the project organizer and its partner for the research project.

16. MOF issued the *Standard Accounting Treatment for Financial Operation Relating to Cutting*

Overcapacity and Excess Inventory, Deleveraging, Reducing Costs and Strengthening Pointes of Weakness

On September 28, MOF issued the *Standard Accounting Treatment for Financial Operation Relating to Cutting Overcapacity and Excess Inventory, Deleveraging, Reducing Costs and Strengthening Pointes of Weakness*, which provides the following. (1) When an enterprise acquires the control of a designated enterprise, it should be recorded as "long-term equity investment" in the debit entry, and "capital accumulation (capital premium)" in the credit entry, at the amount verified by regulatory authorities of state-owned assets, on the date of acquisition. (2) The acquiring enterprise is to prepare consolidated financial statements, including the balance sheet, income statement, cash flow statement and the statement of changes in owners' equity. (3) When an enterprise loses the control of a designated enterprise, it should be recorded as "long-term equity investment" in the credit entry, and "capital accumulation (capital premium)" in the debit entry, at the book-value of the long-term equity investment of the designated enterprises. (4) The consolidated financial statements should not cover the enterprise which has been taken over by other enterprises.

On September 29, MOF issued the *Measures on the Administration of Earmarked Funds for Inclusive Financing*, which provides the following. (1) The Fund is to provide certain incentives for qualified county-level financial institutions. (2) For the agriculture-related loans above annual growth of 13%, finance authorities may provide rewards of under 2% of the loan balance. (3) The incentives are to be disbursed in the following year and included as incomes of the county-level financial institutions. (4) The Fund is to provide subsidies for new types of rural financial institutions and financial or banking outlets in western regions. (5) The subsidies are to be disbursed in the following year, and included as incomes of the financial institutions. (6) In the eastern, middle and western regions, rural financial institutions (outlets) are eligible for the subsidies for certain period of time. (7) The Fund is to provide certain discount to qualified secured loans for start-up companies. (8) For secured loans for start-ups and small and micro businesses, the finance authority may offer interest discount according to national standards. (9) The Fund is to provide guarantee loans with discounted interest for start-ups initiated by individuals. The loan ceiling is 100,000 RMB, with the term of under 3 years.

II. Facts & Figures

17. MOF issued the *Measures on the Administration of Earmarked Funds for Inclusive Financing*

1. The central government allocated 333 million RMB of comprehensive

agricultural development funds to support new agricultural business entities to develop high-standard farmland

According to the data released on September 8 by MOF, the central government has disbursed the first batch of comprehensive agricultural development funds, totaling 333 million RMB, which was allocated to 216 new agricultural business entities in 23 provinces, to develop high-standard farmland. The funds have attracted 110 million RMB of self-financing and are expected to be used in developing 350,000 acres of high standard farmland.

2. China's imports and exports grew by 6% in August month on month

According to the data released on September 8 by the General Administration of Customs, China's imports and exports in August totaled 2.19599 trillion RMB. The month-on-month growth was 6%, and the year-on-year growth was 7.9%. The imports were 1.271008 trillion RMB, the month-on-month growth was 5.9%, on par with the year-on-year growth. The exports were 924.982 billion RMB, the month-on-month growth was 6.1%, and the year-on-year growth was 10.8%. In the first 8 months, the accumulated imports and exports amounted to 15.366027 trillion RMB.

3. The performance of Chinese SOEs from January to July

The data published by MOF on September 13 show that the operating incomes of SOEs totaled 24.88355 trillion RMB from January to July, up by 0.2% year on year, among which, the figure for central SOEs was 15.06883 trillion RMB, down by 0.9% year on year, and the figure for local SOEs was 9.81472 trillion RMB, up by 1.8% year on year. The operating costs of SOEs totaled 24.20461 trillion RMB, down by 2.3% year on year, among which, the figure for central SOEs was 14.44905 trillion RMB, down by 0.1% year on year, and the figure for local SOEs was 9.75556 trillion RMB, down by 5.4% year on year. The profits of SOEs totaled 1.3128 trillion RMB, down by 6.5% year on year, among which, the figure for central SOEs was 915.97 billion RMB, down by 9% year on year, and the figure for local SOEs was 396.83 billion RMB, down by 0.3% year on year. The payable taxes of SOEs totaled 2.11344 trillion RMB, down by 2% year on year, among which, the figure for central SOEs was 1.64169 trillion RMB, down by 3.2% year on year, and the figure for local SOEs was 471.75 billion RMB, up by 2.2% year on year. As of the end of July, the assets of SOEs totaled 126.51074 trillion RMB, up by 15.2% year on year; the liabilities totaled 83.74178 trillion RMB, up by 17.6% year on year; and the owners' equities totaled 42.76896 trillion RMB, up by 10.7% year on year.

4. China's fiscal revenue and expenditure in August

The data released by MOF on September 13 show that revenue under China's general public budget was 989.4 billion RMB in August, up by 1.7% year on year, among which, revenue at the central government level was 479.7 billion RMB, up by 2.5%; revenue at the local government level was 509.7 billion RMB, up by 1%; tax revenue was 768 billion RMB, up by 1.9% year on year. Expenditure under China's general public budget was 1.4187 trillion RMB in August, up by 10.3% year on year, among which, expenditure at the central government level was 216.5 billion RMB, up by 3.2%; expenditure at the local government level was 1.2022 trillion RMB, up by 11.7%.

5. China's lottery sales in July

The data released by MOF on September 21 show that nationwide lottery sales in July totaled 32.403 billion RMB, up by 5.356 billion RMB year on year, or 19.8%, among which, welfare lottery sales were 16.622 billion RMB, up by 1.045 billion RMB year on year, or 6.7%; sports lottery sales were 15.781 billion RMB, up by 4.31 billion RMB, or 37.6%. Cumulative nationwide lottery sales from January to July totaled 226.656 billion RMB, up by 11.931 billion RMB year on year, or 5.6%, among which, welfare lottery sales were 118.907 billion RMB, up by 486 million RMB, or 0.4%; sports lottery sales were 107.749 billion RMB, up by 11.445 billion RMB, or 11.9%.

6. China's electricity consumption and production continued to maintain rapid growth in August

The data published by NBS on September 19 show that China's electricity consumption in August increased by 8.3% year on year, up by 0.1 percentage point over July. From January to August, nationwide electricity consumption rose by 4.2% year on year, up by 0.6 percentage point over the comparable figure from January to July. In August, the electricity consumption of industrial firms went up by 4.8% year on year; the figure for urban and rural households increased by 19.9%; and the figure for the service industry climbed by 15.5%. The electricity consumption of major industrial firms rose by 7.8% year on year, up by 0.6 percentage point over July; from January to August, the electricity consumption of major industrial firms rose by 3%, up by 1 percentage point over the comparable figure from January to July.

7. MOF and the Ministry of Civil Affairs disbursed 220 million RMB from central budget for disaster relief

According to the news released on September 27 by MOF, MOF and the Ministry of Civil Affairs disbursed 220 million RMB from the central budget for natural disaster relief in Fujian and Zhejiang Province, mainly for emergency resettlement, living allowance, rehabilitation and condolences for the victims.

8. China's lottery sales in August

According to the data released on September 23 by MOF, the lottery sales in August totaled 31.012 billion RMB, an increase of 29.15 billion RMB or 10.4%. Among the total sales, welfare lottery sales were 158.89 billion RMB, an increase of 866 million RMB or 5.8%; sports lottery sales were 15.123 billion RMB, an increase of 2.049 billion yuan or 15.7%. From January to August, the total lottery sales were 257.667 billion RMB, an increase of 14.846 billion RMB or 6.1%. The welfare lottery sales contributed 134.796 billion RMB, an increase of 1.352 billion RMB or 1.0%; sports lottery sales were 122.871 billion RMB, an increase of 13.494 billion RMB or 12.3%.

Finance Minister Zhu Guangyao took questions from the domestic and foreign journalists on issues of China's hosting of the Hangzhou Summit, the global economic situation and the state of the Chinese economy.

3. On September 7, Vice Finance Minister Shi Yaobin attended the 2nd Investing in Africa Forum in Guangzhou and delivered a keynote speech. The Forum was co-organized by the provincial government of Guangdong, the China Development Bank and the World Bank. Around 300 domestic and foreign guests, including Vice Premier Ma Kai, South African President Zuma, Beninese President Talon, and the World Bank President Jim Yong Kim, attended the Forum.

4. On September 12 and 13, Vice Finance Minister Hu Jinglin made a field trip to Ji'an City, Jiangxi Province to investigate the consolidation of agriculture-related funds in poverty-stricken counties.

5. From September 11 to 14, the Delegation of Chinese Economic Experts, which was headed by Zhou Qiangwu, Director General of the International Economics and Finance Institute of MOF, and comprised of Zhao Jinping, Director General of the Research Department of Foreign Economic Relations of the Development Research Center of the State Council, Zhang Yuyan, Director General of the Institute of World Economics and Politics of Chinese Academy of Social Sciences(CASS), Bi Jiayao, Director General of the Institute for International Economic Research of NDRC, and Liu Shangxi,

III .MOF Events

1. On September 2, Vice Finance Minister Shi Yaobin attended the opening ceremony of the 8th Senior Seminar on Development Experience Sharing between China and Africa and the 7th China-IFAD South-South Cooperation Workshop, which were co-sponsored by MOF, the Ministry of Commerce, the Ministry of Agriculture, the State Council Poverty Alleviation Office, the World Bank, and IFAD. Vice Finance Minister Shi Yaobin addressed the event.

2. On September 2, on the occasion of the Press Conference of the G20 Hangzhou Summit, Vice

Director General of Chinese Academy of Fiscal Sciences(CAFS), visited Tokyo, Japan and met with the officials of Japanese House of Representatives, the Ministry of Foreign Affairs, the Ministry of Finance as well as representatives of the Japanese think tanks, media and industries. The delegation exchanged views over the macroeconomic situation and policy of China, the Belt and Road Initiative, China's monetary policy and fiscal and tax reform, and the outcomes of the G20 Hangzhou Summit.

6. On September 19, Vice Finance Minister Shi Yaobin attended the event that celebrated the 20th Anniversary of China-Israel Government Loans Cooperation and held talk with Michal Abadi-Boiangiu, the Accountant General of Israeli Finance Ministry, over issues such as strengthening bilateral financial cooperation and promoting PPP projects.

7. On September 20, Vice Finance Minister Zhu Guangyao met with the delegation of American journalists in Beijing.

8. On September 23, Mr. Lou Jiwei, Finance Minister, Mr. Wang Anshun, Mayor of Beijing and Mr. Jin Liqun, President of the AIIB attended the ceremony of laying the foundation stone for AIIB headquarters at the center of Olympic Park in Beijing.

9. On September 29, Mr. Shi Yaobin, Vice Finance Minister and Ms. Zhang Xiaohui, Assistant Governor of the People's Bank of China led the Chinese delegation to attend the 3th Finance Ministers and Central Bank Governors Meeting of the Shanghai

Cooperation Organization (SCO) in Bishkek, the capital of Kyrgyzstan.

IV. Local Finance

1. Dali City of Yunnan Province tapped the "Finance + X" model in poverty alleviation

According to the news released on September 5 by the Finance Department of Yunnan Province, finance authorities at various levels of Dali made use of the "Financial + X" model to expand financing channels for poverty alleviation and development. (1) In 2016, the municipal authority allocated 180 million RMB of poverty alleviation funds; the county authority consolidated various funds for agriculture-related projects, and the general administrative spending was cut by 5%. (2) The financial channels for poverty alleviation were diversified, with financial institutions playing a major role, the private sector as supplement, and the public finance as the backstop. (3) The PPP model was promoted in the public service sector in the poor areas, so as to give full play to market forces and engage the private sector. (4) A variety of specialized farmers' cooperatives were established to combine the operation of individual rural households. (5) The management of project funds for poverty alleviation was strengthened to ensure the safety and efficiency of the funds.

2. Changde City of Hunan Province promoted open government and "sunshine public finance"

According to the news released on September 8 by the Finance Department of Hunan Province, the finance authority of Changde made full efforts in making innovation in the forms and contents of information disclosure, including measures to: (1) prioritize financial information disclosure and online services, provide the online "menu" with more details, speed up administrative procedures and improve public services; (2) provide policy interpretation letters to respond to public concerns and guide public opinions, so as to enhance relevance, authority and timeliness of the policies; and (3) build a consolidated service platform for inquiries for wages, housing funds and disclosure requests.

3. Yan'an City of Shaanxi Province transitioned from input-based budget to performance-based budget

According to the news released by the Finance Department of Shaanxi Province on September 9, Yan'an City of Shaanxi has been pushing forward the budget management reform in recent years. (1) The performance-based budget management mechanism was established in 2013, and the scope of performance evaluation was expanded in 2014. (2) The notion of "promoting performance-oriented expenditure and holding underperformance accountable" was introduced, and great efforts were

made to establish a new mechanism for performance-based budget management in 2 years. (3) The Finance Bureau of Yan'an City enhanced the review of the budget items proposed by the project agencies. (4) The budget review was firstly focused on the alignment between the performance targets and the tasks and mandates of agencies, secondly on the soundness of performance targets and indicators, thirdly on the relevance and necessity of budget items, and finally on the determination of the budget amount. (5) The priority of fiscal supervision was shifted from compliance to performance. (6) Several workshops were organized by the Finance Bureau of Yan'an City to improve professional skills.

4. Finance authorities of Guangxi Zhuang Autonomous Region built a long-term mechanism for ecological and environmental protection

According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on September 12, the finance authorities of Guangxi have developed innovative polices to support ecological and environmental protection, which strongly boosted energy efficiency, environmental protection, and new energy development. (1) Fully consider the impact of cities' ecological and environmental protection on fiscal expenditure when disbursing the equalization payment, and step up support for ecological and environmental protection when making institutional design. (2) Make transfer payment to key ecological functional zones since

2009. (3) Establish and improve the ecological compensatory mechanism based on the principle of "beneficiaries pay and polluters pay". (4) Innovate investment and financing approaches and use PPP model to attract private capital for environmentally friendly projects. (5) Innovate approaches for allocating funds and introduce competition mechanism. (6) Improve relevant institutional arrangement to support new energy transportation.

5. Guangxi Zhuang Autonomous Region issued the *Guidelines on the Trial Program of Supporting Poor Counties to Make Consolidated Use of the Fiscal Funds Related to Agriculture*

According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region, it has recently issued the *Guidelines on the Trial Program of Supporting Poor Counties to Make Consolidated Use of the Fiscal Funds Related to Agriculture*. (1) The 33 counties (cities and districts) covered in the program in Guangxi and the central and local funds to be consolidated are specified so that each trial county can proceed with their work in a focused and targeted way. (2) The complex consolidation work is broken down to 7 major links, including the formulation of poverty reduction plan and the establishment of project pipelines. (3) The procedures and process of consolidation, which are key to the entire consolidation work, are further regulated and improved. (4) The role of each government agency in the consolidation of

those funds is well-defined and the leading agency is designated if there is overlap of mandates among agencies. (5) The oversight and accountability mechanisms are strengthened to ensure the safety of the funds to be consolidated.

6. Wuhan City, Hubei Province unveiled the plan on reforming the earmarked fiscal funds

According to the news released by the Finance Department of Hubei Province on September 20, the CPC committee and government of Wuhan City, Hubei Province have recently unveiled the *Plan on Reforming the City-level Earmarked Fiscal Funds for Supporting the Development of Industries and the Plan on Reforming the City-level Earmarked Fiscal Funds for Supporting Agricultural and Rural Development*. (1) Instead of the sole model of free and direct investment, a variety of models will be employed to use the earmarked funds, including using the funds to set up special fund and to provide rewards. (2) Different oversight approaches will be used in view of the different models of fund input. (3) The funds will be consolidated and a variety of operating models will be used to boost the development of industries, rural areas and agricultural sector and to upgrade the economy. (4) Better mechanisms for decision-making, coordination and division of labor will be put into place, the budget management will be strengthened, and the assessment and oversight will be enhanced.

7. Anhui Province established an information disclosure mechanism for agriculture-related funds

According to the news released on September 27 by the Finance Department of Anhui Province, the Department established an information disclosure mechanism for agriculture-related funds, which facilitated the implementation of pro-agricultural policies. (1) For subsidies, public notice is to be given at county, village and township levels for the name, use, and policy guidance of the subsidy funds. For construction-related funds, public notice is to be given at county, village and township levels for the project name, policy guideline and approval documents. (2) Public notice at the county level is to be made through official portals, the service hall and the media. In towns, the notice is to be made through the service hall and billboard. At villages, the notice is to be made through billboard and broadcast. (3) Designated phones and email are published to ensure whistle-blowers have channel to voice their concerns to relevant authorities.

8. Yibin City in Sichuan Province adopted five innovative measures in agricultural development to facilitate poverty reduction

According to the news released on September 28 by the Finance Department of Sichuan Province, the City of Yibin adopted five innovative measures in providing fiscal support for agricultural development. (1) Instead of traditional direct fiscal

input, the fiscal resource is injected in the form of market investment. By expanding agriculture-related financing, the efficiency of fiscal fund can be improved. (2) Instead of direct subsidy, industrial development fund and contingency bridging fund are established to facilitate local industries. (3) For construction projects supported by fiscal resources, the model of "building - leasing - purchase - transfer" is implemented. (4) By establishing the registered financing platform and venture fund, fiscal resources can be directly injected into government-supported guarantee platform. (5) Subsidies for discount loans provided to new types of agricultural businesses are enhanced, in order to reduce social financing costs.

V. Remarks and Opinions

1. Lou Jiwei: inclusive growth and structural reforms

Recently, Finance Minister Lou Jiwei attended the High-level International Symposium on New Approaches to Address Economic Challenges, which was jointly organized by MOF and the OECD, and delivered a speech. Minister Lou pointed out that the world economy was still in deep adjustment, the growth momentum was sluggish, and the impacts of non-economic factors such as terrorism and refugees became more evident. The development of major economies and their macro-policy orientation became

more differentiated, international financial market was unstable, commodity prices were hovering at low levels, and emerging economies were faced with increased risks and difficulties. In particular, the recent Brexit caused short-term shocks to the global finance, trade and capital flows. In the long term, EU breakup might become a new source of risks. The deeper roots of the growth challenge of the global economy lay in structural contradictions and problems. While countries differed in national conditions and stages of development, and their structural problems were different, but the international community have common consensus on recognizing the importance of promoting structural reforms and enhancing potential growth. Inclusive growth was related to equitable access, optimal efficiency, reasonable sharing and sustainable growth, and the key was to reduce or eliminate the unfairness in development opportunities. Inclusive growth required inclusive supporting mechanisms and structural reforms. We should use reform to break down the institutional obstacles, foster enabling and inclusive institutions for factor accumulation and technological innovation, which would facilitate free movement of labor, fair competition and the play of market forces. The key of structural reforms was to balance the relationship between government and market, give full play to the decisive role of market in resource allocation, and give better play to the role of government. Structural reforms were difficult processes as they involved complex interests and various risks, which required overall planning and rational prioritization of the timing and pace of structural reforms. Meanwhile, the relationship between macroeconomic policies and structural reforms also deserved attention. Some structural reforms might

have tightening effects in the short term, which should be accompanied by expansionary fiscal and monetary policy. The focus of structural reforms was on the supply side, while the demand side mainly relied on policy support. The supply-side structural reforms and demand-side policy should be effectively coordinated, which may pose problems, and countries may have various room to cop.

2. Shi Yaobin: expanding investment in African agriculture and promoting its sustainable development

At the Opening Ceremony of the 8th China-Africa High-level Experiences Sharing Program, or the China-IFAD Workshop on South-South Cooperation, Vice Finance Minister Shi Yaobin said that the economic cooperation between China and Africa has reached an unprecedented level. Agriculture and rural development have always been the key area of economic cooperation between China and Africa and received high attention from both sides. Enhanced investment cooperation is an important driver of agricultural development and serves the common interests of both sides. Shi offered 5 suggestions for stronger investment cooperation between China and Africa: (1) stay open and inclusive, pursue mutual benefits and win-win outcomes, uphold the spirit of openness and cooperation, respect and accommodate the reasonable concerns of all parties, leverage comparative advantages, and realize common development. (2) Allow businesses to play a major role with guidance from the government, strengthen coordination between Chinese and African countries'

governments, and foster a sound investment environment. (3) Enhance exchanges and interaction, and effectively connect investors with investment needs. (4) Promote synergies among international financial institutions such as the World Bank and IFAD to strengthen the "tripartite cooperation" in the area of investment and financing for African agriculture, explore models that promote partnership between private capital and government investment and boost agricultural and rural development in Africa. (5) Guard against potential risks when seizing investment opportunities, and expand agricultural investment cooperation between China and Africa while raising risk awareness to ensure the safety and efficiency of investment.

3. Liu Shangxi: PPP is a major initiative no less important than the market reform

In his recently published article, Liu Shangxi, Director General of the CAFS, said that PPP is another momentous reform no less important than the market reform. PPP will change the interest and risk structure of the entire society. The old approach means that government must tax more if it wants to build infrastructure and provide public services. But if public services can be jointly provided through the partnership between the public and private sectors rather than by the public sector alone, a new interest structure will emerge, so will the risk structure. By virtue of PPP, government will be able to supply more high-quality public services in a more efficient way, and the general public will access better public

services, which will lead to more public consumption, better household consumption, and less risks from the lack of public services, facilities and consumption for the individuals. As a result, the risk structure of society is also changed. In this sense, PPP is significantly impactful and is a major initiative no less important than the market reform.

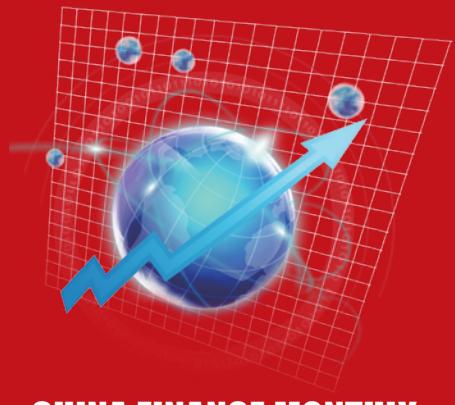
4. Zhao Mingji: strengthen accounting-related work and promote accounting reform

Assistant Finance Minister Zhao Mingji pointed out in his recent remarks at the National Accounting Working Conference that, at present, China's accounting profession is facing historical opportunities and challenges. We should take full account of new requirements, new situation and new challenges, understand future development trends of this profession, recognize existing shortcomings, and push for reform in the job function, services, customers, working techniques and management. Accounting has an enormous role to play. Regulatory authorities and accounting professionals should follow strategic policy guidance, take the lead in accounting development and reform, and make efforts in institutional building and innovation. Grassroots professionals should enhance capacity in learning and research. The whole profession should push for effective progress in 15 priority reform areas, endeavor to realize the grand vision of making China a strong accounting power by 2020.

~~~~~  
**Journal Title:** China Finance Monthly  
**Editor:** International Economics and Finance Institute  
**Publisher:** Editorial Office, China Finance Monthly  
**Mailing Address:** IEFI, Ministry of Finance, China, 100820  
**Telephone:** 86-10-68586882  
**Fax:** 86-10-68527620  
**E-mail:** [iefi@iefi.org.cn](mailto:iefi@iefi.org.cn)  
~~~~~

内部交流 仅供参考 未经许可 不得转载
For Internal Use Only. Copyright Reserved.

Publishing Date: September, 2016



CHINA FINANCE MONTHLY