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HIGHLIGHTS

- Finance Minister Lou Jiwei: G20 should earnestly implement the consensus of Hangzhou Summit
- Finance Minister Lou Jiwei chaired the G20 Finance Ministers and Central Bank Governors Meeting in Washington D.C.
- Vice Finance Minister Shi Yaobin attended the International Seminar on Deepening Asian Financial Cooperation and Promoting Regional Integration, hosted by IEFI of the MOF of China
- MOF published a circular on promoting PPP in the area of public service
- The CPC Central Committee and the State Council published the Opinions on Establishing and Improving the Mechanism for the Implementation of the 13th Five-Year Plan
- Preliminary accounting results of GDP for the third Quarter of 2016

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.

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settlement with the local government.

I. Policy Update

1. MOF published a circular on further regulating the recovery and payment of central fiscal funds for comprehensive agricultural development

On September 30, the Ministry of Finance (MOF) published a circular on further regulating the recovery of central fiscal funds for comprehensive agricultural development. (1) If the central fiscal funds lent to a local government become due in 2016 or beyond, MOF will recover the funds by deducting the given amount from its year-end financial settlement with the local government. (2) Upon the receipt of transfer payment for comprehensive agricultural development, local finance authorities shall recover the central fiscal funds for the officially terminated projects. (3) The transfer payment funds involved in corruption cases shall be recovered by the local finance authorities if those cases were found out by the local agricultural authorities or relevant government agencies; and if those cases were discovered by National Office for Comprehensive Agricultural Development or relevant central government agencies, the provincial finance authorities shall carry out the recovery of the funds, and MOF will recover the money by deducting the given amount from its year-end financial

2. The State Council published guiding opinions on accelerating the “internet+ government service”

On September 30, the State Council published guiding opinions on accelerating the “internet+ government service”. (1) Optimize and reinvent government services. It is important to regulate online services, optimize the procedures of online services, promote the online provision of services, innovate online service models, and fully disclose information on the services. (2) Integrate and upgrade the platforms and channels. More efforts should be made to regulate the online government service platforms, integrate physical government service center with online service platforms, and ensure seamless connection between community service centers and online service platforms. (3) Strengthen the basic groundwork. Greater emphasis should be placed on advancing the sharing of government information, accelerating the development of smart cities, improving the relevant standards and system, beefing up the network infrastructure, and enhancing the protection of network and information security. (4) Enhance institutional capacity, including the leadership, accountability and training.

3. MOF published the *Rules on the Operation of Market-Making Support for Treasury Bonds*

On September 30, MOF published the *Rules on the Operation of Market-Making Support for Treasury Bonds*. (1) Tools such as random buying and selling will be deployed in market-making support. (2) The market-making support will be carried out on the platform dedicated for such purpose. (3) MOF and the People's Bank of China (PBoC), in light of the forecast of treasury balance and the liquidity in the banking system, will determine the date and amount of the operation of market-making. (4) The condition for market-making is that the participating institutions shall be no less than 5 and the total quotation shall be no less than 200 million RMB. (5) The treasury bonds that are reissued according to the issuance plan and are receiving market-making support shall be classified as the bonds suited for random selling. (6) The maximum amount for random buying at a time is 2 billion RMB. The cumulative amount of random buying for a given treasury bond shall not exceed 10% of the bond's balance. (7) The market-making shall be priced at a single price. (8) After the market-making is finished, MOF will announce the results of the operation on its official website.

4. MOF published a circular on promoting PPP in the area of public

service

On October 12, MOF published a circular on promoting PPP in the area of public service.

- (1) Finance authorities shall work with relevant government agencies in enforcing the latest requirements of the supply-side structural reforms.
- (2) Pilot programs shall be carried out in the public service areas supported by central public finance.
- (3) All sorts of private capital will be encouraged to participate in the projects.
- (4) The pre-feasibility study of the projects shall be conducted in a sound way.
- (5) Finance authorities shall work with relevant government agencies in studying the project cycle, charging mechanism, investment return and other factors to make science-based design of the implementation plan for PPP projects.
- (6) Finance authorities shall work with relevant government agencies in promoting the well-regulated implementation of PPP demonstration projects.
- (7) The project management system shall be improved by taking into account the local circumstances.
- (8) The public funds, assets and resources shall be arranged in a holistic way to balance the public burden with the private capital's pursuit of profits and to create a mechanism of reasonable return for PPP projects.
- (9) Deregulation needs to be advanced to unleash the potential of market players.
- (10) Fiscal support shall be further stepped up.
- (11) The role of PPP information portal shall be given full play.

5. The State Council published a *plan on helping 100 million people obtain urban Hukou*

On October 12, the State Council published a *Plan on helping 100 million people obtain urban Hukou*.

(1) Further ease the criteria of urban Hukou. The restrictions on urban Hukou shall be lifted across the board for key groups of people, and the Hukou policy in major cities and mega cities shall be adjusted and improved. (2) Develop and implement the supporting policies. Specifically, step up and dynamically adjust the fiscal support to the rural migrants who become urban residents, provide fiscal funds for infrastructure investment in cities that absorb large number of rural migrants, link the increase of the supply of urban construction land to the number of rural migrants that cities absorb, improve the financing mechanism of urban infrastructure, protect the legitimate rights of farmers who get urban Hukou, fully enroll the farmers with urban Hukou in the urban social housing schemes, enroll the farmers with urban Hukou in the basic urban health insurance schemes, give the children of farmers with urban Hukou equal access to education, and ensure that all urban residents without urban Hukou will be covered by the residence permit scheme.

6. MOF published the *Interim Measures for the Administration of*

Occupational Annuity Fund

On October 13, MOF published the *Interim Measures for the Administration of Occupational Annuity Fund*.

(1) The public institutions that offer occupational annuity schemes shall declare their payment of annuities to the social insurance providers that manage their pensions. (2) When employees of public institutions retire or emigrate, any changes of the payment shall be reported to the finance authorities of the same level. (3) The management and investment of occupational annuities shall follow the principle of prudence and risk diversification. (4) The occupational annuities shall only be invested domestically. (5) The occupational annuities in every investment portfolio shall be managed by one investment manager. (6) The relevant regulatory agencies shall adjust the scope and proportion of the investment in accordance with the changes of the financial market and the operation situation of the investment. (7) With the exception of stock index futures, the transaction of securities related to occupational annuity shall be in the form of spot transaction or other forms prescribed by the state.

7. MOF and other ministries jointly issued a circular on accelerating the implementation of the third batch of PPP demonstration projects

On October 13, MOF and other ministries jointly issued a circular on accelerating the implementation of the third batch of PPP demonstration projects. (1) 516 projects with a total planned investment of 1.1708 trillion RMB among which the expressway surrounding Beijing, were identified as the third batch of demonstration projects. (2) Finance authorities and competent authorities of the provinces, autonomous regions and municipalities where the projects are located shall pay high attention to the projects and work closely with each other. (3) Finance authorities shall earnestly fulfill their duties and create conditions for the speedy implementation of projects. (4) Finance authorities shall work with competent authorities to ensure the demonstration projects are implemented as scheduled. (5) The land for PPP projects shall meet the overall plan or annual plan of land use, and go through the approval procedures in accordance with law.

external government debts, MOF is responsible for the overall administration of external loans and grants. (2) The external loans and grants should adhere to the philosophy of innovative, coordinated, green, open and sharing development, follow the guidelines of national economic and social development strategies, and be compliant with medium-term fiscal plans. The loans and grants should be used as public finance resources and to promote sustainable development. (3) The administration of loans and grants should under unified planning. The resources should be used in proper size, with categorized regulation, clearly defined responsibilities, performance targets and risk control. (4) In terms of differentiated repay responsibilities of the Government, the loans are divided into liable ones and guaranteed ones. (5) Grants are included under the budget management of the central government. (6) MOF may disburse loans to provincial governments or relevant departments of the State Council.

8. MOF issued the Measures on the Administration of Loans and Grants from International Financial Organizations and Foreign Governments

On October 17, MOF issued the *Measures on the Administration of Loans and Grants from International Financial Organizations and Foreign Governments*, which provides the following. (1) As the overarching authority for the administration of

9. The State Council issued the Implementation Measures for the Accountability System on Poverty Reduction

On October 18, the State Council issued the *Implementation Measures for the Accountability System on Poverty Reduction*. (1) First, the CPC Central Committee and the State Council are responsible for the design of overarching guiding

policies for poverty reduction. (2) The State Council Leading Group for Poverty Alleviation and Development is responsible for the nationwide coordination of poverty alleviation efforts, and establishing and improving performance evaluation mechanisms for poverty reduction. (3) The State Council Leading Group for Poverty Alleviation and Development will establish a mega-data platform for targeting poverty, an information sharing mechanism among ministries, and a poverty reduction related statistical and monitoring system in rural areas. (4) Relevant central and state agencies should tap industry resources to facilitate poverty alleviation. (5) The Central Commission for Discipline Inspection is to hold relevant authorities accountable for poverty reduction efforts. (6) The provincial Party committees and governments are accountable for poverty eradication in the local jurisdiction, and to ensure accountability at all levels. (7) The provincial Party committees and governments should improve the structure of fiscal expenditure and establish a mechanism to ensure growing funding for poverty alleviation.

10. The CPC Central Committee Organization Department, MOF and the Ministry of Education jointly issued the *Circular on Further Standardizing and Strengthening the Training for the Medium to Long-term*

Management of Central Enterprises

On October 18, The CPC Central Committee Organization Department, MOF and the Ministry of Education (MOE) more jointly issued the *Circular on Further Standardizing and Strengthening the Training for the Medium to Long-term Management of Central Enterprises*, which provides the following. (1) Under the centralized HR management mandate, competent units or the Party Committee of the central enterprises and their HR departments should organize training programs for key management members. (2) The training should be properly designed to facilitate reform and development in the enterprises, and cultivate the capacity to tackle difficulties in the long term. (3) Separate training courses should be organized for the middle and senior management of central SOEs. (4) The training fees should be reasonable, so as to ensure cost-benefit efficiency.

11. MOF issued the *Guideline for Accounting Reform and Development During the 13th Five-Year Plan Period*

On October 18, MOF issued the *Guideline for Accounting Reform and Development in the 13th Five-Year Plan Period*, which required efforts in the following. (1) Strengthen the legal framework related to accounting. Efforts should be made to improve accounting legislation, enhance

legal awareness, and strengthen supervision and inspection. (2) Speed up accounting reform for the government and non-profit organizations. The government accounting system is to be established, and the accounting system for NGOs be improved. (3) Enhance the accounting standards for enterprises. It is necessary to further pursue the convergence international of accounting standards, strengthen implementation and improve external consultation mechanisms. (4) Promote the extensive application of management accounting. Efforts should be made to strengthen the guidance of management accounting system and promote its application. (5) Improve the internal control system, especially on the enforcement of rules. (6) Strengthen the information system related to accounting. Efforts should be made to promote effective implementation of the general classification standards for enterprise accounting standards, and further improve the information system.

12. MOF issued a circular on random checks and information disclosure for the inspection of government procurement

On October 19, MOF issued a circular on random checks and information disclosure for the inspection of government procurement. (1) The inspection

of government procurement is to be conducted in accordance with random check list published by MOF and the approved annual inspection plan. The inspection should follow due procedures and be conducted in a fair, efficient, open and transparent manner. (2) The inspection should establish law enforcement inspectors' directory and examinees' directory. (3) The inspection may take directional or non-directional sampling. Major procurement or issues with high public attention may become a directional sampling target. (4) Before the inspection, MOF will randomly identify the inspector and the target for inspection through the unified information platform, and randomly select the whole-process record for review. (5) The sampling ratio is 10%-30% for those on the directory of checklist.

13. MOF issued the *Training Program Plan for National Accounting Elites*

On October 20, MOF issued the *Training Program Plan for National Accounting Elites*. (1) Every year, a number of financial and accounting managers or their deputies from large and medium-sized enterprises, listed companies or other enterprises are enrolled in the elite training course. (2) Every two years, a number of financial and accounting managers or deputies from administrative institutions or important agencies are enrolled in the elite training course. (3) Every year, a number of internationally accredited

CPAs and experienced practitioners are selected to join the course. (4) Every two years, the program is open to academic accounting elites with promising potential. (5) The training program is to provide tailored courses to enhance the professional capacity of the trainees in all aspects, and make them qualified leaders of the accounting profession.

14. MOF issued the *Interim Measures for the Financial Management of Public and Private Partnership Projects*

On October 21, MOF issued the *Interim Measures for the Financial Management of Public and Private Partnership Projects*. (1) For PPP projects ready to be implemented, the project owners are to improve the execution plan based on value-for-money evaluation and fiscal input evaluation, and submit to the government of the same level for review and approval. (2) The project owners should give priority to competitive procurement of social capital through open bidding and competitive negotiation. (3) The government's capital commitment beyond the year in the PPP contract is to be covered in the medium-term fiscal plan, reviewed and consolidated by the finance authority and submitted to the government at the same level for examination and approval. (4) When a PPP project is covered by the medium-term fiscal plan at the consent of the people's government

at the same level, the industrial regulator of the project is to incorporate the fiscal input of contract under its budget management. (5) Financial authorities at various levels should work together with other government agencies to ensure the management of PPP related state-owned assets. (6) The transfer of state-owned assets or equity in PPP projects should undergo due assessment procedures to prevent misappropriation of state-owned assets.

15. The CPC Central Committee and the State Council published the *Opinions on Establishing and Improving the Mechanism for the Implementation of the 13th Five-Year Plan*

On October 24, the General Office of the CPC Central Committee and the General Office of the State Council published the *Opinions on Establishing and Improving the Mechanism for the Implementation of the 13th Five-Year Plan*. (1) Properly handle the relationship between government and market. Allow market to play a decisive role in resource allocation and government to better play its role, and make sure market and government can fulfill their respective role in an effective way. (2) Unleash the incentives of both the central and the local government, ensure nationwide coordination, and properly handle the relationship between regional interests and overall

interests. (3) Push forward the overall work while seeking breakthrough in key areas, and ensure the two are mutually reinforcing. (4) Enhance the guiding and binding effects of the Plan, as the Plan integrates the Party's position with the will of the state and the people, and is the guiding document for China's economic and social development in the next 5 years.

16. MOF published a circular on the application for the national comprehensive agricultural development projects for 2017

On October 25, MOF published a circular on the application for the national comprehensive agricultural development projects for 2017. (1) Provide interest subsidies and other subsidies to catalyze private capital, cultivate new types of agribusiness, develop agricultural industries with local advantages, and support the projects on developing special base for forestry, plantation and breeding. (2) Simplify the application procedures for interest subsidies, and allow the scope of subsidies to be determined before they are disbursed. (3) The projects that receive fiscal subsidies shall be aligned to the local plan for the comprehensive agricultural development and the fostering of agricultural industries with local advantages, help address the weaknesses in agricultural industry, and raise the overall capacity and competitiveness of the

agricultural industry. (4) The criteria for assessing the project applicants shall be objectively determined.

17. The State Council published opinions on unleashing the vitality of the key groups of people to drive the increase of income for urban and rural residents

On October 25, the State Council published the opinions on unleashing the vitality of the key groups of people to drive the increase of income for urban and rural residents. (1) Deploy both material and spiritual incentives and use all sorts of incentives including remuneration and enhanced protection of rights to unlock the motivation and creativity of different groups of people. (2) Take multi-pronged approach to increase the income of people, particularly the intangible income related to salary and commercial operation and the property-related income. (3) Effectively reduce the social insurance contribution rate and other institutional barriers that raise labor costs and impede the flow of workforce, and cut the burden of all sorts of market entities. (4) Encourage people to get rich while making efforts to narrow the income gap. (5) Set the targets and take the policy measures that both meet the expectation of the society and ensure financial affordability and sustainability by taking into account country circumstances, development stage and economic

cycle.

18. MOF published the Rules Governing the Random Check of the Asset Appraisal Industry

On October 26, MOF published the *Rules Governing the Random Check of the Asset Appraisal Industry*.

(1) MOF will establish a unified information portal on random check as well as set up and maintain a directory of the inspected people. (2) MOF will also set up a directory of the law enforcement staff and inspectors in the asset appraisal industry, and the directory will be updated on a dynamic basis according to the changes of the personnel. (3) Before the annual inspection, the information portal shall be used to randomly determine the inspector and the inspected. (4) The random check can be done in a targeted or non-targeted way and the proportion and frequency of the check shall be reasonably determined. (5) An inspection team shall be formed for each inspection task and a team leader shall be designated. (6) The list of items subject to random check shall be available on the information portal and be timely disclosed to the general public.

19. MOF published the Measures for Administering the Funds for Basic Science Research in Central

Universities

On October 27, MOF published the *Measures for Administering the Funds for Basic Scientific Research in Central Universities*. (1) The funds for basic science research are to be allocated by using the factor method which considers factors including the research needs and capacity of faculty and students as well as the state of research activities in central universities. (2) Central universities shall finish the application, review, selection and prioritization of the next year's research programs and make the annual budget arrangement by the end of November in each year. (3) The central universities shall make sound budget arrangement according to the proposed research programs. (4) The scope of usage and the spending standards of the science research funds shall be determined by the central universities in light of their specific circumstances and in accordance with the state regulations. (5) The science research funds shall not be used to finance the salary, bonus, allowances and benefits of the staff; shall not be used to purchase apparatus and equipments with prices exceeding 400,000 RMB; and shall not be used to fund the administration and operation of the university. (6) The disbursement of the science research funds shall be done through the centralized treasury payment system.

II. Facts & Figures

1. The performance of Chinese SOEs from January to August

The data published by MOF on September 29 show that the operating revenue of SOEs totaled 28.66525 trillion RMB from January to August, up by 0.2% year on year. The operating costs of SOEs totaled 27.88092 trillion RMB, up by 0.3% year on year, among which, the sales expenses and the management expenses increased by 5.4% and 6.3% respectively and the financial expenses fell by 6.8%. The profits of SOEs totaled 1.54182 trillion RMB, down by 1.3% year on year. The payable taxes of SOEs totaled 2.42283 trillion RMB, down by 1.9% year on year. As of the end of August, the assets of SOEs totaled 127.89417 trillion RMB, up by 15.1% year on year; the liabilities totaled 84.64538 trillion RMB, up by 17.5% year on year; and the owners' equities totaled 43.24879 trillion RMB, up by 10.6% year on year.

2. China's manufacturing PMI in September was 50.4%

The data published by the National Bureau of Statistics (NBS) on October 1 show that China's manufacturing PMI in September was 50.4%, staying flat month on month. In a breakdown of

enterprises, PMI was 52.6% for large-sized ones, up by 0.8 percentage point month on month; 48.2% for medium-sized ones, down by 0.7 percentage point month on month; and 46.1% for small-sized ones, down by 1.3 percentage points month on month. In specific terms, the production index was 52.8%, up by 0.2 percentage point month on month; the new order index was 50.9%, down by 0.4 percentage point month on month; the employee index was 48.6%, up by 0.2 percentage point month on month; the raw material inventory index was 47.4%, down by 0.2 percentage point month on month; and the supplier delivery time index was 49.9%, down by 0.7 percentage point month on month.

3. 1.298 billion RMB was disbursed by MOF to raise the standard of benefits and allowances for the disabled veterans and other people entitled to special care by the government

The data published by MOF on October 10 show that 1.298 billion RMB was disbursed by MOF to raise the standard of benefits and allowances for the disabled veterans, old Red Army soldiers and family members of the deceased servicemen. Until now, 38.371 billion RMB was spent on the allowances and benefits of 8.8 million people in 2016.

4. China's total imports and exports fell by 1.2% month on month in September

The data released by the General Administration of Customs (GAC) on October 13 show that in September China's imports totaled 944.785 billion RMB, up by 2.2% month on month and 2.2% year on year; exports amounted to 1.223139 trillion RMB, down by 3.6% month on month and 5.6% year on year; total imports and exports reached 2.167924 trillion RMB, down by 1.2% month on month and 2.4% year on year.

5. China's CPI rose by 1.9% year on year in September

The data released by NBS on October 14 show that China's CPI rose by 1.9% year on year in September, among which, the CPI rose by 2.0% in urban areas and 1.6% in rural areas; 3.2% for food and 1.6% for non-food; 1.7% for consumer goods and 2.4% for services. In September, CPI edged up by 0.7% month on month, among which, the figure rose by 0.7% in urban areas and 0.7% in rural areas; increased by 1.7% for food and 0.4% for non-food; went up by 0.8% for consumer goods and 0.5% for services.

6. China's fiscal revenue and expenditure in September

According to the data released on October 19 by MOF, China's public revenue in September was 1.1222 trillion RMB, an increase of 4.9%. Among the total revenue, the central government revenue was 491.7 billion RMB, an increase of 6.2%; the local government income was 630.5 billion RMB, an increase of 3.8%. The national tax revenue was 824.3 billion RMB, down by 0.75% year on year, which was mainly due to the tax-cutting effects of rolling-out of VAT reform. In September, the national public expenditure was 1.9836 trillion RMB, an increase of 11.3%. Among the total expenditure, the central government expenditure was 213.9 billion RMB, an increase of 12.4%; the local government expenditure was 1769.7 billion RMB, growing by 11.1%. From January to September, the national income from government funds was 2977.7 billion RMB, an increase of 11.3%. The national expenditure from government funds was 2.8121 trillion RMB, an increase of 7%.

7. Preliminary accounting results of GDP for the third Quarter of 2016

According to the data released on October 20 by the NBS, the third-quarter GDP grew by 6.7%. The output of primary industry was 1.8569 trillion RMB, an increase of 4%; the secondary industry was 7.5165 trillion RMB, an increase of 6.1%; and the tertiary industry was 9.5601 trillion RMB, an

increase of 7.6%. GDP in the first three quarters of 2016 was 5.299710 trillion RMB, an increase of 6.7%.

8. China's lottery sales in September

The data released by MOF on October 26 show that nationwide lottery sales in September totaled 32.071 billion RMB, up by 2.993 billion RMB year on year, or 10.3%, among which, welfare lottery sales were 16.544 billion RMB, up by 1.044 billion RMB year on year, or 6.7%; sports lottery sales were 15.527 billion RMB, up by 1.95 billion RMB, or 14.4%. Cumulative nationwide lottery sales from January to September totaled 289.738 billion RMB, up by 17.839 billion RMB year on year, or 6.6%, among which, welfare lottery sales were 151.34 billion RMB, up by 2.396 billion RMB, or 1.6%; sports lottery sales were 138.399 billion RMB, up by 15.443 billion RMB, or 12.6%.

was 12.91412 trillion RMB, up by 2.7% year on year. The operating costs of SOEs totaled 31.81796 trillion RMB, up by 0.8% year on year, among which, the figure for central SOEs was 18.99292 trillion RMB, staying flat year on year, and the figure for local SOEs was 12.82504 trillion RMB, down by 2% year on year. The profits of SOEs totaled 1.72068 trillion RMB, down by 1.6% year on year, among which, the figure for central SOEs was 1.19156 trillion RMB, down by 5.4% year on year, and the figure for local SOEs was 529.12 billion RMB, up by 8.1% year on year. The payable taxes of SOEs totaled 2.75519 trillion RMB, down by 1.7% year on year, among which, the figure for central SOEs was 2.13433 trillion RMB, down by 3% year on year, and the figure for local SOEs was 620.86 billion RMB, up by 3.3% year on year. As of the end of September, the assets of SOEs totaled 128.76779 trillion RMB, up by 9.7% year on year; the liabilities totaled 85.34485 trillion RMB, up by 9.9% year on year; and the owners' equities totaled 43.42294 trillion RMB, up by 9.3% year on year.

9. The performance of Chinese SOEs from January to September

The data published by MOF on October 26 show that the operating incomes of SOEs totaled 32.70158 trillion RMB from January to September, up by 0.8% year on year, among which, the figure for central SOEs was 19.78746 trillion RMB, down by 0.4% year on year, and the figure for local SOEs

III .MOF Events

- From September 25 to 28, Vice Finance Minister Shi Yaobin visited the Asian Development Bank (ADB) in Manila, the Philippines, met with the ADB President Takehiko Nakao, and attended the meeting of the Advisory Council of the ADB Institute (ADBI) and the policy dialogue on hotspot economic issues

organized by the ADBI .

2. On October 6, Finance Minister Lou Jiwei and PBoC Governor Zhou Xiaochuan co-chaired the G20 Finance Ministers and Central Bank Governors Meeting in Washington D.C.. The meeting, the final Finance Ministers and Central Bank Governors Meeting under China's G20 Presidency, discussed issues including the global economic situation, tax, beneficial ownership and anti-money laundering, and heard presentations from Germany, the host of G20 in 2017, on the agenda for next year's G20 Finance Track.

3. On October 9 and 10, Assistant Finance Minister Zhao Mingji visited the Xiamen National Accounting Institute, inspected the damage caused by typhoon, express his sympathy to the affected staff and held discussion on improving the management system of the national accounting institute.

4. On October 10, Assistant Finance Minister Dai Bohua attended the press briefing of the Press Office of the State Council on reducing the corporate leverage and took questions regarding the fiscal and tax policies to support market-based deleveraging.

5. On October 6-8, Finance Minister Lou Jiwei chaired the G20 Finance Ministers and Central Bank Governors Meeting in Washington D.C. of the United States. Minister Lou met with Mr. Jacob Lew, the U.S.

Treasury Secretary, Mr. Philip Hammond, British Chancellor of the Exchequer, Mr. Arun Jaitley, the Indian Finance Minister, Mr. Henrique Meirelles, the Brazilian Finance Minister, Mr. Petteri Orpo, the Finnish Finance Minister, and Mr. Ali Tayebnia, the Iranian Finance Minister, respectively. The two sides had in-depth exchange of views on the issues of mutual interest. Vice Finance Minister Zhu Guangyao and Vice Finance Minister Shi Yaobin attended the meetings.

6. On October 11, Vice Finance Minister Shi Yaobin met with Mr. Fuchtel, Parliamentary State Secretary to the Federal Minister for Economic Cooperation and Development of the Federal Republic of Germany. The two sides exchanged views on bilateral cooperation in the ADB and the AIIB, as well as on bilateral loans.

7. On October 13, Vice Finance Minister Zhu Guangyao met with Mike Daniels, Moody's President and CEO.

8. On October 14-15, Assistant Finance Minister Dai Bohua led a delegation of MOF to attend the 23rd APEC Finance Ministers' Meeting in Lima, Peru. They held in-depth discussions with APEC economies and relevant international organizations on the global and regional economic and financial situation, implementation of the Cebu Action Plan, ways to improve the APEC Finance Ministers'

Meeting, infrastructure finance and development, PPP knowledge portal, inclusive finance, and response to tax base erosion and profit transfer (BEPS).

9. On October 21, the International Seminar on Deepening Asian Financial Cooperation and Promoting Regional Integration was successfully held in Beijing by the International Economics and Finance Institute, MOF. Vice Finance Minister Shi Yaobin attended the opening ceremony and delivered a speech. Luky Eko Wuryanto, Vice President of the AIIB, and Huang Xilian, Deputy Director General of the Asian Department of the Ministry of Foreign Affairs, made keynote speeches respectively. Participants also included representatives from international institutions including the World Bank, the IMF, the AIIB, the ASEAN+3 Macroeconomic Research Office (AMRO), and experts and scholars from Australia, Japan and South Korea. Officials from the Ministry of Foreign Affairs, MOF, the National Development and Reform Commission, the Ministry of Commerce and scholars from the China Academy of Social Sciences, the Development Research Center of the State Council, China Development Bank, Shanghai Institute of International Studies, China Finance 40 Forum, Chongyang Institute of Finance of Renmin University, Ali Cross-border E-commerce Research Center were also present. Zhou Qiangwu, the Director General of IEFI presided over the opening ceremony and made concluding remarks at the closing session.

10. On October 19, Assistant Finance Minister Xu Hongcai attended and addressed the Asia-Pacific Summit on Low Carbon Technology co-sponsored by the Provincial government of Hunan and the ADB, in Changsha, Hunan Province.

11. On October 20, Finance Minister Lou Jiwei met with Henry Paulson, the former U.S. Treasury Secretary and the Chairman of Paulson Institute, and exchanged views on the U.S.-China economic relationship and other issues of common interest.

12. On October 24, Assistant Finance Minister Zhao Mingji attended and addressed the First Plenary Meeting of the Members of the Advisory Committee of ASBE (Accounting Standards for Business Enterprises) and the Members of the Committee of Government Accounting Standards.

IV. Local Finance

1. The Finance Department of Hunan Province has actively developed innovative mechanisms for the governmental investment funds

According to the news released by the Finance Department of Hunan Province on October 8, Hunan has actively developed innovative mechanisms for the investment of public funds, as evidenced by a number

of province-level government investment funds. (1) With respect to the infrastructure investment fund, the Hunan Railway Construction Fund and the Hunan Water Development Fund were established, and through partnership with the China Development Bank, private capital started to participate in the funds through equity investment. (2) In terms of investment fund for the development of industries, Hunan Investment Fund for Health and Elderly Care Industries as well as the Hunan Investment Fund for Commercialization of High Technology were created. (3) The *Interim Measures for the Administration of Hunan Province-level Investment Funds* was introduced and the boundary between earmarked fiscal funds and the governmental investment funds was clearly defined.

2. The Finance Committee of Shenzhen Municipality has moved faster in supply-side structural reforms by cutting costs and fees and improving the business climate

According to the news released by Finance Department of Guangdong Province on October 9, the Finance Committee of Shenzhen Municipality has moved faster in supply-side structural reforms by cutting costs and fees and improving the business climate. (1) It took lead in drafting the *Action Plan of Shenzhen for Promoting Supply-side Structural Reforms by Reducing Costs and Improving Business Climate (2016-2018)*. (2) It intensified efforts to slash

fees and ensured free charge of administrative fees. It also took targeted and systemic measures to cut costs across the board, improve business environment, help enterprises upgrade themselves, and further enhance industrial competitiveness to strengthen the momentum for sustained and steady growth. (3) It constantly improved policy measures and took the lead in implementing the specific tasks of cutting costs and improving business climate.

3. The Finance Department of Shanxi Province took multiple measures to promote the application of PPP

According to the news released by the Finance Department of Shanxi Province on October 13, it has actively promoted the application of PPP and took multiple measures to amplify the catalytic effects of public funds. (1) It identified 3 requirements and 8 policy measures to provide policy guidance on the PPP work in Shanxi. (2) It earmarked 50 million RMB in its budget as rewards and incentives for covering the initial expenses of demonstration projects. (3) By following the requirements of MOF and the practice of other provinces, it drafted the *Plan of Shanxi Province for Establishing a Fund for Supporting the Financing of PPP*. (4) Shanxi developed the criteria for assessing the performance of cities in meeting their PPP targets and prodded them to accelerate PPP work by carrying out the assessment. (5) It strengthened the capacity building

of PPP. (6) It created platforms for publicizing and implementing policies, enhancing the discipline, publishing project information and providing advisor services.

4. Finance authorities in Ningxia Hui Autonomous Region pursued four measures in promoting sound urban and rural development

According to the news released on October 20 by the Finance Department of Ningxia Hui Autonomous Region, finance authorities in Ningxia enhanced public services and goods, improved basic public service system in both urban and rural areas, and facilitated coordinated development of urbanization, industrialization, modernization of agriculture, and harmonious social progress. (1) By pursuing integrated planning for urban and rural development, industrial development, infrastructure construction and social service provision, the finance authority made full efforts to ensure the implementation of the *Spatial Development Strategy of Ningxia* and the national piloting program of integrating various regulations. (2) Efforts were made in coordinating urban and rural areas, and supporting the regional central city and large counties in the south of Ningxia. (3) Fiscal guarantee mechanisms for cities and counties were established and improved by gradually increasing the size of transfer payments. (4) The earmarked funds for renewable energies were fully

tapped to foster growth in the renewable sector.

5. Yibin City of Sichuan Province adopted multiple measures to ensure the efficient performance of poverty-alleviation funds

According to the news released on October 21 by the Finance Department of Sichuan Province, the Finance Bureau of Yibin City took proactive and innovative measures to ensure efficient and secured operation of fiscal funds. (1) The municipal finance authority was mainly responsible for making coordinated and balanced plans for the use of poverty-alleviation funds and assigning tasks, while the county finance authority was responsible for making good use of the funds. (2) The administration and disbursement of the poverty-alleviation funds was prioritized by strengthening the awareness of accountability and urgency. (3) The fund disbursement was sped up by clarifying requirements, implementing the advance allocation system and pooling of earmarked funds, and simplifying the reimbursement procedures. (4) Special efforts were made at counties, including targeted adjustment to speed up slower-than-expected projects. (5) The fund performance was enhanced by ensuring implementation of plans, strictly controlling the scope of fund use, standardizing subsidies, strengthening financial management, and enhancing information disclosure. (6) Asset revenue was emphasized as a new approach for poverty alleviation.

6. Hefei City, Anhui Province took four combined measures to accelerate the government procurement of services

According to the news released by the Finance Department of Anhui Province on October 24, since 2016, Hefei City has been aligning its policies to the overall plan of the central government and of Anhui Province on comprehensively deepening reform with a view to pushing forward the government procurement of services. (1) Combine the expansion of the procurement scope with the modernization of the procurement catalogue, and fully implement the requirements of MOF and the Finance Department of Anhui on the catalogue's compilation. (2) Combine the open and transparent operation with the enhanced accountability, and introduce documents to regulate the operation of procurement procedures. (3) Combine the development of credit system with the cultivation of social organizations, accelerate the development of a credit system for service procurement, and draft and enforce the Measures for Administering the Register of the Discredited Service Procurement Firms. (4) Combine the reform of public institutions with the transformation of government procurement of services, and undertake systemic review of the function, staffing and financing of those public institutions.

7. Guangxi Zhuang Autonomous

Region took four measures to increase the transparency of treasury operation so as to lay the foundation for transparent public finances

According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on October 25, in recent years, the Treasury Division of the Finance Department of Guangxi Zhuang Autonomous Region has taken four measures to increase the transparency of treasury operation. (1) It made government affairs and treasury operation open, transparent, and consistent with laws, and used the portal website and office automation system to effectively enhance the transparency of government affairs. (2) It conducted the preparation of fiscal final accounts in Guangxi and accomplished the work as scheduled and as required by the Budget Law during the 12th Five-Year Plan period. (3) It undertook the preparation, review, approval and disclosure of the departmental final accounts in Guangxi and helped lay solid foundation for the transparent government. (4) It took the initiative to publish all the information related to fiscal revenue and expenditure to allow the general public to better understand the fiscal performance in Guangxi.

V. Remarks and Opinions

1. Lou Jiwei: G20 should earnestly implement the consensus of

Hangzhou Summit

According to the recent speech of Finance Minister Lou Jiwei at the G20 Finance Ministers and Central Bank Governors Meeting in Washington D.C., the recovery of the world economy is slow, growth is moderate in advanced economies, and emerging market economies are turning around, which supports global growth. Meanwhile, the uncertainties and risks facing the world economy are rising, as some major economies are entering the general election season, the fallout of Brexit is uncertain, vulnerabilities of the financial system are rising, expectation of Fed interest rate hike is increasing, geopolitics are tense and terrorist attacks are frequent, all of which may have significant impact on the global economy and international financial market. Against this backdrop, G20 should closely watch the development of the situation, continue to strengthen the coordination and cooperation of macroeconomic policies, and earnestly implement the consensus of Hangzhou Summit, including using all policy tools to support growth, pressing ahead with structural reform, expanding infrastructure investment, strengthening financial regulation, improving international financial architecture and promoting trade liberalization, so as to achieve strong, sustainable, balanced and inclusive growth of the world economy. In response to the requirements of the Communiqué of the April meeting, the Financial Action Task Force (FATF) and the Global Forum on Transparency and Exchange of Information for Tax Purposes made initial proposals on ways to improve

the implementation of the international standards on transparency, including on the availability of beneficial ownership information, and its international exchange. The meeting discussed the initial proposals and agreed that enhanced transparency of beneficial ownership is vital for protecting the integrity of the international financial system and preventing the misuse of all sorts of entities for corruption, terrorist financing, money laundering and tax evasion. G20 countries should lead by example in actively implementing the standards on the transparency of beneficial ownership.

2. Lou Jiwei: a bigger and better World Bank Group is of great significance

According to the recent speech of Finance Minister Lou Jiwei at the 94th Development Committee Ministerial Meeting, the world economic recovery continues, but remains moderate and trade and investment are still sluggish. The problems confronting the world economy are not cyclical in the short term, but structural in the long term, which will lead the world economy to a low-growth path. In the next 15 years, building a better and bigger World Bank Group (WBG) will be vital for achieving the twin goals of “ending extreme poverty and promoting shared prosperity” and for advancing the 2030 Agenda for Sustainable Development. The WBG needs to enhance its institutional capacity, explore innovative ways to foster stronger cooperation with

developing countries, and strengthen its financing capacity through capital increase; champion south-south cooperation, tripartite cooperation and regional economic cooperation to mobilize resources, including from the private sector, to support the economic growth of developing countries. The WBG should also be more responsive to the needs of their clients and help its member countries address the impediments of their economic development, advance their structural reforms, promote economic diversification and accelerate the upgrading of industries. The allocation of the shares of IBRD should reflect the Istanbul Principle and Lima Principle and proceed according to the requirements of the 2030 Agenda for Sustainable Development so as to raise the overall shares and voting power of developing countries, enhance the voice and representation of developing countries, objectively reflect the changes of the world economic landscape, and increase the legitimacy and effectiveness of the WBG's governance structure.

3. Lou Jiwei: improve accounting-related work and promote accounting reforms

In his recent remarks during the National Conference on Accounting Management, Finance Minister Lou Jiwei pointed out that it was important to improve accounting-related work and promote accounting reforms, as it helped the market play a decisive

role in the resources allocation, and gave better play to the government. In recent years, all regions, departments and agencies followed guidance of the CPC Central Committee and the State Council, and made solid progress in improving the basic functions of accounting, enhancing auditing and accounting supervision, and strengthening management, which safeguarded the interests of the government and the public, and facilitated sound and sustained economic and social development. At present, the Chinese economy has entered a stage of New Normal, which required further progress in supply-side structural reforms, especially in the five priority tasks, and deeper fiscal reforms to establish a modern fiscal system. The accounting profession is faced with daunting tasks of reform and upgrading. The accounting-related work should be more comprehensive, targeted and proactive.

4. Liu Kun: follow the guidance of the five development concepts and comprehensively move forward the treasury work during the 13th Five-Year Plan period

According to the recent speech of Vice Finance Minister Liu Kun, the concept of "innovative, coordinated, green, open and shared development" proposed at the 5th Plenum of the 18th Central Committee of CPC should guide the reform and development of treasury work during the 13th Five-

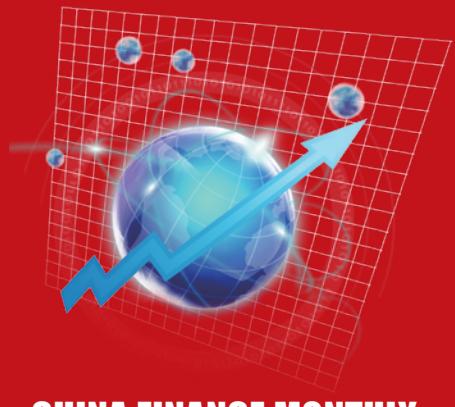
Year Plan period and be implemented in every aspect of the treasury operation in public finance. (1) To implement the concept of innovative development, it is critical to focus on major issues related to the overall development of treasury. Those issues include: first, compile the accrual-based government financial statement and develop innovative fiscal reporting system; second, establish a robust debt financing mechanism and develop innovative debt issuance system; third, create a result-oriented government procurement system and develop innovative procurement system. (2) To implement the concept of coordinated development, it is critical to fully enhance the synergy of the treasury system. A modern treasury system that is efficient and transparent should be established, more efforts need to be made to promote coordinated and synergistic development of the treasury system, and a balance should be struck among efficiency, effectiveness and benefits. (3) To implement the concept of green development, it is critical to keep strengthening the policies that are conducive to energy conservation. Green development reflects people's aspiration for a better life and is the prerequisite for the harmonious co-existence between human and nature. (4) To implement the concept of open development, it is critical to take the initiative to adapt to economic globalization. The Chinese economy has been integrated into the economic globalization. In this context, it is important to take into account and deploy both the domestic and foreign markets, resources and rules while following

the requirements proposed by Finance Minister Lou Jiwei on building a public finance system that fits China's status as a major power. (5) To implement the concept of shared development, it is critical to demonstrate the outcomes of treasury reform through improved service. General Secretary Xi Jinping pointed out that shared development is the development being comprehensively and gradually created and shared by all. This should also be purpose of treasury reform. Public finance is the foundation and pillar for state governance, and treasury is the cornerstone of that foundation. It is critical to give full play to the fundamental role of treasury, so as to ensure the outcomes of treasury reform are shared by all.

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