

CHINA FINANCE

MONTHLY 中国财政月度资讯

February, 2017 第 02 期



HIGHLIGHTS

- Finance Minister Xiao Jie met with Audley Shaw, Minister of Finance and Public Service of Jamaica
- Zhu Guangyao: loosening strict financial regulation in the U.S. will have immense impact on global capital flow
- The State Council published the *Employment Promotion Plan during the 13th Five-Year Plan Period*
- The State Council published the *Plan of Promoting the Equalization of Basic Public Services during the 13th Five-Year Plan Period*
- China's CPI rose by 2.5% year on year in January

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

Website:<http://iefi.mof.gov.cn>

I. Policy Update

1. The State Council planned a long-term mechanism to tackle the non-payment of wages of migrant workers

On February 3, Premier Li Keqiang chaired an executive meeting of the State Council which provided the following. First, conduct special law-enforcement and inspection programs to tackle the non-payment of wages and crack down on the criminal act of maliciously withholding wages from migrant workers. Second, hold accountable the provincial government, city (district) and county government as well as the local human resource authority if they are not doing enough to address the non-payment of wages. Third, all levels of human resource authorities shall maintain web portals and hotlines smooth to ensure migrant workers' access to lodge complaints against non-payment of wages. Fourth, a blacklist of enterprises that delay to pay their workers will be established and those on the list will face restrictions on market entry or other punitive actions. Fifth, enterprises, particularly those in the engineering and construction sectors, will be required to pay monthly wages in full to a

dedicated bank account which pays out the wages to the workers on their behalf.

2. MOF published a circular on accelerating the E-payment and collection of non-tax revenues in local governments

On February 4, the Ministry of Finance (MOF) published a circular on accelerating the E-payment and collection of non-tax revenues in local governments, which provides the following. First, unify the identification codes of non-tax revenue items and let MOF assign the uniform codes. Second, unify the identification codes of non-tax revenue payment. Provincial finance authorities are required to assign these codes for provincial (district and city) governments by considering the configuration of local application system. Third, create a nationally unified channel for payment of non-tax revenues. MOF will require standardized interface and text and set up a nationally unified channel for payment.

3. MOF published a circular on the subsidies for promoting the use of high-efficiency motors

On February 7, MOF published a circular on the subsidies for promoting the use of high-efficiency

motors, which provides the following. First, starting from March 1, 2017, the purchase of high-efficiency motors that are in the catalogue of "energy-saving products" will not be entitled to central fiscal subsidies. Second, enterprises that engage in promoting the use of high-efficiency motors are required to prepare documents on their product sales as soon as possible and apply to the competent and finance authorities in the locations where their companies are registered for fiscal subsidies. Third, competent and finance authorities shall timely inform and notify the local enterprises of the relevant subsidy policies. Fourth, the National Development and Reform Commission (NDRC) and MOF will inspect and verify the information presented by the enterprises. Fifth, enterprises are required to strictly observe the regulations when they apply for the subsidies.

4. The State Council published the *Employment Promotion Plan during the 13th Five-Year Plan Period*

On February 7, the State Council published the *Employment Promotion Plan during the 13th Five-Year Plan Period*, which provides the following. First, pursue the employment-first strategy, develop manufacturing and service industries, boost employment by creating diversified demands, and promote employment through the transition of drivers

of growth. Second, continue with deregulation and improvement of government services, and foster better environment and more smooth channels for business creation to deliver more job opportunities. Third, focus on the key areas and develop more proactive employment policies. Fourth, continue to let market play a decisive role in the allocation of human resources, and improve the efficiency of matching the supply and demand on labor market. Fifth, prioritize the development of talents and refine the mechanisms for improving the skills of workers. Sixth, strengthen all sorts of policy coordination mechanisms, give full play to the role of private capital, and improve services for business creation and employment.

5. MOF published opinions on expanding the scope of the paid use of state-owned land

On February 8, MOF published opinions on expanding the scope of the paid use of state-owned land, which provide the following. First, expand the scope of the paid use of state-owned land, and improve the policies for the use of land for public service projects and the policies for the asset disposal of the construction land after the reorganization of state-owned enterprises or government-sponsored institutions. Second, push forward the reform of the system regarding the

use of state-owned agricultural land. Specifically, strengthen the certification and registration of land use rights, regulate the use and management of land, clarify the asset disposal policies for state farms and ranches, and improve the tiered price system. Third, strictly regulate the development and supply of state-owned land. Strictly protect ecological land, regulate the use of state-owned land as capital stocks, reform and improve the supply of state-owned construction land, and regulate the use of state-owned land as collaterals.

6. The State Council decided to further abolish and regulate the enterprise-related charges

On February 8, Premier Li Keqiang chaired an executive meeting of the State Council which provides the following. First, the departments of the State Council shall take the lead in abolishing and cutting the enterprise-related charges. To that end, it is important to introduce long-term measures with real effects, step up audit and inspection, abolish the unreasonable charges, ban the agents from exploiting government's influence to charge fees, and prohibit industry associations from charging membership fees or other fees. It is also necessary to draw up a list or catalogue of charge items and reduce the discretionary power in charging fees from enterprises.

7. MOF published the *Measures for Managing On-site Operation of Market Making Support for Treasury Bonds*

On February 10, MOF published the *Measures for Managing On-site Operation of Market Making Support for Treasury Bonds*, which provided the following. First, those present on the site of operation include the staff from MOF, PBoC and China Foreign Exchange Trading System (CFETS) & National Interbank Funding Center. Second, the on-site staff from MOF are responsible for handling all the on-site work. Third, the on-site staff from CFETS are responsible for ensuring the normal functioning of the platform and the equipment for market making support. Fourth, only with the signatories and verification from the on-site staff of MOF and PBoC can the results of the bidding come into effect. Fifth, during the bidding process, the on-site staff shall not disclose, in any way, any information related to the bidding. Sixth, CFETS shall provide technical support for the platform for conducting market making support.

8. MOF published a circular on comprehensively implementing the management of provincial-level local treasury cash

On February 10, MOF published a circular on comprehensively implementing the management of provincial-level local treasury cash, which provided the following. First, all regions shall regulate the management of local treasury cash in accordance with relevant rules. Second, the term deposits of local treasury cash at commercial banks shall have a maturity of less than 1 year (not including 1 year), and their operational plan for the next month shall be submitted before the 25th of each month and be filed with MOF and PBoC. Third, the deposit-rate-formation mechanism of local treasury cash shall be further improved. Fourth, the coordination between treasury management and treasury cash management shall be further strengthened. Fifth, budgetary management shall be further and the stock of idle fiscal funds be better utilized.

9. MOF published the *Measures for Managing the Annual Report of State Assets by Government-sponsored Institutions*

On February 14, MOF published the *Measures for Managing the Annual Report of State Assets by Government-sponsored Institutions*, which provided the following. First, all levels of finance authorities, competent authorities and government-sponsored institutions shall be responsible, according

to their respective mandate, for the truthfulness, accuracy and completeness of the report. Second, MOF shall oversee the national work of reporting by government-sponsored institutions. Third, the report of assets consists of the statement of assets, notes and analysis reports by government-sponsored institutions. Fourth, the statement of assets comprises of the separate statement and the aggregated statement. Fifth, on the basis of sound financial management and accounting, the government-sponsored institutions shall take stock of their assets, improve data collection, compile the report of assets, and report to higher level authorities by following the financial reporting line.

10. MOF published a circular on further improving the management of treasury funds

On February 14, MOF published a circular on further improving the management of treasury funds, which provided the following. First, take effective measures to further strengthen the management of treasury funds, regulate budget compilation, continue to enhance budget execution, further improve the transfer of funds and management of treasury cash, clear and use the carryover and surplus funds timely, and regulate the management of local government bonds. Second, continue with the performance evaluation of local treasury funds, strengthen the

supervision over the performance evaluation, set strict requirements on the submission of information for evaluation, and regulate the submission of data and information. Third, improve the monthly reporting mechanism for local treasury, improve the quality of information, enhance the analysis of treasury funds, and strengthen the surveillance and supervision of treasury funds.

11. MOF published a circular on improving the record-filing by accounting firms in 2016

On February 16, MOF published a circular on improving the record-filing by accounting firms in 2016, which provided the following. First, all provincial-level finance authorities shall urge, through various channels and ways, local accounting firms to file records on time. Second, online filing is required for all accounting firms in 2016. Third, the accounting firms that establish branches in Shanghai Free Trade Zone shall submit, in the name of the head office, written notes on their Shanghai branch to the Finance Bureau of Shanghai Municipality. Fourth, all provincial-level finance authorities, on the basis of the annual record filing by accounting firms, shall carefully analyze and study the reported information and the relevant administrative work, so as to generate a synthesis report on local industry. Fifth, all provincial-level finance authorities

shall verify and check the documents filed by the accounting firms.

12. MOF published a circular on improving the pilot program of integrating agriculture-related funds in poor counties in 2017

On February 16, MOF published a circular on improving the pilot program of integrating agriculture-related funds in poor counties in 2017, which provided the following. First, extend the pilot program to all the 832 nationally key counties for poverty reduction and counties in contiguous poor areas. Second, the poor counties under the 2016 program and the counties added in 2017 shall all compile the plan on fund integration in 2017, and file with the provincial leading group of poverty alleviation and development. Third, step up support for poor counties under the program and ensure funding for the fund integration work in those counties. Fourth, enhance the tracking of and guidance on the demonstration counties, study the typical cases, and work out the replicable and scalable models. Fifth, improve the coordination mechanism with broad participation from relevant government departments under the stewardship of the leading group of poverty alleviation and development. Sixth, all provinces

shall urge poor counties under the pilot program to follow the plan on funds consolidation and accelerate the expenditure of funds integrated in 2016.

13. MOF published opinions on strengthening budget management of the basic health insurance fund and curbing health expenses through the health insurance fund

On February 20, MOF published opinions on strengthening budget management of the basic health insurance fund and curbing health expenses through the health insurance fund, which provided the following. First, strengthen the budget management of the revenue and expenditure of basic health insurance fund. Compile the revenue and expenditure budget, fully collect insurance premiums in accordance with laws, regulate the personal account expenditure, improve the benefit payment policy, and maintain the actuarial balance of the fund. Second, strictly implement the budget of the basic health insurance fund. Rigorously execute the revenue and expenditure budget, conduct whole-process and real-time monitoring, and disclose relevant information. Third, reform the payment methods of the basic health insurance. Comprehensively reform the payment methods, establish quality control mechanism, incentive

and disincentive mechanism, and negotiation and consultation mechanism, and push forward the supporting reforms. Fourth, enhance performance evaluation, announcement and organization work. Create mechanisms for performance evaluation and commendation announcement, and improve the relevant organization work for that purpose.

14. The State Council published the guiding opinions on innovating the mechanisms and systems for infrastructure investment and financing in rural areas

On February 20, the State Council published the guiding opinions on innovating the mechanisms and systems for infrastructure investment and financing in rural areas, which provided the following. First, improve the tiered investment system, ensure steady increase of fiscal investment, innovate the approaches of government investment, promote PPP mechanisms, fully incentivize farmers, step up financial support, strengthen the social responsibilities of SOEs, and catalyze participation of the private sector. Second, improve the mechanisms of rural road construction and maintenance, accelerate the reform of the property right systems for rural water supply facilities, refine the mechanisms for rural sewage and waste treatment, promote the reform of rural electricity

management systems, encourage the opening of rural telecom sector to private capital, and improve project management and performance evaluation. Third, reasonably determine the rural water price, explore the users-pay systems for sewage and waste treatment, improve the pricing mechanisms for electricity transmission and distribution, and ensure faster and cheaper broad band access in rural areas. Fourth, enhance planning and guidance, improve relevant laws and regulations, implement the responsibilities of local governments, and strengthen the coordination of government agencies.

15. MOF published a circular on improving the local government bond issuance in 2017

On February 21, MOF published a circular on improving the local government bond issuance in 2017, which provided the following. First, make a reasonable plan and maintain a right pace of issuance. Second, make the issuance more market-based and explore the mechanism for continued issuance. Third, further regulate the credit rating of local governments and improve the quality of information disclosure. Fourth, further promote the diversification of investors and improve liquidity of the secondary market. Fifth, enhance the management of funds raised from bond issuance

and make timely payment of principal and interest. Sixth, closely watch the performance of the financial market and guard against issuance risks. Seventh, ensure sound maintenance of system, on-site management and registration to raise the level of services for issuance. Eighth, strengthen organization work to ensure the success of issuance.

16. The State Council called for solid poverty reduction in this year

On February 22, Premier Li Keqiang chaired an executive meeting of the State Council, which provided the following. First, tilt more support to infrastructure development and provision of basic public services in extremely poor regions, old revolutionary bases, ethnic minority areas and border areas. Second, increase transfer payment or other fiscal resources and integrate agriculture-related fiscal funds in all poor counties to make effective use of those funds. Third, develop local industries for the purpose of poverty reduction, transform and upgrade the poor villages, develop industries with local special features, and boost local development through national key projects or agricultural industrialization projects. Fourth, improve inspection and verification mechanisms, enhance the management of funds and records, and hold accountable the frauds and embezzlements.

17. MOF published a circular on the measures for managing the import tax policies to support science and technology innovation

On February 23, MOF published a circular on the measures for managing the import tax policies to support science and technology innovation, which provided the following. First, science research institutes affiliated to ministries and agencies of the State Council may claim tax deduction and exemption in accordance with customs rules. Second, institutions of higher learning that offer state-recognized academic degree at and above college level may claim tax deduction and exemption in accordance with customs rules. Third, the eligibility of import tax exemption of national engineering research centers recognized by NDRC, MOF, the General Administration of Customs and the State Administration of Taxation shall be determined separately by the measures for managing national engineering research centers. Fourth, other science research institutes, technology development institutes, and schools recognized by MOF and other government agencies shall managing import tax exemption in accordance with the above provisions.

18. MOF published a circular on the annual reporting by accounting firms

with securities qualifications in 2016

On February 24, MOF published a circular on the annual reporting by accounting firms with securities qualifications in 2016, which provided the following. First, accounting firms with securities qualifications shall truthfully and completely reflect their current status and development trend through annual reporting, constantly optimize their internal management, and advance their sustainable development. Second, all the annual reporting in 2016 shall be conducted online. Third, MOF and China Securities Regulatory Commission will recommend the firms that audit H-share enterprises and provide information on the audit of H-share enterprises in 2016. Fourth, the content of reporting is about annual audit of financial reporting.

19. MOF published the No.3 Government Accounting Standard on Fixed Asset

On February 28, MOF published the No.3 *Government Accounting Standard on Fixed Asset*, which provided the following. First, government accounting entities shall determine the depreciation period of all sorts of depreciable fixed assets by following the Depreciation Period Table of Government Fixed Assets. Second, relevant State

Council departments may determine more detailed categories of fixed assets in light of the practical needs. Third, government accounting entities shall follow the guidelines and the relevant requirements of competent authorities to reasonably determine their depreciation period in light of the nature and practical use of the fixed assets. Fourth, the depreciation period of fixed assets, once finalized, shall not be arbitrarily changed. Fifth, government accounting entities shall depreciate their fixed assets which are transferred, donated or swapped to them in consideration of the usable life and the condition of the assets.

20. MOF published the *Rules for the Pre-management of Projects Financed by International Financial Institutions and Foreign Governments (Trial)*

On March 2, MOF published the *Rules for the Pre-management of Projects Financed by International Financial Institutions and Foreign Governments (Trial)*, which provided the following. First, MOF is responsible for regularly publishing loan-related information on the website of the Department of International Economic and Financial Cooperation of MOF. Second, MOF will make announcement to solicit projects in light of the direction of national economic and social development and reform,

the policies of the lender, and the requirements for government debt management. Third, on the basis of MOF's project solicitation announcement, provincial finance authorities as well as development and reform authorities will jointly publish local project solicitation announcement. Fourth, provincial finance authorities shall task experts or third-party agencies to assess and review the projects. Fifth, MOF will review the loan application and work with NDRC to compile the program for the candidate projects. Sixth, MOF and NDRC will consult with the lender on the programming of the candidate projects. Seventh, MOF and NDRC, in accordance with relevant review procedures, will publish the annual or multi-year program for candidate projects. Eighth, MOF, in light of the pre-preparation of projects, will be responsible for the negotiation with foreign lenders.

21. The State Council published the *Plan of Promoting the Equalization of Basic Public Services during the 13th Five-Year Plan Period*

On March 2, the State Council published the *Plan of Promoting the Equalization of Basic Public Services during the 13th Five-Year Plan Period*, which provided the following. First, ensure general

balance of basic public services between urban and rural areas, bring the major indicators of basic public services in poor regions to national average, and significantly increase the accessibility of basic public services. Second, formulate a national list of basic public services, better define and dynamically adjust the standards, and improve and effectively implement the standards for the development, management and services provision in various areas. Third, improve the supportive measures for the supply of basic public services and further strengthen basic services at the grass-root level. Fourth, establish complete rules and regulations to govern the provision of services and make the provision of basic public services more law-based.

II. Facts & Figures

1. The operating income of major enterprises above designated size in cultural and related sectors grew by 7.5% in 2016

The data release by the National Bureau of Statistics (NBS) on February 6 showed that the operating income of major enterprises above designated size in cultural and related sectors reached 8.0314 trillion RMB in 2016, an increase of 7.5% over

2015. The operating income of all the ten industries in cultural and related sectors maintained positive growth, and the cultural services industry expanded rapidly. The three industries that grew at double digit rate were cultural information transfer and services industry, which was mainly in the form of "Internet+", posted an operating income of 575.2 billion RMB, up by 30.3%; cultural and art services industry gained an operating income of 31.2 billion RMB, up by 22.8%; and cultural leisure and entertainment services industry registered an operating income of 124.2 billion RMB, up by 19.3%.

2. RMB index fell slightly in January

The data published by PBoC on February 7 showed that CFETS RMB index was 94.22 on January 26, down by 0.64% compared with the end of December 2016; RMB index benchmarked against BIS basket and SDR basket was 95.56 and 95.35 respectively, down by 0.71% and 0.16% respectively over the end of December 2016. All the three RMB indexes fell slightly compared with the end of December 2016, but the CFETS RMB index was always above 94. In January, the annualized volatility of CFETS was 3.51%, lower than the 6.15% of annualized volatility of RMB's central parity against USD. The exchange rate of RMB is basically stable against a basket of currencies.

3. China's CPI rose by 2.5% year on year in January

The data released by NBS on February 14 showed that China's CPI rose by 2.5% year on year in January, among which, the CPI rose by 2.6% in urban areas and 2.2% in rural areas; 2.7% for food and 2.5% for non-food; 2.2% for consumer goods and 3.2% for services. In January, CPI edged up by 1.0% month on month, among which, the figure rose by 1.0% in urban areas and 0.9% in rural areas; increased by 2.3% for food and 0.7% for non-food; went up by 1.0% for consumer goods and 1.0% for services.

4. China's PPI in January rose by 6.9% year on year

The data released by NBS on February 14 showed that China's PPI in January rose by 6.9% year on year and increased by 0.8% month on month. IPI went up by 8.4% year on year, and up by 1.2% month on month. With respect to PPI, price of the means of production jumped by 9.1% year on year, specifically, the figure surged by 31.0% in the extractive industry, 12.9% in the raw material industry, and 5.9% in the processing industry. The price of the means of consumption rose by 0.8% year on year, specifically, the figure rose by 1.3% for food and 1.1% for apparel, went up

by 1.5% for daily necessities and fell by 0.6% for durable consumer goods. With respect to IPI, the figure increased by 18.9% for ferrous metal, 15.8% for non-ferrous metal and electrical wires, 14.7% for fuels, and 8.1% for chemicals.

5. The performance of China's financial market in January

The data released by PBoC on February 16 showed that 1.7 trillion RMB of bonds were issued on China's bond market in January, among which, 136 billion RMB were government bonds, 277.47 billion RMB were financial bonds, 223.63 billion RMB were corporate bonds, 25.98 billion RMB were asset-backed securities, and 1 trillion RMB were interbank certificates of deposit. 1.6 trillion RMB of bonds were issued on the interbank bond market. In January, the transaction of the money market amounted to 42.4 trillion RMB, down by 20.1% year on year and 24.6% month on month, among which, the figure for pledge-style repo was 35 trillion RMB, down by 21% year on year and 24.2% month on month; the figure for outright repo was 1.3 trillion RMB, down by 57.1% year on year and 48% month on month; and the figure for interbank borrowing was 6.1 trillion RMB, up by 6.8% year on year, and down by 19% month on month.

6. China's property prices in *tier 1* and *tier 2* cities in January

The data published by NBS on February 22 showed that the property prices in 15 tier 1 cities and major tier 2 cities have continued to stabilize and fall. The price of newly constructed residential property dropped by 0.1 to 0.5 percentage point month on month in 11 cities; stayed flat in 3 cities; and rose by 0.6% in Guangzhou, which has seen 4 consecutive months of decline of the margin of price increase. In terms of month-on-month data, the property prices in tier 1 and tier 2 cities have basically stopped rising. The price of newly constructed residential property continued to stay flat in tier 1 cities; rose slightly by 0.1% in tier 2 cities, with the margin of increase down by 0.1 percentage point month on month; and increased by 0.4% in tier 3 cities, with the margin of increase staying flat month on month. In terms of year-on-year data, the margins of property price increase in tier 1 and tier 2 cities have further moderated. The margin of price increase of newly constructed residential property has fallen for 4 straight months in tier 1 cities, down by 2.6 percentage points month on month; and dropped for 2 straight months in tier 2 cities, down by 0.4 percentage point month on month.

7. China's lottery sales in January

The data released by MOF on February 24 showed that nationwide lottery sales in January totaled 29.161 billion RMB, down by 3.481 billion RMB year on year, or 10.7%, among which, welfare lottery sales were 16.212 billion RMB, down by 1.915 billion RMB year on year, or 10.6%; sports lottery sales were 12.949 billion RMB, down by 1.566 billion RMB, or 10.8%. The lottery sales fell significantly in January because the market was closed during the Spring Festival.

8. China's manufacturing PMI in February was 51.6%

The data published by NBS on March 1 showed that China's manufacturing PMI in February was 51.6%, up by 0.3 percentage point month on month. In a breakdown of enterprises, PMI was 53.3% for large-sized ones, up by 0.6 percentage point month on month; 50.5% for medium-sized ones, down by 0.3 percentage point month on month; and 46.4% for small-sized ones, staying flat month on month. In specific terms, the production index was 53.7%, up by 0.6 percentage point month on month; the new order index was 53.0%, up by 0.2 percentage point month on month; the employee index was 49.7%, up by 0.5 percentage

point month on month; the raw material inventory index was 48.6%, up by 0.6 percentage point month on month; and the supplier delivery time index was 50.5%, up by 0.7 percentage point month on month.

III .MOF Events

1. On February 7, Assistant Finance Minister Dai Bohua attended the press briefing organized by the Press Office of the State Council to give presentation on the handling of proposals and suggestions from NPC deputies and CPPCC members and took questions from journalists.

2. On February 14 and 15, Vice Finance Minister Shi Yaobin attended the 40th Session of the Governing Council of the International Fund for Agricultural Development (IFAD) in Rome, Italy, and spoke about the development of IFAD and China-IFAD cooperation. On the margins of the session, Vice Finance Minister Shi Yaobin also met with IFAD President Nwanze and IFAD President-elect Hougbo.

3. On February 15, Finance Minister Xiao Jie met with Audley Shaw, Minister of Finance and Public Service of Jamaica, and exchanged views on issues of

common interest.

4. On February 17, Vice Finance Minister Shi Yaobin co-chaired the 11th China-EU Financial Dialogue in Brussels with Buti, Director General for Economic and Financial Affairs at the European Commission, and Guersent, Director General for Financial Stability, Financial Services and Capital Markets Union at the European Commission.

5. On February 17, Vice Finance Minister Zhu Guangyao met with Nigel Ray, Deputy Secretary of the Australian Treasury, and exchanged views on China-Australia financial cooperation under the G20 framework.

6. On February 27, Vice Finance Minister Shi Yaobin met with Naoko Ishii, the CEO and Chairperson for the Global Environment Facility (GEF), and exchanged views on the cooperation between China and GEF.

IV .Local Finance

1. Finance authorities of Guangxi Zhuang Autonomous Region took multiple measures to promote innovation-driven growth

According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on February 7, the finance authorities of Guangxi have promoted innovation-driven growth by scaling up fiscal expenditure on science and technology and improving the management of fiscal funds dedicated to R&D. First, allocate new resources to ensure the steady increase of fiscal expenditure on science and technology, and make good use of the existing funds to better support innovation-driven growth. Second, further improve the management of fiscal funds dedicated to R&D by raising the share of indirect expenses, simplifying the budget compilation and the approval related to government procurement, improving the management of conference expenses, travel expenses and labor service expenses, as well as delegating authority to adjust budget, manage and use indirect expenses, plan basic R&D expenses, and manage and use surplus and carryover funds. Third, take comprehensive measures to further strengthen the inspection and oversight of fiscal funds dedicated to R&D.

2. Zhejiang Province planned the development of IT-based government procurement

According to the news released by the Finance Department of Zhejiang Province on February 9,

the Leading Group Office of Zhejiang Province on the Development of Digital Public Finance has recently unveiled the *Three Year Plan on the Development of IT-based Government Procurement in Zhejiang (2017-2019)* which provides the following. The IT-based government procurement consists of a proprietary cloud based on the government procurement system and a public cloud based on the internet. The implementation of procurement budget is the core of the intranet system which connects seamlessly with the internet-based public cloud to enable finance authorities to exercise whole-procedure monitoring over the adjustment, implementation and performance of procurement budget. Big data technology is also deployed to exercise whole-process surveillance over the transaction by the procurement entities, raise the efficiency of fund usage, prevent moral hazards, and ensure broad-based fiscal oversight.

3. The Finance Department of Yunnan Province enhanced IT-based management of accounting and improved the level of services for accounting

According to the news released by the Finance Department of Yunnan Province on February 13, it has raised the level of IT-based management of

accounting by combining advanced information technology with accounting management. First, it created an IT-based platform for managing the information and data of accounting practitioners in 129 counties (districts) and 16 prefectures and cities in Yunnan. Second, it offered online sign-up, payment, exam room assignment and scoring of accountant qualification exams. Third, it further refined the remote monitoring platform for accountant qualification exams to provide examinees with better services. Fourth, it selected three online distance continuing education and training agencies through tendering to provide accountants in Yunnan with online distance continuing education.

4. The Finance Bureau of Chongqing Municipality took a problem-oriented approach and strengthened foundation at the grass-root level

According to the news released by the Finance Bureau of Chongqing Municipality on February 16, it has laid a sound foundation at the grass-root level for the development of public finance in townships. First, it conducted comprehensive study of the status of fiscal management in townships. Second, it promoted law-based management of fiscal work in townships and intended to introduce guidelines in this year on the oversight of fiscal funds in

townships and financial management in villages. Third, it strengthened the regulation of fiscal funds at the grass-root level, focused on the flow of information, random inspection and publication related to fiscal funds, and planned to carry out special inspection on the use of subsidies for improving grass-root governance and constructing services centers for villagers. Fourth, it worked on the "last mile" of service delivery and improved the accessibility and effects of fiscal policies. Fifth, it took stock of the lessons and experiences of the tiered training and rotary training to improve the methods of training.

5. Guaranteed loan for business creation in Jilin Province brought benefits to millions of people

According to the news released by the Finance Department of Jilin Province on February 20, Jilin introduced the *Measures for Implementing the Guaranteed Loan for Business Creation in Jilin Province* which saved 1.4 billion RMB of interest expenses for individual entrepreneurs and small and micro businesses, supported 227,000 entrepreneurs and created 890,000 jobs. First, the micro guaranteed loan for the laid-off workers of SOEs, registered unemployed people and disabled people in urban areas, and other groups of people with difficulty in finding jobs is modified into the guaranteed loan for

business creation. Second, entrepreneurs are given access to more favorable interest rate and more convenient loan procedures. Third, a joint task force comprised of various government agencies in Jilin was created to coordinate and oversee the work of the guaranteed loan for business creation.

6. Finance authorities of Shanxi Province took multiple measures to advance the consolidation of agriculture-related fiscal funds

According to the news released by the Finance Department of Shanxi Province on February 21, the finance authorities of Shanxi have worked to help grass-root level governments better understand and enforce policies to ensure steady progress of consolidating agriculture-related funds. First, training sessions on poverty reduction were organized to provide explanation and guidance on conducting the consolidation of agriculture-related fiscal funds. Second, the provincial leading group on poverty alleviation was asked to publish the *Urgent Circular on Accelerating the Province-wide Consolidation of Fiscal Funds* so as to speed up the introduction of relevant plans at the county level. Third, the factor method was strictly observed to allocate funds to counties, no specific use was designated for those funds, and the increase of funds reached 10% over 2016. Fourth, a problem-oriented

approach was adopted to tackle problems. Fifth, a differentiated policy was taken to increase fund allocation to the poor counties that outperformed in the work of fund consolidation.

7. The Finance Department of Anhui Province mobilized fiscal resources at the township level to further implement pro-agriculture fiscal policies so as to bring real benefits to the people

According to the news released by the Finance Department of Anhui Province on February 28, it has further implemented pro-agriculture fiscal policies to bring real benefits to the people. First, mobilize fiscal resources at the township level to support the adjustment of industrial structure and implementation of major projects. Second, focus on the implementation of projects related to people's wellbeing to improve people's lives, deliver real benefits to them, and enhance the level of their satisfaction. Third, strengthen poverty reduction efforts, make timely disbursement and enhance the oversight of subsidies for poverty reduction. Fourth, actively support the development of collective village economy and the use of collective village funds, and strengthen the collective economy. Fifth, leverage local advantage to fulfill the "last mile" regulatory responsibility over fiscal funds. Sixth,

comprehensively enhance capacity building, improve work style and step up anti-corruption efforts to consolidate the foundation for fiscal management in townships.

8. The Finance Department of Hubei Province developed innovative provincial fund for guiding equity investment to promote the transformation and upgrading of economic structure

According to the news released by the Finance Department of Hubei Province on March 2, it has supported innovation, business creation and major industries by setting up the provincial fund for guiding equity investment. First, put the special funds for science and technology and national defense under the management of the fund. Second, improve management system, establish a decision-making mechanism, and select custodian institutions on a merit basis. Third, develop plans for the establishment of the fund for equity investment and guide and urge the fund management institutions to accelerate their work. Fourth, improve top-level design, regulate the establishment of the fund, strictly supervise the disbursement of funds, and explore the performance evaluation model. Fifth, hold regular working meetings, compare notes, study the work, break down the tasks and earnestly implement them.

V. Remarks and Opinions

1. Dai Bohua: MOF will take measures to further improve the handling of proposals and suggestions from NPC deputies and CPPCC members

Recently, Assistant Finance Minister Dai Bohua attended the press briefing organized by the Press Office of the State Council to give presentation on the handling of proposals and suggestions from NPC deputies and CPPCC members and took questions from journalists. In recent years, over 90% of the public-finance-related proposals and suggestions made by NPC deputies and CPPCC members are focused on fiscal and tax reform, macroeconomic management and funding for people's livelihood. As required by NPC, the State Council and CPPCC, MOF carefully handled each proposal and suggestion and prioritized the key ones that were made by the majority of deputies and members and drew widespread public attention. MOF also strove to address one fiscal problem by handling one proposal or suggestion so as to promote reform and development of relevant fiscal fields. For example, as most of the deputies and members were keen on the consolidation of agriculture-related fiscal funds,

MOF studied and fully adopted their proposals and suggestions and published a document along with the State Council Leading Group Office of Poverty Alleviation and Development in October 2016 to guide the integration of agriculture-related fiscal funds in poor counties, optimize the supply of such funds, further improve the effects of fund usage and ensure the poor counties can concentrate their resources to win the war against poverty. Moreover, in 2016, MOF carefully studied 52 proposals and suggestions on strengthening the management of R&D funds and worked with relevant ministries to come up with policy suggestions on improving the management of central fiscal funds dedicated to R&D. With the approval of CPC and the State Council, the *Several Opinions on further Improving the Management of Central Fiscal Funds Dedicated to R&D Projects* was published to offer central universities and research institutes greater autonomy in managing the R&D funds, travel and conference expenses as well as the purchase of equipment and apparatus. Moreover, policy measures were introduced to delegate more authority to research institutes and to provide more incentives for research staff. In the next step, MOF will intensify work on handling the proposals and suggestions, increase communication with deputies and members, listen to their comments and suggestions, and constantly push fiscal reform and development towards new progress.

2. Xia Jiechang: improve market business climate and promote the orderly and rapid development of tourism industry

In his recently published article, Xia Jiechang, Deputy Head of the National Academy of Economic Strategy, Chinese Academy of Social Sciences (CASS), said that tourism industry is the most promising industry in China. Tourism industry is a typical modern services industry and its regulation requires a sound institutional environment. A sound institutional environment will curb the opportunistic trend in the process of contract implementation, reduce unpredictable risks, and facilitate the conclusion of services transaction. The institutional environment encompasses many aspects, and the business climate is one of the most critical elements. China can take the following measures to improve the market business climate. First, more rigorously protect the rights and interests of investors, and stabilize the investment expectation of tourism companies. To that end, it is important to protect property rights and fully enforce relevant documents. Second, actively promote the reform of relevant tax and financial system. Overall, tourism industry is labor intensive, and the high labor cost is a big headache for many tourism companies. Therefore, cutting labor cost as well as tax costs associated with labor is crucial. Third, give full play

to the tourism authorities and establish long-term mechanisms for law enforcement. Tourism industry is a general industry and tourism covers many areas. The regulation of tourism market is overseen by multiple government departments which are required to exercise their respective responsibilities and carry out supervision and inspection over relevant commercial behaviors. Only the synergy of administration and law enforcement can ensure the well-regulated and orderly functioning of the tourism market and safeguard the legitimate rights and interests of tourists and operators. Fourth, innovate the regulatory methods for online tourism. The combination of online and offline tourism is an important trend for the development of tourism industry. The traditional regulatory system may not be suitable for online tourism, and it is vital to move from stand-alone regulation towards coordinated governance and consultation among government departments and set specific rules for online tourism.

3. Du Zhixiong: deepen supply-side structural reform of agriculture

In his recently published article, Du Zhixiong, the Deputy Head of the National Academy of Economic Strategy, CASS, said that in terms of the supply-side structural reform of agriculture, the main objective is to increase farmers' income and ensure effective supply, the main direction is to raise the quality of

agricultural supply, and the fundamental path is to reform the system and innovate the mechanisms, optimize agricultural industry system, production system and operation system, enhance land output, resource utilization and labor productivity, and promote the shift from demanding large quantity of resources towards pursuing green, sustainable and high-quality development to boost agricultural and rural development. The rationale behind the supply-side structural reform of agriculture is the mismatch between domestic supply and demand of agricultural products and the old pattern of agricultural development which depletes ecological system and is unsustainable. As the comprehensive agricultural production capacity improves, agriculture in China has evolved from an under supply of agricultural products in the past to a general balance between supply and demand and a slight oversupply relative to overall demand. Nevertheless, the structure of supply fails to keep up with the structure of demand which rises in tandem with the increase of people's income. Take rice for instance, there is no problem with overall supply, but high-quality rice is in short supply as domestically produced rice cannot fully meet market's demand and thus stay in warehouses, whereas large quantities of foreign rice are imported to meet market's demand. This phenomenon fundamentally stems from the mismatch between the supply structure and demand structure of China's agriculture. From the perspective of sustainable

agricultural development, in the old agricultural production system, particularly under the traditional development pattern, the maintenance of the supply of relatively large quantities of agricultural products often comes at the expense of ecological depletion and needs to transition towards an ecological pattern of production. The old model of supply is economically and environmentally unsustainable, and thus requires deep reform on the supply side.

4. Zhu Guangyao: loosening strict financial regulation in the U.S. will have immense impact on global capital flow

According to the recent remarks of Vice Finance Minister Zhu Guangyao at the 16th Global Macroeconomic Forecast Spring Forum, 37 days since President Trump took the office, the policy framework, ranging from trade policy to tax policy, and from financial regulation to broader regulatory policy, has basically taken shape. The loosening of strict financial regulation in the U.S. and the rise of interest rate by the Federal Reserve will have immense impact on the capital flow of the global financial market. President Trump called for the repeal of 75% of financial regulatory rules. Although regulation is necessary and needs to be stringent, yet some rules are already outdated. In the financial area, U.S. took major regulatory measures to

stabilize financial market in the wake of the financial crisis. The core is the *Dodd-Frank Act*, the key component of which is the restriction on proprietary trading by the financial industry and the separation of commercial banking and investment banking. The Trump administration will vigorously advance financial deregulation, which will have huge impact on global financial regulation and capital flow and should be followed closely. Moreover, it is also important to pay close attention to the change of Fed's monetary policy. Compared with the two interest rate hikes by Fed in late 2015 and late 2016, the upcoming one is more pressing. IMF's growth forecast for the U.S. economy in 2017 is 2.3%, U.S. Treasury Secretary Mnuchin hinted that U.S. economic growth is likely to hit 3%, and President Trump set the annual growth target at 4%. All these show that U.S. economic growth rate is rising, inflation rate is close to 2%, and unemployment rate is between 4.6% and 4.7%. In this context, Fed will surely be poised to tighten monetary policy.

.....
Journal Title: China Finance Monthly

Editor: International Economics and Finance Institute

Publisher: Editorial Office, China Finance Monthly

Mailing Address: IEFI, Ministry of Finance, China, 100820

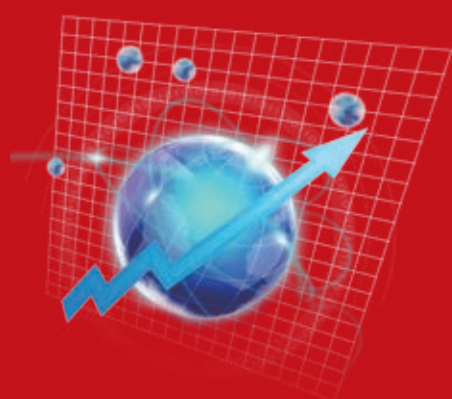
Telephone: 86-10-68586882

Fax: 86-10-68527620

E-mail: iefi@iefi.org.cn
.....

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

Publishing Date: February, 2017



CHINA FINANCE MONTHLY