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HIGHLIGHTS

- Finance Minister Xiao Jie met with Mr. John Tsang, Financial Secretary of the Hong Kong Special Administrative Region
- Vice Finance Minister Zhu Guangyao: rapid corporate debt growth warranted attention
- The State Council issued the Contingency Plans for Addressing Local Government Debt Risks
- MOF issued the Management Measures for the Administration of General Budgetary Debt of Local Governments
- China's fiscal revenue and expenditure in October

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. The CPC Central Committee and the State Council issued the *Opinions on Improving the Separation of the Ownership Right, Contractual Right and Operational Right of Rural Land*

On October 31, the General Office of the CPC Central Committee and the General Office of the State Council issued the *Opinions on Improving the Separation of the Ownership Right, Contractual Right and Operational Right of Rural Land*, which specified tasks in the following: (1) identify the entity with the contractual, ownership and operational rights of the land, confirm the entity's rights and interests, so as to stabilize the land contracting relationship. (2) Regulate the transfer of land operational right, improve market operating regulations, strengthen the contract management, and improve the regulation and risk prevention mechanism for the land leasing for commercial purposes. (3) Improve the supporting incentives of fiscal subsidies, credit insurance, land use and project facilitation for new operation entities. (4) Actively carry out compensated termination of land contractual right, land operational right-backed mortgage loans, equity participation of land operational right in agricultural business, and other pilot projects. Speed up the legislative revision on land contract-related laws.

2. The State Council confirmed implementation details for enhancing the disclosure of government affairs

On October 31, Premier Li Keqiang chaired the Executive Meeting of the State Council, which decided the following: (1) proper procedures should be ensured in the whole administrative process, including decision-making, enforcement, regulation, services provision and evaluation of policy impacts. (2) Principle officials in the central and local authorities should take the lead in disclosing official information. At the same time, experts and scholars should make correct interpretation on policies to enhance public awareness. (3) Information disclosure should be responsive to social concerns, especially on those which may affect the interests of the general public, market expectations and public emergencies. Relevant central and local authorities should take the initiative to provide information to the public. (4) Make use of multiple media platforms to expand the coverage and public influences of administrative information, including through the building of governmental portals. (5) Broaden the channels for public participation in policy design, implementation and supervision.

3. MOF issued a circular on further consolidating agriculture-related funds in poor counties

On November 1, MOF issued a circular on further consolidating agriculture-related funds in poor

counties, which specified the following tasks: (1) speed up the plan-making for consolidating agriculture-related funds in poor counties according to the poverty alleviation strategies of the county, and submit the plan to the provincial Poverty Alleviation and Development Leading Group for record-keeping. (2) Provincial authorities should guide the poverty-stricken counties to make coordinated use of the funds, and speed up the design of specific measures in this regard. (3) Funds will be allocated to the county level in time. The funds allocated to the poverty-stricken counties should not grow slower than the overall increase of the earmarked funds. (4) Give full play to the coordination role of the Poverty Alleviation and Development Leading Group in policy explanation and communication, so as to promote the consolidation process. (5) Select a number of priority poverty-stricken counties as showcase counties. (6) Establish a progress notification system.

4. The State Council published the *Work Plan on Controlling the Green House Gas Emission during the 13th Five-Year Plan Period*

On November 7, the State Council published the *Work Plan on Controlling the Green House Gas Emission during the 13th Five-Year Plan Period*.

(1) Strengthen the control of the carbon emission targets, enhance energy conservation, accelerate the development of non-fossil fuel, and optimize the use of fossil fuel. (2) Expedite the structural adjustment of industries, curb the emission from industrial

sectors, develop low-carbon agriculture, and increase the carbon sink of eco-system. (3) Build low-carbon cities and rural areas, develop low-carbon transport system, enhance the reuse and low-carbon treatment of wastes, and advocate low-carbon lifestyle. (4) Control carbon intensity, develop pilot regions for low-carbon development, and support the low-carbon development of poor regions. (5) Establish a nationwide carbon trading system, launch a nationwide carbon trading market, and strengthen the infrastructure for nationwide carbon trading. (6) Enhance the basic research on climate change, accelerate the research and development as well as demonstration of low-carbon technology, and step up the application of low-carbon technology. (7) Improve the legal framework for combating climate change, enhance the accounting and data collection of green house gas emission, and strengthen the institutional building and development of talents. (8) Deeply participate in the global climate governance, promote practical cooperation, and enhance the fulfillment of agreement.

5. The CPC Central Committee and the State Council published the *Several Opinions on Implementing the Distribution Policy Aimed at Increasing Knowledge Value*

On November 8, the General Office of the CPC Central Committee and the General Office of the State Council published the *Several Opinions on Implementing the Distribution Policy Aimed at Increasing Knowledge Value*. (1) Gradually increase

the income of researchers and give full play to the role of public research funds as important incentives. (2) Encourage research institutes and universities to adopt the distribution policies that reflect their characteristics, improve the incentive mechanisms that fit with the features of teaching posts in universities, allow research institutes greater autonomy, and emphasize the performance evaluation of medium and long-term targets of research institutes and universities. (3) Use the public research funds as incentives in the distribution of knowledge value, and improve the fund management system for research projects at research institutes and universities, especially the projects concerning philosophy and other fields of social sciences. (4) Enhance the accountability of research institutes and universities for the commercialization of science and technology findings as important incentives, improve the management system for the equity ownership by the leaders of research institutes and universities in the commercialization of findings, improve the medium and long term incentive mechanism for researchers in state-owned enterprises, and improve the tax policies related to equity incentives. (5) Allow researchers to engage in part-time work to obtain legitimate incomes and allow university teachers to get legitimate incomes by teaching in different places.

6. MOF published a circular on the formulation of plans for land treatment projects

On November 10, MOF published a circular on the formulation of plans for land treatment projects.

(1) Implement the strategy of raising crop yield through soil and technology improvement, make the improvement of comprehensive agricultural production capacity the basic target, prioritize the sustainable development of agriculture, focus on the appropriately scaled-up operation and upgrading of agriculture, consolidate resources, increase input, optimize the development plan, strive for high-standard farmland development, and ensure the implementation of the *High-standard Farmland Development Plan for the National Comprehensive Development of Agriculture (2011-2020)*. (2) Support the comprehensive ecological treatment to provide green guarantee for the development of ecological civilization. (3) Encourage new types of agri-businesses to participate in projects, promote the appropriately scaled-up operation of farmland, catalyze financial and private capital, enhance the integration of primary, secondary and tertiary industries, and gradually build the pilot areas for comprehensive agricultural development into the pillar zones for national food security, demonstration zones for modern agriculture and exemplary zones for institutional innovation.

7. MOF published a circular on the exemption of tax for the imported materials used for coal bed methane exploration and development during the 13th Five-Year Plan period

On November 10, MOF published a circular on the exemption of tax for the imported materials used for coal bed methane exploration and development

during the 13th Five-Year Plan period. (1) From January 1, 2016 to December 31, 2020, during the process of domestic exploration and development of coal bed methane projects by the China United Coal Bed Methane Corporation, its import of directly-used materials that domestic market can neither produce nor meet the required standards, and that are on the *List of Tax Free Materials*, shall be exempted from the import tariffs and import VAT. (2) Other domestic agencies that engage in coal bed methane exploration and development shall submit application in accordance with due procedures to MOF before declaring their import of materials. (3) The import of qualified materials on the List and under the exploration and development projects in the circular is allowed to be exempted from import tariffs and VAT. (4) The rental of qualified imported materials on the List and under the exploration and development projects in the circular is allowed to be exempted from import tariffs and VAT, and the rental of imported materials that are not on the List shall be taxed according to relevant regulations.

8. MOF issued a circular on the pre-tax deduction of corporate income tax for deposit insurance premiums of banking financial institutions

On November 11, MOF issued a circular on the pre-tax deduction of corporate income tax for deposit insurance premiums of banking financial institutions, which provides the following. (1) When banking financial institutions get deposit insurance premiums based on relevant provisions of deposit insurance

regulations and with insurance rate under 1.6, the income is eligible for pre-tax deduction. (2) The pre-tax deductible = deposit insurance premium × deposit insurance rate. The basis of the premium shall be verified by the People's Bank of China. (3) The pre-tax deductible does not include surcharge for overdue tax. (4) The banking financial institutions refer to deposit taking institutions established in China in accordance with the *Deposit Insurance Regulations*, such as commercial banks, rural cooperative banks and rural credit cooperatives.

9. MOF issued a circular on the income tax policy for high-tech service business in newly listed demonstrative cities for service outsourcing

On November 14, MOF issued a circular on the income tax policy for high-tech service business in newly listed demonstrative cities for service outsourcing: in the ten newly established demonstrative cities for service outsourcing, i.e. Shenyang, Changchun, Nantong, Zhenjiang, Fuzhou, Nanning, Urumqi, Qingdao, Ningbo and Zhengzhou, high-tech service business is eligible for corporate income tax credit, according to the circular which was jointly issued by MOF, the State Administration of Taxation (SAT), the Ministry of Commerce (MOFCOM), the Ministry of Science and Technology (MOST) and NDRC.

10. The State Council issued the Contingency Plans for Addressing

Local Government Debt Risks

On November 14, the State Council issued the *Contingency Plans for Addressing Local Government Debt Risks*, which provides the following. (1) Local governments should establish an emergency working mechanism for addressing risks, which is to initiate rapid responses, adopt differentiated and targeted measures, and take coordinated and appropriate actions. The bottom line is to prevent systemic regional risks. (2) When taking contingency measures, there should be clear accountability assigned to each level of authority, prompt response, and legally-compliant treatment. (3) Differentiated treatment should be applied to different types of debts. Local governments shall bear full repayment responsibility for local government bonds. Government backed or guaranteed debts should be replaced by government bonds, with local governments shouldering the responsibility for repayment. (4) Establish accountability mechanisms for local government debts. (5) Provincial governments take overall responsibility for emergency response to local government debt risks.

11. MOF issued a circular to task central ministries for self-evaluation on expenditure performance

On November 15, MOF issued a circular to task central ministries for self-evaluation on expenditure performance. (1) Ministries should take responsibility for the budget performance, including the authenticity and timeliness of the self-evaluation. (2) Ministries should organize

their departments and subordinate units to carry out self-assessment of budget performance, to ensure 100% coverage. (3) The self-evaluation should ensure accuracy and objectiveness. False results are strictly prohibited.

12. The State Council adopted the National Key Poverty Alleviation Plans for the 13th Five-Year Plan Period

On November 15, Premier Li Keqiang chaired the Executive Meeting of the State Council, which decided the following. (1) Establish targeted supporting mechanisms to link industries to households, including fostering feature industries and competitive products for each poor county, township and village through market forces, and carrying out hydropower, mineral development and other pilot programs. (2) Enhance infrastructure development in poverty-stricken areas, and promote the one-million -kilometers-rural-road project and small water conservancy projects. (3) Carry out relocation of poor population in an orderly manner by integrating urbanization, to promote the construction of supporting facilities, provision of public services, and industrial development in resettlement areas. (4) Ensure basic social security in poor areas, including pension, health care and education. (5) Increase fiscal, investment, financial, land and other policy support, promote innovations in government procurement of services, poverty alleviation and cooperation between eastern and western regions, and between enterprises and social organizations.

13. The State Council issued the *Detailed Rules for Comprehensively Promoting Open Government*

On November 16, the State Council issued the *Detailed Rules for Comprehensively Promoting Open Government*. (1) Efforts should be made to promote public disclosure of decision-making, enforcement, management, service, and enforcement results. Official documents and conference organization should be included in the disclosure. A dynamic directory should be established for informing the public of relevant information. The information should be updated and reviewed regularly. The requirements should also be enforced at grassroots agencies. (2) The information disclosure should promote policy awareness, including major policies of the State Council, various ministries and local authorities. (3) Open government should be responsive to public concerns, identify accountability, and design solutions. (4) Platform development should be strengthened through government portal building and management, better collaboration among official websites and interaction with the media. (5) The public should be engaged more broadly in administrative affairs, through standardized participation and better channels.

14. MOF issued a circular on improving the management of government procurement budget of central ministries and the R&D equipment procurement by universities and

research institutes

On November 17, MOF issued a circular on improving the management of government procurement budget of central ministries and the R&D equipment procurement by universities and research institutes. (1) Central government ministries and agencies should integrate the government procurement budget into the department budget preparation. The government procurement budget should be filed and recorded based on actual procurement projects, and should not be deliberately reduced to circumvent government procurement requirements and open tender. (2) Universities and research institutes supported by central budget can procure research equipment based on their own decisions. (3) Imported research equipment procured by universities and research institutes should be tagged and filed. (4) The procurement models of science research equipment by universities and research institutes should be simplified. (5) Universities and research institutes can choose research equipment evaluation experts by themselves. (6) The internal control is to be strengthened for the procurement of research equipment.

15. The State Council published a circular on increasing the incentives and support to the localities which work diligently and make notable achievements

On November 18, the State Council published a circular on increasing the incentives and support

to the localities which work diligently and make notable achievements, which provides the following. (1) The provinces (regions and municipalities) that overshoot the targets of reducing excess capacity in steel and coal sectors will receive tiered rewards and subsidies when the earmarked funds used as incentives and grants for structural adjustment of industrial enterprises are allocated. (2) The provinces (regions and municipalities) that achieve notable outcomes in improving the basic conditions for science research, optimizing the environment for science and technology innovation, and implementing major national policies for the development of science and technology will be prioritized, based on the results of performance evaluation, when the earmarked funds provided by the central government for the local science and technology development are allocated. (3) The provinces (regions and municipalities) that cultivate a financial ecology of ethics and integrity and maintain a sound financial order will be prioritized, other conditions being equal, when they apply for the pilot financial reform zone, and the supportive relending and rediscount for them will also be intensified in relevant areas. (4) The cities (prefectures) and counties (cities and districts) that achieve notable outcomes in promoting the PPP model and where private capital participation is active will be prioritized when the earmarked subsidies for the pre-work of PPP projects financed by the central government are allocated.

16. MOF published the Operational Procedures for the Disclosure of

Local Government Budget and Final Accounts

On November 21, MOF published the *Operational Procedures for the Disclosure of Local Government Budget and Final Accounts*, which provides the following. (1) The local government budget and final accounts shall be disclosed to the society within 20 days after the approval of the local People's Congress or its standing committee. The departmental budget and final accounts shall be disclosed to the society within 20 days after the approval of local finance authorities. (2) With the exception of national confidential information, the general public budget, government fund budget, state capital operating budget and social security fund budget shall be disclosed by all levels of local finance authorities. (3) When disclosing government budget and final accounts, all levels of local finance authorities shall make explanations and interpretations on the arrangement of transfer payment, borrowing of government debt, status of the work of performance-based budgeting and other important matters. (4) The local departmental budget, final accounts and financial statements approved by local finance authorities, including the receipt and expenditure of the fiscal appropriations and the department as a whole, shall be disclosed. (5) If local finance authorities and departments have their own portal websites, they shall disclose and permanently keep the budget and final accounts information on their websites.

17. MOF published a circular on conducting dynamic monitoring of the performance of government

procurement by central budgetary units

On November 22, MOF published a circular on conducting dynamic monitoring of the performance of government procurement by central budgetary units, which provides the following. (1) Promote the dynamic monitoring of the performance of government procurement by central budgetary units. Through the Chinese Government Procurement Website, government procurement planning and management system and other information system, MOF checks and verifies the data and information related to the budgeting and planning of procurement projects, pre-review disclosure of single-source procurement, procurement notice, bid-winning notice and contract-awarding notice, and conducts dynamic monitoring of the performance of procurement by central budgetary units. (2) The dynamic monitoring is mainly about the budgeting and planning of procurement, the review and approval of procurement, and the disclosure of procurement information.

18. MOF published a circular on the continued implementation of the VAT policy for the purchase of equipment by R&D institutions

On November 23, MOF published a circular on the continued implementation of the VAT policy for the purchase of equipment by R&D institutions, which provides the following. (1) The domestic-funded and foreign-funded R&D institutions to which the policy of full VAT refund for the purchase of China-

made equipment is applicable include: the national engineering research centers jointly verified by NDRC, MOF, the General Administration of Customs (GAC) and SAT, and the business technology centers jointly verified by NDRC, MOF, GAC and SAT. (2) The foreign-funded R&D institutions established on September 30, 2009 and earlier shall concurrently meet the criteria of having no less than 90 dedicated R&D staff and no less than 10 million RMB of cumulative original equipment costs of equipment purchased since establishment. (3) The foreign-funded R&D institutions established on October 1, 2009 and later shall concurrently meet the criteria of having no less than 150 dedicated R&D staff and no less than 20 million RMB of cumulative original equipment costs of equipment purchased since establishment.

19. MOF published a circular on the exemption of corporate income tax for the enterprises that produce and assemble special products for the wounded and disabled

On November 24, MOF published a circular on the exemption of corporate income tax for the enterprises that produce and assemble special products for the wounded and disabled. From January 1, 2016 to December 31, 2020, the enterprises that meet the following criteria will be exempted from corporate income tax. (1) The special products produced and assembled by the enterprise are on the list of the *Catalogue of Special Products for the Wounded and Disabled in China*. (2) The annual income derived

from the sales of special products for the wounded and disabled shall account for over 60% of the enterprise's total income. (3) The enterprise has sound accounts and documents, and is able to accurately and completely provide tax payment documents to the tax authorities. (4) The enterprise shall have no less than 1 professional with qualification certificate for making prosthetic limbs and orthotic devices. (5) The enterprise shall have the special-purpose equipment and tools that fit with its business of producing and assembling the special products, for example, equipment and tools for measurement, casting, and model processing. (6) The enterprise shall have independent reception room, room for making prosthetic limbs or orthotic devices, and prosthetic training room, with a usable floor space of no less than 115 square meters.

20. MOF published a circular on the work of departmental final accounts for year 2016

On November 24, MOF published a circular on the work of departmental final accounts for 2016, which provides the following. (1) Central departments shall urge the budgetary units affiliated to them to cooperate with local inspector's offices in the review process of the budgetary units' final accounts. While submitting their final accounts to competent authorities, the budgetary units at level II or below shall also copy the final accounts to local inspector's offices. Before March 20, 2017, they shall present the aggregated departmental final accounts, reporting instructions and analysis report, status report on the

analysis and evaluation of the final accounts, as well as the electronic data to the MOF departments that oversee departmental budgets for their review, and adjust the final accounts according to the comments of the MOF departments. (2) Local finance authorities shall complete the review and aggregation of the departmental final accounts by April 20, 2017, and in accordance with the notice on the joint review of departmental final accounts, bring the aggregated departmental final accounts, reporting instructions, analysis report and other documents for the joint review organized by the treasury Department of MOF.

21. The State Council decided to implement a flat VAT refund to protect local fiscal resources

On November 29, Premier Li Keqiang chaired the Executive Meeting of the State Council, which identified the following: since the full roll-out of the VAT pilot reform on May this year, four new pilot sectors, which are financial sector, construction, real estate and services, have witnessed increased tax reductions over the months. As the end of October, the accumulative tax cut was 96.5 billion RMB. Coupled with earlier tax reductions of the pilot in other sectors, the total annual tax reduction was more than 500 billion RMB. In the next steps, we should closely follow the progress of the pilot program, and carry out third-party assessment of operational effects. For the problems reflected by the financial, construction and other pilot sectors, we should study and design a clear policy path forward. Relevant measures should

be improved based on risk control and institutional fairness, so as to further reduce tax burdens. At the same time, in order to further improve the tax-sharing fiscal system, the meeting decided that starting from 2016, the central government is to provide a flat VAT refund to local governments, so there will no longer be additional deduction in the refund for VAT growing regions or further refund for VAT declining regions. In arranging future balancing transfer payments and other types of financial assistance, we will take into account the actual situation in eastern, central and western regions, resolve the financing gap in difficult areas, and gradually shore up the fiscal capacity of local financial authorities.

22. MOF further simplified and optimized the review and approval process for central budgetary unit to change government procurement models and procure imported products

On November 29, MOF issued the *Circular on Simplifying and Optimizing the Review and Approval Process for Central Budgetary Unit to Change Government Procurement Models and Procure Imported Products*, which provides the following. (1) The change of government procurement models should be applied and reviewed in a basket. The budgetary authority should strengthen the management of such changes of its subordinate agencies, submit the application for changes to MOF in a basket on a regular basis, and MOF is to review the application in a basket. (2) Procurement of imported goods should be analyzed and reviewed in a centralized manner. The central budgetary supervisory

authority should combine the procurement requests of its subordinate agencies annually, organize experts to conduct professional analysis on those requests, and report to MOF. MOF is to review the application in a basket. (3) The efficiency of application and review process is to be enhanced. For the applications by the central budgetary units, MOF has a deadline for the review and feedback process. For qualified applications, MOF should complete the approval process within 5 working days upon receiving the application.

23. MOF issued the *Management Measures for the Administration of Urban and Rural Compulsory Education Subsidy Funds*

On November 30, MOF and the Ministry of Education jointly issued the *Management Measures for the Administration of Urban and Rural Compulsory Education Subsidy Funds*, which provides the following: urban and rural students enrolled in compulsory education (including private school students) are exempt from miscellaneous fees and provided with free textbooks. Students from financially challenged families are eligible for living subsidies. Urban and rural compulsory schools are provided with standardized subsidies based on per-students expenses, which are to be shared by the central and local governments at proportion. Efforts should be made to improve the safety and security of rural compulsory school buildings and establish a long-term mechanism, and support the maintenance and reconstruction, earthquake-prevention reinforcement, and

the expansion of the campus and ancillary facilities of public schools. On the local implementation of concentrated contiguous areas of rural teachers living subsidies and other policies to give comprehensive awards. Living allowances are to be provided for teachers working in poor villages.

24. A circular on relevant tax policies for the Shenzhen-Hong Kong Stock Connect Pilot was issued

On December 1, MOF, SAT and China Securities Regulatory Commission (CSRC) jointly issued the *Circular on Relevant Tax Policies for the Shenzhen-Hong Kong Stock Connect Pilot*, which provides the following: when mainland individual investors receive income from the transactions in HK stock exchange through the Shenzhen-HK Stock Connect Pilot, the income is exempt from individual income tax from December 5, 2016 to December 4, 2019, and exempt from VAT during the VAT pilot period. When mainland institutional investors receive income from the transactions in HK stock exchange through the Shenzhen-HK Stock Connect Pilot, the income is to be included in total income, and subject to corporate income tax, but is exempt from VAT during the VAT pilot period. When HK investors (both institutional and individual) receive income from the transactions in Shenzhen stock exchange through the Shenzhen-HK Stock Connect Pilot, the income is temporarily exempt from individual income tax, and from VAT during the VAT pilot period.

25. MOF issued the *Management Measures for the Administration of General Budgetary Debt of Local Governments*

On December 2, MOF issued the *Management Measures for the Administration of General Budgetary Debt of Local Governments*, which provides the following: the general debt generated income should be used for the capital expenditure of public welfare services, not for recurrent spending. There should be plans for repaying general debts and a stable financing source underpinning the plans. The principal of general debts should be re-paid by budgetary income or through issuance of general bonds. The interest of general debts should be re-paid by budgetary income, but not through issuance of general bonds. The general debts other than bonds should be swapped to general bonds within the timetable set by the State Council. Local governments should strengthen information capacity building relating to debt management, in order to bring the revenue and expenditure of general debts into the information system of fiscal budget management at the local level, and bring the general debts management into the unified national information system. MOF is to formulate other measures for the administration of the external debt and related credit loans.

26. MOF issued the *Management Measures for the Administration of Special Budgetary Debts of Local Governments*

On December 2, MOF issued the *Management*

Measures for the Administration of Special Budgetary Debts of Local Governments, which provides the following: the management of the income, spending, payment of principal and interest, and issuance costs of special budgetary funds is brought into the budgetary management of government funds. The income of special debt is to be generated from special bonds, which is to be issued by provincial, autonomous regional or municipal governments, and operated by the provincial financial department. The special debts generated income should be used for the capital expenditure of public welfare services, not for recurrent spending. There should be plans for repaying special debts and a stable financing source underpinning the plans. Special debt income and expenditure should be balanced by the corresponding government fund incomes and special incomes. Government funds across different categories cannot be re-allocated. If the government fund revenue corresponding to the special debt is not enough to repay the principal and interest, it can be supported by the special income from corresponding public welfare project units. The special debts other than bonds should be swapped to special bonds within the timetable set by the State Council. Local governments should strengthen information capacity building relating to debt management, in order to bring the revenue and expenditure of special debts into the information system of fiscal budget management at the local level, and bring the special debts management into the unified national information system.

II. Facts & Figures

1. China's manufacturing PMI in October stood at 51.2%

According to the data released by the National Bureau of Statistics (NBS) on November 1, in October, China's manufacturing purchasing managers index (PMI) was 51.2%, an increase of 0.8 percentage point over the last month. In breakdown of the sizes of enterprises, the PMI of large-sized enterprises was 52.5%, decreasing 0.1 percentage point month on month; that of medium-sized and small-sized enterprises were 49.9% and 48.3%, increasing 1.7 percentage and 2.2 percentage points respectively. In breakdown of the sub-indices, production index was 53.3%, an increase of 0.5 percentage point month on month. New orders index was 52.8%, increasing 1.9 percentage points month on month. Employee index was 48.8%, increasing 0.2 percentage point month on month. Raw materials inventory index was 48.1%, an increase of 0.7 percentage point over the last month. Supplier delivery time index was 50.2%, an increase of 0.3 percentage point over the last month.

2. The final accounts of China's Social Security Fund in 2015

The data released by MOF on November 9 show that national social insurance revenue totaled 4.6354

trillion RMB in 2015, up by 14.6% over the previous year; expenditure totaled 3.9118 trillion RMB, up by 16.1% over the previous year; the balance between revenue and expenditure stood at 723.6 billion RMB in 2015, and the cumulative balance in 2015-end reached 5.8893 trillion RMB. The revenue of the basic pension fund for enterprise employees was 2.6554 trillion RMB, up by 328.1 billion RMB over the previous year, or an increase of 14.1%, completing 109.2% of the budget. The revenue of the basic pension fund for urban and rural residents was 287.9 billion RMB, up by 53.6 billion RMB over the previous year, or an increase of 22.9%, completing 104.6% of the budget. The revenue of the basic health insurance fund for urban employees was 892.6 billion RMB, up by 107.2 billion RMB over the previous year, or an increase of 13.6%, completing 107.6% of the budget. The revenue of the basic health insurance fund for residents was 540.5 billion RMB, up by 92.8 billion RMB over the previous year, or an increase of 20.7%, completing 104.6% of the budget. The revenue of the work-related injury insurance fund was 72.9 billion RMB, up by 5.8 billion RMB over the previous year, or an increase of 8.6%, completing 102.7% of the budget. The revenue of the unemployment insurance fund was 136.5 billion RMB, down by 1.5 billion RMB over the previous year, or a decrease of 1.1%, completing 97.4% of the budget. The revenue of the maternity insurance fund was 49.6 billion RMB, up by 5.7 billion RMB over the previous year, or an increase of 13.0%, completing 108.5% of the budget.

3. China's CPI rose by 2.1% year on

year in October

The data released by NBS on November 9 show that China's CPI rose by 2.1% year on year in October, among which, the CPI rose by 2.2% in urban areas and 1.8% in rural areas; 3.7% for food and 1.7% for non-food; 1.9% for consumer goods and 2.5% for services. The average CPI from January to October was 2.0% higher than the same period of last year. In October, CPI edged down by 0.1% month on month, among which, the figure dipped by 0.1% in both urban and rural areas; decreased by 1.0% for food and rose by 0.1% for non-food; went down by 0.2% for consumer goods and stayed flat for services.

4. China's PPI in October rose by 1.2% year on year

The data released by NBS on November 9 show that China's PPI in October rose by 0.7% month on month, and went up by 1.2% year on year. IPI went up by 0.9% month on month, and up by 0.9% year on year. The average PPI fell by 2.5% year on year and the average IPI decreased by 3.3% year on year from January to October. The price of the means of production rose by 1.6% year on year, and the price of the means of consumption increased by 0.1% year on year.

5. China's fiscal revenue and expenditure in October

According to the data released on November 14 by

MOF, China's public revenue was 1,535.9 billion RMB, an increase of 5.9% year on year. Among the total revenue, the central government revenue was 796.3 billion RMB, an increase of 9.9%; local government revenue was 739.6 billion RMB, an increase of 1.9%. The public expenditure was 1181.9 billion RMB, down by 12.5%. Among the total expenditure, the central government expenditure was 199 billion RMB, an increase of 5.6%; and the local government expenditure was 982.9 billion RMB, down by 15.5%. In the first ten months, revenue from national governmental funds was 3,368.5 billion RMB, growing by 12.3%; the expenditure from national governmental funds was 3,120.7 billion RMB, up by 8.5%.

6. China's private investment in fixed assets increased by 2.9% during the first ten months of 2016

According to the data released on November 14 by NBS, in the first ten months of 2016, the private investment in fixed assets reached 29,772.5 billion RMB, a year-on-year increase of 2.9% in nominal terms, and the growth rate was 0.4 percentage point higher than that in the first nine months. The proportion of private investment in fixed assets to the total investment in fixed assets was 61.5%, an increase of 0.1 percentage point over the first nine months, and 3.2 percentage points lower than that in the same period of last year. In term of different areas, the private investment in fixed assets in eastern region amounted to 13,372.1 billion RMB, rising by 7.1% year on year; that of central region was 8,606.8 billion RMB, increasing 6.2%; that of western region was 5,874.9

billion RMB, increasing 2.5%; that of northeastern region was 1,918.8 billion RMB, decreasing 26.8%. In term of different industries, the private investment in fixed assets in primary industry reached 1,218.5 billion RMB, a year-on-year increase of 19.0%; that in the secondary industry amounted to 14,904.1 billion RMB, increasing 2.4%; that in the tertiary industry was 13,650.0 billion RMB, going up by 2.1%.

7. The added value of the industrial enterprises above designated size was up by 6.1% in October

According to the data released on November 14 by NBS, in October 2016, the total value added of the industrial enterprises above designated size was up by 6.1% year on year in real terms, remaining at the same level over September. In October 2016, the total value added of the industrial enterprises above designated size went up by 0.5% month on month. In the first ten months of 2016, the total value added of the industrial enterprises above designated size was up by 6.0% year on year. In breakdown of sectors, the value added of mining and quarrying decreased 2.2% in October, that of manufacturing increased 6.7%, and that of production and distribution of electricity, heating power, gas and water was up by 7.9% year on year. In breakdown of different types of enterprises, in October, the value added of the state holding enterprises increased 3.2% year on year, that of collective enterprises decreased 3.8%, that of joint-stock enterprises increased 6.8%, that of enterprises funded by foreign investors or investors from Hong Kong, Macao and Taiwan increased 4.8%.

8. China's lottery sales in October

The data released by MOF on November 22 show that nationwide lottery sales in October totaled 33.827 billion RMB, up by 2.593 billion RMB year on year, or 8.3%, among which, welfare lottery sales were 17.307 billion RMB, up by 975 million RMB year on year, or 6%; sports lottery sales were 16.52 billion RMB, up by 1.618 billion RMB, or 10.9%. Cumulative nationwide lottery sales from January to October totaled 323.565 billion RMB, up by 20.432 billion RMB year on year, or 6.7%, among which, welfare lottery sales were 168.647 billion RMB, up by 3.371 billion RMB, or 2%; sports lottery sales were 154.919 billion RMB, up by 17.061 billion RMB, or 12.4%.

9. Industrial profits of enterprises above designated size increased by 8.6% in the first ten months of 2016

According to the data released on November 27 by NBS, in the first 10 months, the profits made by industrial enterprises above the designated size reached 5,256.77 billion RMB, a year-on-year increase of 8.6%, and the growth rate was up by 0.2 percentage point over the first nine months. Among the enterprises, the profits of state-holding industrial enterprises gained 957.7 billion RMB, increasing by 4.8% year on year; that of collective-owned enterprises reached 37.57 billion RMB, a decrease of 2.7%; that of joint-stock enterprises stood at 3,601.07 billion RMB, up by 8.9%; that of foreign-funded enterprises, and enterprises

funded by Hong Kong, Macao and Taiwan totalled 1,303.33 billion RMB, increasing by 9.6%; and that of private enterprises gained 1,854.55 billion RMB, an increase of 6.6%. In October, the profits made by industrial enterprises above the designated size reached 616.1 billion RMB, a year-on-year increase of 9.8%, and the growth rate increased by 2.1 percentage points over September.

10. Manufacturing PMI stood at 51.7% in November

According to the data released on December 1 by NBS, in November 2016, China's manufacturing PMI was 51.7%, an increase of 0.5 percentage point over the last month, continuing an upward trend. In breakdown of the sizes of enterprises, the PMI of large-sized and medium-sized enterprises were 53.4% and 50.1%, increasing 0.9 and 0.2 percentage point over the last month respectively, and were both higher than the threshold; that of small-sized enterprises was 47.4%, decreasing 0.9 percentage point, continuing to stay in the contraction range, and the pace of decline extended.

11. The non-manufacturing PMI for November was 54.7%

According to the data released on December 1 by NBS, in November 2016, China's non-manufacturing PMI was 54.7%, an increase of 0.7 percentage point over the previous month, rising

for three consecutive months, and hit the highest since July 2014. Non-manufacturing continued a steady and rapid growth momentum, and the growth rate went up further. In view of different industries, non-manufacturing PMI of service industry was 53.7%, an increase of 1.1 percentage points over the previous month, hit this year's high, showing that the service industry realized a moderate but stable and sound growth.

III .MOF Events

1. On October 25-27, Vice Finance Minister Hu Jinglin carried out studies in Lvliang, Shanxi Province, on fiscal support of poverty alleviation.

2. On October 26, Vice Finance Minister Liu Kun attended the 15th Ministerial Meeting of Central Asia Regional Economic Cooperation(CAREC) and delivered a speech.

3. On November 2, Vice Finance Minister Shi Yaobin and Mr. Keith Hansen, Vice President of the World Bank, attended the 4th Global Delivery Initiative (GDI) and the 8th China-ADB Knowledge Sharing Platform, which was jointly sponsored by MOF, the World Bank, the ADB, the German Agency for International Cooperation and the United States Agency for International Development.

4. On November 4-5, the Seminar on the 60 Years of

Public Finance and National Governance and Financial Think-tanks co-sponsored by the Chinese Academy of Fiscal Sciences and the Society of Public Finance of China was held in Beijing. Assistant Finance Minister Dai Bohua attended and addressed the seminar.

5. On November 14, Vice Finance Minister Shi Yaobin attended the 4th China-France High-level Economic and Financial Dialogue in Paris, and answered questions from Chinese and foreign media after the meeting.

6. On November 29, Finance Minister Xiao Jie met with Mr. John Tsang, Financial Secretary of the Hong Kong Special Administrative Region.

7. On December 1, Assistant Finance Minister Dai Bohua attended the 21st Ministerial Meeting of the Greater Mekong Sub-regional Economic Cooperation.

IV .Local Finance

1. Jincheng City of Shanxi Province adopted eight measures to improve the management of earmarked funds

According to the news released on October 31 by the Finance Department of Shanxi Province, the city of Jincheng adopted eight measures to improve the management of earmarked funds. (1) The establishment of earmarked funds should comply with relevant laws and regulations. (2) The application

for establishing new funds should be submitted by the municipal project supervisor to the municipal government. The municipal government should relay the application to the municipal Finance Bureau for review, and based on the review results, decide on the approval of the application. (3) The budget preparation of the earmarked funds should specify the targeted region and project. (4) Municipal matching funds should be arranged. (5) A clear implementation schedule should be established for the funds. (6) After the approval of the establishment of special funds, the municipal Finance Bureau should work with the project supervisor to develop specific management rules, so as to have a set of specific rules to follow. (7) Establish regular assessment and exit mechanism for the funds, and regulate and consolidate the existing funds. (8) Enhance efficiency of the budget implementation of the funds.

2. Chongqing Municipality based budget allocation on performance evaluation

According to the news released on November 3 by the Finance Bureau of Chongqing Municipality, performance evaluation was conducted on 45 key projects under 6 agencies receiving budget financing. (1) The evaluation was carried out by diversified panel members, including representatives from the municipal People's Congress for the first time. The review panel included experts randomly selected from the expert bank, relevant professional officials, and members from the municipal People's Congress. (2) The projects were subject to both group review

and individual review. (3) The whole process of performance management was established, covering the budget preparation, traceable budget execution, performance evaluation, and performance result-based budget allocation in the future.

3. The finance authorities of Hubei Province yielded effective outcomes in the implementation of social security policies

According to the news released by the Finance Department of Hubei Province on November 7, the finance authorities of Hubei has been making their best efforts to support the development of social security. (1) From May 1, 2016, the proportion of pension contribution by employers is cut from 20% to 19%; the aggregate unemployment insurance premium rate is cut from 2% to 1%, and will be implemented on an interim basis for 2 years. The subsidies for unemployment insurance will be scaled up. (2) A total of 2.7 billion RMB has been disbursed as employment subsidies, which ensured the province-wide implementation of policies related to employment and business start-up. (3) Make the funds available and use the funds as subsidies to ensure the smooth implementation of the pension reform in the provincial-level public institutions. Work in conjunction with other government agencies to formulate the policies aimed at the transition of the pension scheme of the township staff. (4) Implement the health reform policies, move forward the reform of the pharmaceutical, health insurance and health care systems, and work with competent authorities in integrating the basic health

insurance schemes for urban and rural citizens. (5) Disburse 2.2 billion RMB of general transfer payment for minimum living allowances and targeted poverty reduction in rural areas, and support the poverty reduction efforts of counties and cities.

4. The comprehensive reform in the rural areas of Yunnan Province helped Mouding County to boost collective economy, promote development and eradicate poverty

According to the news released by the Finance Department of Yunnan Province on November 9, it has guided and helped 43 poor villages in Mouding county to boost the local economy, raise the village income, and ensure that Mouding can deliver poverty eradication targets as scheduled. (1) Provide guidance on the formulation of village economic development plan consistent with the geographical environment and development conditions in rural Mouding. (2) Channel funds to the 10 village committees in 5 townships which have high growth potentials and prospects of income increase, prioritize the development of industries with local advantages, and foster strong local brands. (3) Develop 3 leading village committees, establish 10 village committees with special highlights, select 11 demonstration village committees, and spur the collective economy of 43 weak villages. (4) Explore the tripartite cooperation involving village collective, farmers' cooperative and rural households and improve the models of "village collective + farmers' cooperative", "village collective + rural

households", and "farmers' cooperative + rural households" to broaden the opportunities for rural economic development.

5. Shanxi Province promoted targeted poverty alleviation efforts by using equity incomes

According to the news released on November 15 by the Finance Department of Shanxi Province, the provincial authority issued the *Guiding Opinions on the Pilot Project of Poverty Alleviation through Equity Incomes*. (1) Rural collective economic organizations are encouraged to convert natural resource assets into equity, and share it among the members of local organization. (2) When allocating rental and equity incomes, the required contribution to public welfare funds can be allocated to poor households at certain proportion. (3) When building hydropower, wind power and other natural resource development projects in poverty-stricken areas, project equity can be shared with members of the local economic organization or relocated households in the occupied land. (4) The assets of profitable projects supported by fiscal funds or other agricultural funds can be converted into equity to poor households at a certain proportion as appropriate. (5) Poor households are encouraged to take equity in joint-stock land cooperatives, farmers' cooperatives or grass-roots marketing cooperatives, which are established by rural collective economic organizations. (6) When promoting poverty alleviation through financial measures, credit rating should be conducted for poor households to make it

easier for them to get loans.

6. The Finance Bureau of Zhenjiang City, Jiangsu Province adopted four measures to promote agricultural modernization

According to the news released on November 16 by the Finance Department of Jiangsu Province, the Finance Bureau of Zhenjiang City adopted four measures to speed up agricultural modernization. (1) 49.02 million RMB of fiscal funds was allocated to the construction of major water conservancy projects. (2) The development of high-standard farmland was supported, in an effort to improve agricultural production conditions, enhance comprehensive production capacity, and strengthen food security. (3) Policy incentives were given to facilitate modern agricultural development for higher quality and efficiency. (4) In order to promote sustainable agricultural development, 4.25 million RMB was arranged to support the comprehensive utilization of straw, agricultural source pollution control, green pest control technology, agricultural products of higher quality and safety. 5.85million RMB from the Green Fund of Zhenjiang was used to promote green landscaping in high-speed roads and urban areas.

7. Jiangxi Province regulated the procedures for the declaration of “three public expenses” and made the government spending traceable

According to the news released by the Finance

Department of Jiangxi Province on November 21, it has recently issued regulations on the declaration of “three public expenses”, which provides the following. (1) When making the declaration of expenses, the “three public expenses” of the units that are placed under the departmental budget management and are funded by public finance shall present the tax invoice issued by the merchants, the POS receipt for government spending, and the list of expense details input, uploaded and printed on the Jiangxi Government Spending Supervision Platform. (2) Merchants can register at the Supervision Platform, and simply provide the required basic information online, which, once validated, will enable them to become qualified supplier for government spending. (3) The supervision over the “three public expenses” of the budgetary units is conducted online so that the entire process is traceable and transparent.

8. Henan Province achieved preliminary outcomes in the operation of the online mall for government procurement

According to the news released by the Finance Department of Henan Province on November 23, the trial operation of the online mall for government procurement in Henan has achieved preliminary outcomes. (1) Through the comparison of online merchants' prices, the disclosure of the quotation information and the minimum price procurement, the prices of the products on the online mall are closer to the market. (2) The effective connection between the online mall and the government procurement management

system helps do away with such things as the approval number and the contract record filling, and thus enhances the work efficiency. (3) The procurement on the online mall is traceable throughout the process, and the finance authorities can exercise effective supervision through the IT system. (4) The online mall forces some contracted suppliers to change their operation model, and as a result, some contracted suppliers are creating or using e-commerce platforms to make deal both online and offline. (5) The procurement planning, online price comparison, order placing, contract record filing, and payment upon acceptance are all well recorded throughout the process and can be operated online in a paperless manner to ensure high transparency.

9. Shandong Province accelerated reform in government procurement of services

According to the news released on December 1 by the Finance Department of Shandong Province, the *Opinions on Further Promoting Reforms in Government Procurement of Services* was issued recently, which provided the following. (1) The reform in government procurement of services is to be further deepened, through expanding the reform scope, supporting reform in public institutions and the development of social organizations, and establishing incentive and disincentive mechanisms for better regulation. (2) Innovations should be made to the implementation of government procurement, including improving the centralized procurement catalog, raising the procurement quota and public bidding thresholds, enhancing the flexibility of procurement models and organization,

and giving universities and research institutes more purchasing autonomy, so as to give full play to the policy function of government procurement. (3) Efforts are to be made to improve the efficiency of government procurement and its management functions, including allowing the procurement agency to play a more dominant role, promoting standardized development of proxy procurement agencies, establishing a dynamic management mechanism for the evaluation expert pool, and optimizing oversight mechanisms. (4) Guarantee mechanisms for work are to be further improved.

10. Huai'an City of Jiangsu Province made effective efforts in reducing burdens for the real economy

According to the news released recently by the Finance Department of Jiangsu Province, Huai'an City achieved remarkable results this year in deepening the pricing reform and removing administrative fees. (1) Removal of certain fees led to lighter burden for the economy and unleashed policy dividends. In implementing the supply-side structural reform in pricing, the city lowered the electricity prices for general industrial and commercial as well as other enterprises by 0.0312RMB/ kWh, which is expected to reduce nearly 90 million RMB costs for enterprises each year. (2) Efforts were made to clean up administrative fees. The city has established a series of mechanisms to cover the annual report, oversight tour, collection notification and policy evaluation of administrative fees, so as to strengthen supervision. (3) Special inspection was conducted for reducing costs and burdens. (4) Special supervision was conducted for pricing reform and administrative fees.

V. Remarks and Opinions

1. Zhu Guangyao: rapid corporate debt growth warranted attention

In one of his recent speeches, Vice Finance Minister Zhu Guangyao said that China's debt level was open and transparent, the overall risk was under control but challenges remained, and rapid corporate debt growth warranted attention. According to the IMF, China's non-financial sector debt in 2015 amounted to 153.4 trillion RMB, accounting for 220.40% of GDP; while according to the China National Finance and Development Laboratory (NFID), the figure was 154.3 trillion RMB, accounting for 227.92% of GDP. The two figures were basically consistent, with the discrepancy mainly resulting from different statistical approaches. The data from the IMF and NFID were also in line with each other in view of the central government debt, household debt and corporate debt. Regarding the local debt, the data from the two sources for the combined debts of local governments and local financing platforms were also very close, with the IMF figure at 28.2 trillion RMB, and the NFID figure at 27.8 trillion RMB, only slightly different in structural terms. The generally quoted IMF debt ratio of 220.40% included the debts of the central government, local governments, financing platforms, households and the corporate sector. In terms of government debt alone, both the IMF and NFID data showed that the debt ratio of the central and local governments,

including debts from local financing platforms, did not exceed 40%. So the overall debt ratio was reasonable. Those data affirmed that the debt risk in China was completely under control. Nonetheless, challenges also remained, such as the recently fast expansion of corporate debt, which called for serious attention. The Chinese government has taken multiple measures to address corporate debt risks, especially the debt of SOEs. Policy measures relating to debt-to-equity swap were released, using market function to address the rapid growth of debt. Furthermore, the NDRC has established an inter-ministerial joint meeting mechanism to address corporate deleveraging. The current steps and processes were very clear. Cutting excess capacity should follow market principles to promote M&A, and allow bankruptcy and liquidation through legal process. At the same time, zombie enterprises should be eliminated. Those measures were of great significance for the sound and sustainable development of the Chinese economy.

2. Liu Kun: deploy fiscal and tax policies to promote venture capital and spur innovation

In his recently published speech, Vice Finance Minister Liu Kun said that the *Several Opinions on Promoting the Sustainable Development of Venture Capital* by the State Council made systemic plan on the development of venture capital and the promotion of innovation and set the direction for the sustainable and healthy development of the venture capital industry. MOF will earnestly implement the Opinions through enhanced fiscal and tax policies and better deployment

of government investment funds to provide policy support and guidance. First, MOF will improve fiscal and tax policies and foster an institutional environment conducive to the growth of venture capital. In accordance with the principles of tax neutrality and fairness and with the requirements of tax reform, MOF will work with relevant ministries to study the tax policies aiming at innovation activities during the seed stage and the early stage. The preliminary plan will extend the income tax credits from small and medium-sized high-tech firms to tech firms in the seed stage and early stage, ease the criteria for preferential tax treatment, make it easier for the eligible start-up firms to be identified as high-tech firms, and scale up the supportive tax policies for innovative tech firms. Meanwhile, the venture capitalists are also likely to get income tax credits so as to encourage them to invest more into tech firms in the seed stage and the early stage. Second, government will provide better guidance and improve the management funds aimed at promoting venture capitals. At present, all sorts of government investment funds including the guiding fund for venture capital are operating at a large scale. To regulate the management of government investment funds, MOF published in 2015 the *Interim Measures for Administering Government Investment Fund and the Guiding Opinions on Injecting Fiscal Resources into Government Investment Fund to Support the Development of Industries*. In accordance with the No. 53 document of the State Council, MOF will work with relevant ministries to strengthen the management of those funds. The national funds such as the National SME Development Fund and the National Guiding Fund for Venture Capital in Emerging Industries shall play a leading demonstration role, and the fiscal

resources shall be used to catalyze private capital and to guide the development of entrepreneurship and innovation.

3. Hu Jinglin: support poverty-stricken counties to make consolidated use of agriculture-related funds, and adopt targeted efforts for poverty alleviation

In his recent remarks, Vice Finance Minister Hu Jinglin pointed out that while finance authorities at various levels are increasing poverty alleviation inputs, poverty-stricken areas are faced with difficulties in making consolidated use of poverty alleviation funds. For example, due to the mismatch between the fiscal powers and responsibilities, poverty-stricken counties do not have the authority to arrange fiscal funds for projects. The provision of earmarked funds has caused fragmentation of projects and funds, which hindered the effectiveness of poverty alleviation. The pilot of making consolidated use of fiscal funds in poverty-stricken counties is a key measure to improve the efficiency of poverty alleviation funds, and helps to ensure the success of poverty alleviation. It is also an important manifestation of the central government's efforts of delegating powers to lower levels and streamlining administrative procedures, and promoting the transformation of government functions. The pilot reform is unprecedented in the history of agricultural funding reform. The basic thinking of the pilot is to fully delegate the rights of using agriculture-related fiscal funds from the central, provincial and municipal authorities to the poverty-stricken counties. The poverty-stricken counties will,

according to local poverty alleviation plans, prioritize poverty alleviation projects and construction tasks, and make good use of agriculture-related funds. This will help to optimize the allocation of agriculture-related funds, stimulate local growth engines, reduce financial capital precipitation, and address fragmentation and mismatches in agriculture-related funds, which reflects the requirements of the supply-side structural reforms. In poverty-stricken counties, the consolidation of agriculture-related funds should aim at improving the effectiveness of poverty alleviation. To ensure target measures and address funding fragmentation, the project and finance-related powers should be truly delegated to break various constraints. In addition, scientific planning should be made and projects should be launched through effective platforms, so as to ensure the most efficient and targeted use of fiscal funds. The pilot requires the central government not only to delegate funding and project-approval powers to pilot counties, but also to improve management and services. It is in essence an inward, self-motivated revolution, which reflects the requirements of government reforms in facilitating poverty alleviation efforts.

4. Hu Jinglin: step up efforts to support infrastructure development along international transport corridors

Vice Finance Minister Hu Jinglin said in a recent speech that in the face of complicated international and domestic situation, MOF of China, while pressing ahead with supply-side structural reforms and cultivating new drivers of growth, will actively implement the national strategy of opening-up

and promote a new opening-up system aligned to international investment and trade rules. (1) Foster a freer and more conducive trade and investment environment and facilitate the creation of a new system for market-based allocation of resources. MOF will actively take steps to advance the liberalization and facilitation of trade and investment, facilitate the internal and global flow of production factors in an orderly and free way, and promote effective allocation of resources in the world. (2) Build an all-round international economic and financial coordination mechanism and establish a new model for economic management. China will participate in the global coordination of macroeconomic policies, conduct all-round international economic and financial exchanges and cooperation, and establish a management approach in accordance with the high-standard global investment and trade rules. (3) Implement regional development strategy and usher in an all-round opening-up. Under the “Belt and Road” Initiative, China will step up efforts to support infrastructure development along international transport corridors, promote cross-border infrastructure connectivity, and expand space for the development of an open economy. Meanwhile, it will also develop innovative approaches to support the establishment and operation of multilateral development banks. (4) Promote the transformation and upgrading of domestic and global industries, and foster new competitive edge in global cooperation and competition. China will comprehensively move up along the global value chain, promote the transformation and upgrading of domestic and global industries, support the development of trade in services and technologies, and cultivate new competitive edge in foreign trade. The industrial capacity

cooperation between China and the global market will not only further China's opening-up, but also help developing countries to accelerate industrialization and urbanization, and promote common development among all countries. The new round of opening-up in China is high-level and two-way as it encourages both exports and imports, and facilitates both outbound investment and inbound investment. Hu Jinglin also promised that China will create a more open, convenient and transparent environment to provide better conditions for the investment and operation of foreign enterprises in China.

24 5. Lou Jiwei: the development of modern fiscal system has made substantial progress

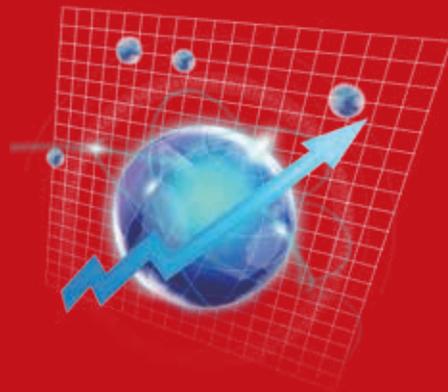
During the recently held Seminar on the 60 Years of Public Finance and National Governance and Financial Think-tanks, the then Finance Minister Lou Jiwei pointed out that centering on improving budget management, tax regime and the alignment of administrative power and spending responsibility, the fiscal and tax reform introduced a number of substantive efforts, and achieved remarkable progress in developing the modern fiscal system. (1) The reform on the budget management system has made decisive progress. With the publication of new *Budget Law* and the *State Council's Decision on Deepening the Budget Management Reform*, the basic framework for the modern budget management system has been established. (2) Tax reform has made solid achievements. The VAT pilot was fully rolled out, covering all goods and services. Policy measures

were carefully designed to ensure that tax burdens were reduced for all sectors. At the same time, the sharing of VAT revenue between the central and local governments was adjusted. Consumption tax was improved to better guide production and consumption. Resource tax was re-structured to base on prices. Relevant fee-related funds were cleaned up. (3) Fiscal reform was making steady progress. The State Council has issued the *Guiding Opinions on Promoting the Re-alignment of the Fiscal Administrative Powers and Spending Responsibilities between the Central and Local Governments*, clarifying the relevant requirements on how to draw the line between the central government and local governments, and designed a timetable and roadmap for the reform. This reform is extremely complex and difficult, but there is no return, and relevant efforts need to be continued. While building the modern fiscal system, we should also keep an eye on global macro risk prevention and build a fiscal system matching China's status as a major power and push for global governance reform. We have successfully launched the AIIB and the BRICS New Development Bank, and pushed for the development of those new MDBs. We hosted the finance track meetings of the 2016 G20 Summit, which facilitated macroeconomic policy coordination, structural reforms and infrastructure investment among G20 members. We also improved bilateral and multilateral dialogue mechanisms to safeguard and enhance national interests.

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