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HIGHLIGHTS

- Finance Minister Xiao Jie: China will continue to implement proactive fiscal policy this year
- Finance Minister Xiao Jie and PBoC Governor Zhou Xiaochuan attended the G20 Finance Ministers and Central Bank Governors Meeting in Washington D.C., U.S.
- The State Council planned the priority tasks for economic reform in 2017
- The State Council decided to implement further tax-cut measures so as to cut costs and boost momentum for the real economy
- China's GDP grew by 6.9% year on year in the first quarter

Brief Introduction to IEFI

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

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

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

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I. Policy Update

1. MOF published a circular on further intensifying the efforts to develop talents in the CPA industry in 2017

On April 1, the Ministry of Finance (MOF) published a circular on further intensifying the efforts to develop talents in the CPA industry in 2017, which provided the following. First, continue to advance the reform to ensure the quality of examination, and make the examination more oriented towards the CPA profession and principles and more friendly towards the exam-takers. Second, enhance the continuous education of members and maintain and improve professional skills. Third, improve the model for the development of top CFOs, enable them to play their role in making exam paper, setting professional standards, inspecting practice quality and teaching, and develop specific rules for the development and evaluation of top CFOs (reserve talents). Fourth, organize high-level CPA-focused training workshops themed "Internet + innovation of management accounting (IT application in management accounting)" for college and university teachers.

2. MOF published the *Interim Measures for the Administration of the Allocation of New Quotas for Local Government Debt*

On April 1, MOF published the *Interim Measures for the Administration of the Allocation of New Quotas for Local Government Debt*, which provided the following. First, as to the allocation of the new quotas, the objective factors that affect the size of government debt will be selected, the expenditure of major central government projects and the financing needs of local governments will be taken into account, and the factor method will be used. Second, the allocation of new quotas shall reflect the principle of "positive incentive", and give priority to the regions which have strong financial capacity, large space for borrowing, low debt risks, and sound performance of debt management. Third, the expenditure of major projects is calculated on the basis of the regional financing needs for the implementation of major national strategies, the poverty reduction, the supply-side structural reform of agriculture, and the renovation of shantytown areas. Fourth, MOF shall speed up the performance evaluation of local government debt management and make adjustments for the region on the basis of the management performance.

3. The State Council planned the priority tasks for economic reform in 2017

On April 5, Premier Li Keqiang chaired an executive meeting of the State Council, which planned the priority tasks for economic reform in 2017. First, deploy more market-based means to promote substantial progress of "cutting over-capacity, reducing excess inventory, deleveraging, lowering costs and strengthening areas of weakness". Second, continue to deepen reforms to streamline administration, delegate powers and improve regulation and services, and improve operational and post-operational oversight as well as government services. Third, improve the system and mechanisms for innovation-driven growth, disseminate the mature models and experience of mass entrepreneurship and individual innovation, implement the measures that protect intellectual property rights, stimulate the spirit of entrepreneurship and craftsmanship, and intensify efforts to strengthen new drivers of growth. Fourth, further advance the effective implementation of reforms of public finance, tax, financial sector, state-owned enterprises and assets, opening-up, ecological and environmental protection, and supply-side structural reform of agriculture, and step up efforts to promote the optimization and upgrading of economic structure. Fifth, vigorously advance the reforms of pension insurance, education, health and other social issues, strengthen poverty reduction efforts, attract more

private capital through innovative mechanisms, increase effective supply of public services, and raise people's sense of gain.

4. MOF published a circular on the development of national modern agricultural industry parks

On April 6, MOF published a circular on the development of national modern agricultural industry parks, which provided the following. First, develop a batch of large-scale bases for producing raw materials on the basis of the leading industries with special features and advantages, and turn the industry parks into zones of industries with local features and advantages. Second, bring together the market, capital, information, talents and other modern production factors and build the industry parks into zones with advanced technologies, strong financial support and complete facilities. Third, promote the integrated development of production, processing and marketing as well as that of trading, processing and agricultural production, and build a development zone featuring the integration of primary, secondary and tertiary industries. Fourth, encourage and guide the scale operation of household farms, farmers' cooperatives and other new agri-businesses under various forms, and build the industry parks into incubators for the entrepreneurship and innovation of new agri-businesses. Fifth, enhance the quality, efficiency and competitiveness of agriculture and

develop key demonstration zones for modern agriculture.

5. MOF revised and published the relevant accounting standards for financial instruments

On April 6, MOF revised and published the relevant accounting standards for financial instruments, which provided the following. First, financial assets are changed from "four categories" to "three categories" to reduce the number of financial asset categories, increase the objectivity of categorization and improve the consistency of relevant accounting treatment. Second, the accounting for financial asset impairment is changed from "incurred loss method" to "loss expectancy method" so as to make more timely and full provisions for financial asset impairment as well as to reveal, prevent and control the credit risks of financial assets. Third, revise the rules related to hedge accounting to more truthfully reflect the risk management activities of enterprises.

6. MOF published a circular on the policy of pre-tax deduction of reserves from corporate income tax for SME financing (credit) guarantee agencies

On April 7, MOF published a circular on the

policy of pre-tax deduction of reserves from corporate income tax for SME financing (credit) guarantee agencies, which provided the following. First, the reserves equal to no more than 1% of the outstanding guarantee at the end of the current year are allowed to be deducted on a pre-tax basis from corporate income tax, and the balance of the reserves made in the previous year shall be converted into current income. Second, the unearned premium reserves equal to no more than 50% of the income derived from guarantee fees in the current year are allowed to be deducted on a pre-tax basis from corporate income tax, and the balance of the unearned premium reserves made in the previous year shall be converted into current income. Third, if the loss actually incurred as a result of compensation payment meets the policy requirements for pre-tax deduction of asset loss, as stipulated in the tax laws and regulations, it shall offset the reserves that are already deducted before tax, and the portion that is not adequately offset is allowed to be deducted on a pre-tax basis from corporate income tax.

7. MOF published a circular on the policy of pre-tax deduction of reserves expenditure from corporate income tax for securities industry

On April 7, MOF published a circular on the policy of pre-tax deduction of reserves expenditure from corporate income tax for securities industry, which

provided the following. First, the stock exchange risk fund, which is collected with 20% of the brokerage fees and 10% of the annual membership fees by the Shanghai Stock Exchange and Shenzhen Stock Exchange, is allowed to be deducted on a pre-tax basis from corporate income tax, provided that the net asset of each fund is no more than the limit of 1 billion RMB. When the stipulated limit is reached, the stock investor protection fund collected with 20% of brokerage fees is allowed to be deducted on a pre-tax basis from corporate income tax. Second, the securities clearing risk fund, which is collected with 20% of the securities depository and clearing firms' business income by the Shanghai branch and Shenzhen branch of the China Securities Depository and Clearing Corporation, is allowed to be deducted on a pre-tax basis from the corporate income tax, provided that the net asset of each fund is no more than the limit of 3 billion RMB. Third, the securities investor protection fund paid with 0.5%-5% of the securities firms' operating income in accordance with relevant provisions of the Measures for the Administration of the Securities Investor Protection Fund (CSRC Order No. 27 and No. 124) is allowed to be deducted on a pre-tax basis from corporate income tax.

8. MOF published a circular on conducting random check to supervise and inspect the financial notes of central agencies

On April 11, MOF published a circular on conducting random check to supervise and inspect the financial notes of central agencies, which provided the following. First, the notes to be inspected are those used before December 31, 2016, including the notes for non-tax revenue, the notes for money flow and clearing, the notes for donation, and the notes for membership fees of social organizations. Second, the inspection covers the implementation of non-tax revenue items and standards, the use and management of financial notes, the management of non-tax revenue, and other behaviors that violate the rules for the management of non-tax revenue and financial notes. Third, the self-inspection by central agencies and the targeted inspection by the supervisory institutions of financial notes are combined.

9. MOF published guidelines on further strengthening the management of the deposit of finance authorities and budget units

On April 12, MOF published guidelines on further strengthening the management of the deposit of finance authorities and budget units, which provided the following. First, finance authorities and budget units shall choose the banks which their funds are deposited by taking a competitive approach or through collective decision-making in accordance with relevant regulations. Second,

the scoring indicators and standards for the comprehensive scoring method should be set by objective, impartial and scientific principles. Third, in the case that the depositing entity transfers funds out of the original bank of deposit for making term deposits, the number of banks that take the term deposit shall be strictly controlled and an agreement shall be signed with those banks. Fourth, when the depositing entity rechooses banks to deposit its funds, it shall require the banks to present a letter of commitment against channeling any gains to those in charge of the depositing entity.

10. MOF published a circular on improving the work on the expenditure management of the state-owned capital operation budget of central cultural enterprises in 2017

On April 14, MOF published a circular on improving the work on the expenditure management of the state-owned capital operation budget of central cultural enterprises in 2017, which provided the following. First, the work is oriented towards supporting the needs of enterprises for development planning and strengthening their financial capacity so as to enable them to better serve the priorities of national cultural strategy and supply-side structural reform in the cultural area. Second, the budget proposal should be consistent with the strategic development plan of the enterprise, and the specific plan, objectives and

tasks should be clearly defined in the plan. Third, after the approval of the budget, the central cultural enterprises should implement the national rights and interests in a timely manner, and reasonably arrange and adjust the spending plans for projects. Fourth, budget performance targets and indicators should be determined on the basis of the content of the budget to ensure those targets and indicators are clear, detailed, quantified, reasonable and viable. Fifth, the annual final accounts should cover the status of plan's completion, the execution of the budget, and the outcomes of enterprise's development.

11. The State Council approved and forwarded the NDRC's circular on the priorities for deepening economic system reform in 2017

On April 19, the State Council approved and forwarded the circular of National Development and Reform Commission (NDRC) on the priorities for deepening economic system reform in 2017, which provided the following. First, continue to deepen economic system reform by focusing on the supply-side structural reforms. Second, deepen the reform of "streamlining administration, delegating authority, and improving regulation and services". Third, deepen the reform of state-owned enterprises and assets. Fourth, strengthen the system for protection of intellectual property rights. Sixth, advance financial system reform. Seventh, improve the system and mechanism for integrating

urban and rural development. Eighth, establish and improve the incentive mechanism for science and technology innovation, and improve the supportive policy system for innovation and entrepreneurship. Ninth, accelerate the creation of a new outward-looking economic system and innovate the system for administering foreign investment. Guide the healthy and orderly development of outbound investment, and develop a new system for the sustainable development of foreign trade. Tenth, vigorously promote the pension system reform, deepen the educational system reform, and advance the coordinated reform of healthcare, medical insurance and pharmaceutical. Eleventh, deepen the reform of ecological protection system, improve the system of main functional zone, and improve the system for ecological and environmental protection.

12. The State Council decided to implement further tax-cut measures so as to cut costs and boost momentum for the real economy

On April 19, Premier Li Keqiang chaired an executive meeting of the State Council, which provided the following. First, starting from July 1, 2017, VAT brackets were cut from 4 to 3, namely 17%, 11% and 6%; the VAT rate of agricultural products and natural gas was cut from 13% to 11%. Second, from January 1, 2017 to December 31, 2019, the upper limit of annual taxable income

for low-profit small enterprises was raised from 300,000 RMB to 500,000 RMB, and such qualified enterprises would be allowed to halve their taxable income and pay corporate income tax at a preferential rate of 20%. Third, from January 1, 2017 to December 31, 2019, the tax-deductible proportion of R&D expenses incurred by technology SMEs in developing new technology, new products and new techniques was raised from 50% to 70%. Fourth, starting from January 1, 2017, the venture capital firms that invest in the seed-stage technology start-ups in the pilot zones for innovation and reform and in the Suzhou Industrial Park would credit 70% of their investment against their taxable income. Fifth, starting from July 1, 2017, the trial policy of the pre-tax deduction of individual income tax for commercial health insurance would be extended nationwide. Sixth, some of the preferential tax policies that expired at the end of 2016 would be extended to the end of 2019.

13. MOF published a circular on the pilot work of merging maternity insurance and basic health insurance for employees

On April 20, MOF published a circular on the pilot work of merging maternity insurance and basic health insurance for employees, which provided the following. First, establish an inter-ministry working group for the pilot work, and create a leading agency for implementing the merging of

these two insurances in the pilot region. Second, consider local circumstances, consult widely, make policy measures more detailed, and draw up specific implementation plan. Third, improve policy publicity and guide public opinions, and make accurate interpretation of relevant policies. Fourth, conduct a thorough survey and collect baseline data of the number of insured people, benefits, operation of insurance fund and service and management of these two insurances in the pilot region.

14. The State Council published the *Plan for Reforming the Royalty System of Mineral Resources*

On April 20, the State Council published the *Plan for Reforming the Royalty System of Mineral Resources*, which provided the following. First, in the stage of transferring mineral rights, the costs paid for prospecting and mining rights were changed into the proceeds for the transfer of mineral rights. Second, in the stage of holding mineral rights, the existing fees for using prospecting and mining rights were consolidated into the fees for holding mineral rights which would be adjusted on a dynamic basis by taking into account the changes of mineral product prices and economic development needs. Second, in the stage of mining, resource tax reform would be conducted to levy most of mineral products on ad-valorem basis. Fourth, in the stage of environmental treatment and

restoration of mines, the existing guarantee fees, which feature varying methods of management and complicated approval procedures, would be changed into a dedicated fund that is well-managed, regulated and easy for use.

15. MOF published the *Measures for the Performance Evaluation of Special Funds for Preventing and Treating Water Pollution*

On April 24, MOF published the *Measures for the Performance Evaluation of Special Funds for Preventing and Treating Water Pollution*, which provided the following. First, the performance evaluation is based on the *Measures for the Administration of Special Funds for Preventing and Treating Water Pollution* and the letter of accountability for the targets of preventing and treating water pollution. Second, the performance evaluation is mainly about the status of the completion of the projects financed by special funds and the management of special funds. Third, the performance evaluation should follow the principle of being fair, just, scientific and reasonable, and should be undertaken and implemented by MOF and the Ministry of Environmental Protection (MEP). Fourth, the results of performance evaluation are publicized on the government websites, notices, and newspapers to subject them to public scrutiny. Fifth, all levels of finance and environmental protection authorities

should, in accordance with their respective mandate, enhance the supervision over the lower level governments' performance of the execution of special funds and urge them to effectively reach the performance targets. Sixth, MOF and MEP will conduct random check of the performance evaluation reports submitted by the provinces.

16. MOF published a circular on the application for the special funds for cultural industry development in 2017

On April 25, MOF published a circular on the application for the special funds for cultural industry development in 2017, which provided the following. First, task the publicity, culture and sports authorities to lead the project selection and promote the coordination between fiscal policies and industrial policies. Adjust the structure of the input of funds, reduce the proportion of direct subsidies, increase the proportion of ex-post subsidies and rewards such as subsidized loans and insurance premium subsidies, and further amplify the leverage effects of fiscal funds. Second, introduce market-based operational model, cultivate and select a batch of high-quality cultural industry funds at central and local levels, support the key state-owned cultural investment groups to step up debt investment, give full play to the leverage and guiding role of fiscal funds, and actively catalyze private capital to support the development of cultural industry.

17. MOF published the *Measures for Unifying and Regulating the Interest Rate of the Individual Account of Employees' Pension Insurance*

On April 25, MOF published the *Measures for Unifying and Regulating the Interest Rate of the Individual Account of Employees' Pension Insurance*, which provided the following. First, unify the interest rate of the basic pension insurance for the employees of government agencies and government-sponsored institutions and the employees of enterprises, and allow the state to publish the interest rate on an annual basis. Second, the interest rate of the individual account of occupational annuity is determined on the basis of the return on investment of the pension's funded portion. Third, the interest rate of the individual account of the employees' basic pension insurance is published by the Ministry of Human Resources and Social Security (MOHRSS) and MOF in June of each year. The interest rate of the individual account of the occupational annuity is published once a year by MOHRSS and MOF.

18. The State Council published the guidelines on improving the work on employment and business startup in the current and future period of time

On April 25, the State Council published the

guidelines on improving the work on employment and business startup in the current and future period of time, which provided the following. First, prioritize the implementation of the employment-first strategy. Enhance the synergy between economic growth and job creation, promote the employment through the improvement of industrial structure and regional development, make small and micro enterprises the major engines of job creation, and relieve the employment pressure in the key areas with difficulties. Second, support the development of new employment models. Support the development of emerging business models, and improve the employment and social security systems that are adapted to the characteristics of new employment models. Third, promote job creation through business creation. Improve the environment for entrepreneurship, develop the platforms for business startup, step up policy support, and expand financing channels. Fourth, focus on the employment and business startup of key groups of people. Encourage college graduates to find jobs via various channels, properly resettle the workers laid off in the process of cutting overcapacity in steel, coal and coal-fired power generation sectors, improve the system for equal employment of urban and rural workers, refine the long-term mechanism for employment assistance, and promote the employment and business startup of veterans. Fifth, improve education and training as well as employment and business startup services. Raise the quality of education and training, improve the way of subsidizing vocational

training, enhance public services for employment and business startup, and promote the development of human resource market.

19. The State Council decided to further roll out the scheme of "integrating multiple certificates into a single one" and reduce the pre-approval requirements of business registration

On April 26, Premier Li Keqiang chaired an executive meeting of the State Council, which provided the following. First, roll out the scheme of "integrating multiple certificates into a single one", and further integrate all sorts of certificates and licenses related to the registration, record-filing and other matters of market entities into the business license. Second, all the certificates and licenses that are not based on laws and regulations and are not established according to legal procedures shall be canceled; those that have bearing on public security shall be retained and be subject to list management, and the in-process oversight as well as the ex-post oversight shall be improved and strengthened. Third, enhance the information sharing and operation coordination among government agencies to ensure the same information is collected only for once and is placed under unified management to avoid the troubles of repeated registration and submission of documents. Fourth, replace the pre-approval

requirements for five items, such as the set-up of foreign-invested packaging, decoration and printing companies, with the post-approval requirements.

20. MOF published the 2017 Plan on the Key Supervision Work of Funds and Projects for Comprehensive Agricultural Development

On April 27, MOF published the *2017 Plan on the Key Supervision Work of Funds and Projects for Comprehensive Agricultural Development*, which provided the following. First, the provincial agricultural development agencies shall proactively enhance communication with the fiscal Inspector's Office affiliated to MOF, make timely report on the status of agricultural development work in the province, and designate a specific person to follow up on the supervision so as to ensure the success of the supervision work. Second, carefully listen to and take the suggestions and advices of the fiscal Inspector's Office, and earnestly rectify relevant problems. Third, all levels of agricultural development agencies shall provide conveniences for the supervision work, offer relevant services, and provide the required documents and information. Fourth, the fiscal Inspector's Office shall properly arrange the work to ensure the key supervision work on agricultural development can be completed on schedule and meet quality requirement. Fifth, carefully study

the policy system for comprehensive agricultural development, fully understand and master relevant expertise and knowledge. Sixth, clearly define the responsibilities and tasks, leave sufficient time for work, and maintain a proper pace of work. Seventh, get a full picture of relevant situation, accurately benchmark against the relevant rules of comprehensive agricultural development, and point out the identified problems in an objective, impartial and serious manner. Eighth, make good use of the supervisory perspective of the third party, and make in-depth analysis of the problems and their reasons by studying the actual performance of the agricultural development funds and projects.

II. Facts & Figures

1. China's 2017 budget for central-level general public budgetary revenue

The data released by MOF on April 7 showed that MOF's total budget for revenues and expenditures in 2017 amounts to 14.1304387 billion RMB. All of the revenues are funded by general public budget and none are funded by government-managed fund budget. The revenues include 13.8384865 billion RMB funded by the general public budget of the current year and 291.9522 million RMB carried over from the previous year. The expenditures

include 1.6900345 billion RMB for general public services, 11.899405 billion RMB for diplomacy, 262.4333 million RMB for education, 71.4355 million RMB for science and technology, 24.6063 million RMB for culture, sports and media, 99.1077 million RMB for social security and employment, 16.5864 million RMB for agriculture, forestry and water conservancy, and 66.83 million RMB for subsidized housing. MOF's 2017 budget for "three public expenses" reaches 60.6787 million RMB, which includes 42.1279 million RMB for official overseas trips, 14.558 million RMB for the purchase and operation of official vehicles, and 3.9928 million RMB for official hospitalities.

2. The implementation of the budget for the central-level "three public expenses" in 2016 and the budget arrangement for 2017

The data released by MOF on April 7 showed that the budgeted sum for the central-level "three public expenses" in 2016 was 6.178 billion RMB, and the implemented sum was 4.711 billion RMB, among which, 1.707 billion RMB was for official overseas trips, 2.585 billion RMB was for the official purchase and operation of vehicles (142 million RMB for purchase and 2.443 billion RMB for operation), and 419 million RMB was for official hospitality. The budgeted sum for the central-level "three public expenses" in 2017 is 6.147 billion RMB, 31 million RMB less than that of 2016. Specifically, 1.882

billion RMB is budgeted for official overseas trips, 3.504 billion RMB is for the official purchase and operation of vehicles (275 million RMB for purchase and 3.229 billion RMB for operation), and 761 million RMB is for official hospitality.

3. China's fiscal revenue and expenditure in March

The data released by MOF on April 14 showed that revenue under China's general public budget was 1.2912 trillion RMB in March, up by 12.2% year on year, among which, revenue at the central government level was 489.2 billion RMB, up by 11.1%; revenue at the local government level was 802 billion RMB, up by 12.8%; tax revenue was 996.1 billion RMB, up by 9.6% year on year. Expenditure under China's general public budget was 2.1057 trillion RMB in March, up by 25.4% year on year, among which, expenditure at the central government level was 236.4 billion RMB, up by 24.3%; expenditure at the local government level was 1.8693 trillion RMB, up by 25.6%. From January to March, cumulative revenue under China's government-managed fund budget was 1.1473 trillion RMB, up by 27.5% year on year. Cumulative expenditure under China's government-managed fund budget was 809 billion RMB, up by 18.6% year on year.

4. China's GDP grew by 6.9% year on year in the first quarter

The data published by the National Bureau of Statistics (NBS) on April 18 showed that China's GDP was 18.0683 trillion RMB in the first quarter, up by 6.9% year on year, among which, the GDP for the primary industry was 865.4 billion RMB, up by 3% year on year; 7.0005 trillion RMB for the secondary industry, up by 6.4% year on year; and 10.2024 trillion RMB for the tertiary industry, up by 7.7% year on year.

5. China's lottery sales in March

The data released by MOF on April 20 showed that nationwide lottery sales in March totaled 37.933 billion RMB, up by 2.245 billion RMB year on year, or 6.3%, among which, welfare lottery sales were 19.83 billion RMB, up by 718 million RMB year on year, or 3.8%; and sports lottery sales were 18.103 billion RMB, up by 1.527 billion RMB, or 9.2%. Cumulative nationwide lottery sales from January to March totaled 95.248 billion RMB, up by 4.464 billion RMB year on year, or 4.9%, among which, welfare lottery sales were 51.338 billion RMB, up by 1.758 billion RMB, or 3.5%; and sports lottery sales were 43.909 billion RMB, up by 2.706 billion RMB, or 6.6%.

6. The performance of Chinese SOEs from January to March

The data published by MOF on April 24 showed

that the operating revenues of SOEs totaled 11.63361 trillion RMB from January to March, up by 18.5% year on year. The operating costs of SOEs totaled 11.26591 trillion RMB, up by 17.7% year on year. The profits of SOEs totaled 587.31 billion RMB, up by 37.3% year on year. The payable taxes of SOEs totaled 1.03129 trillion RMB, up by 9.9% year on year. As of the end of March, the assets of SOEs totaled 136.46279 trillion RMB, up by 10.6% year on year; the liabilities totaled 89.97277 trillion RMB, up by 10.8% year on year; and the owners' equities totaled 46.49002 trillion RMB, up by 10.1% year on year.

7. The total profits of industrial enterprises above designated size in China rose by 28.3% year on year from January to March

The data published by NBS on April 27 showed that from January to March, the profits of industrial enterprises above designated size in China totaled 1.7043 trillion RMB, up by 28.3% year on year, or down by 3.2 percentage points compared with the growth rate from January to February. Specifically, the figure stood at 399.63 billion RMB for state-controlled enterprises, up by 70.5% year on year; 10.44 billion RMB for collectively-owned ones, up by 7.6%; 1.16715 trillion RMB for joint-stock ones, up by 30.2%; 420.81 billion RMB for foreign and Hong Kong, Macau and Taiwan invested ones, up by 24.3%; and 555.3 billion RMB for private ones, up by 15.9%.

III .MOF Events

1. On April 1, Finance Minister Xiao Jie, as the NDB governor for China, attended the 2nd Annual Meeting of the Board of Governors of NDB in New Delhi, India.

The governors and representatives of the NDB member countries as well as the representatives of relevant international organizations also attended the meeting.

2. On April 10, Vice Finance Minister Zhu Guangyao met with the U.S. congressional delegation of the Asia Society and exchanged views on issues of common interest.

3. On April 13, Finance Minister Xiao Jie met with Ueli Maurer, the Federal Councilor and Finance Minister of Switzerland, and exchanged views over issues of common interest.

4. On April 20, on the sidelines of the 2017 World Bank/IMF Spring Meetings, Finance Minister Xiao Jie met with the World Bank President Jim Yong Kim at the World Bank Headquarters and exchanged views on China-World Bank cooperation. Vice Finance Minister Shi Yaobin also attended the meeting.

5. On April 21, Assistant Finance Minister Dai Bohua chaired the 2017 Annual Meeting of the Society of Public Finance of China & the 21st National

Symposium on Fiscal Theories in Beijing. Lou Jiwei, the President of the Society of Public Finance of China and the Chair of the National Council for Social Security Fund attended and addressed the meeting.

6. On April 21, Assistant Finance Minister Zhao Mingji chaired the Seminar on the Development Goals of National Accounting Institutes.

7. On April 20 and 21, the Chinese delegation, headed by Finance Minister Xiao Jie and PBoC Governor Zhou Xiaochuan, attended the G20 Finance Ministers and Central Bank Governors Meeting in Washington D.C., U.S.. The meeting discussed the current state of global economy and the growth framework, international financial architecture and global financial governance, initiative of investing in Africa, and financial sector development and regulation.

8. On April 25, Vice Finance Minister Shi Yaobin accompanied Vice Premier Wang Yang in attending the Launching Ceremony of the China-Canada Economic and Financial Strategic Dialogue.

IV .Local Finance

1. The joint working mechanism between courts and finance and tax authorities in Maanshan City, Anhui

Province has yielded notable effects

According to the news released by the Finance Department of Anhui Province on March 31, Maanshan city of Anhui has established a comprehensive tax administration mechanism with the tax information platform at its center. First, create the joint meeting mechanism. The finance bureau (tax source office), national tax bureau, local tax bureau, and the intermediate people's court of the city held regular coordination meetings. Second, establish the mechanism for sharing tax information. The intermediate people's court of the city and the courts at county and district levels comprehensively sorted out the tax-related matters in the cases reviewed and enforced by them, and provided timely services for the search and transfer of judicial information. Third, establish the mechanism for risk prevention. The people's court of the city actively supported tax authorities to enforce the lien priority and practice subrogation and revocation. Fourth, establish the mechanism for enforcement coordination and mutual assistance. Courts and tax authorities worked closely and facilitated the resolution of dispute.

2. Finance authorities of Huanggang City, Hubei Province have focused on six areas to promote the healthy development of the evaluation of fiscal investment

According to the news released by the Finance Department of Hubei Province on April 6, the Finance Bureau of Huanggang City, Hubei has focused on six areas to promote the healthy development of the evaluation of fiscal investment. First, enhance team building. The Investment Evaluation Office of the Finance Bureau of Huanggang established a professional team by following high standards and meeting strict requirements. Second, enhance mechanism development. It has formulated important rules such as the *Interim Measures for Administering the Recruitment of Private Sector Professionals for the Evaluation of Government-invested Projects* and the *Discipline for the Recruitment of Private Sector Professionals for the Evaluation of Government-invested Projects*. Third, improve on-site survey. It sent experts to conduct on-site survey and measurement for large-scale projects, projects involving significant change of investment value, as well as controversial projects. Fourth, enhance communication with government departments. The Investment Evaluation Office of the Finance Bureau of Huanggang has communicated with the housing and construction commission, investment corporations, project implementation agencies, intermediary agencies and construction contractors of the city for multiple times. Fifth, improve the linkage with budget. The Investment Evaluation Office enhanced the linkage with departmental budget and kept the results of evaluation within the budget. Sixth, strengthen the publicity of policies. While intensifying the efforts to study the main

business, the Finance Bureau strengthened its efforts to guide the public opinion through media and journals.

3. Finance authorities in Shandong Province significantly cut their general expenditure and ensured funding for the key spending items related to people's well-being

According to the news released by the Finance Department of Shandong Province on April 10, all levels of finance authorities in Shandong have significantly cut their general expenditure and ensured funding for the key spending items related to people's well-being. First, cut the general expenditure for running government agencies by no less than 10%, strictly curb the budget for the "three public expenses", and substantially cut the renovation expenses for office premises. Second, actively promote the use of official credit card to enhance the transparency of payment. Take the lead to develop and deploy the real-time and dynamic monitoring system for centralized fiscal payment. Strictly control the adjustment of the budget for the "three public expenses". Third, establish a management system to strengthen the safety net for funds, and promote the rule-based, regular and long-term practice of frugality. Fourth, determine the 10 items for disclosure, such as government budget and final accounts, policies related to people's well-being and special funds, and make overall plan on

the comprehensive disclosure of budget information. Fifth, actively adjust and optimize the composition of expenditure and use the saved and freed up fiscal funds to fund the key items related to people's well-being as identified by the Shandong provincial party committee and government.

4. Finance authorities of Ningxia Hui Autonomous Region gave full support to the reform of medical and health system

According to the news released by the Finance Department of Ningxia Hui Autonomous Region on April 12, the finance authorities of Ningxia have actively adjusted the spending mix and intensified fiscal input to fully support the reform of medical and health system. First, establish and improve the compensation mechanism for the abolition of medicine price markup at public hospitals. The loss of reasonable income suffered by public hospitals would be subsidized at a proportion of 20%-30% by finance authorities. Second, gradually increase the level of fiscal subsidy for the medical insurance of urban and rural residents; take the responsibility of providing the bulk of local matching funds; and enhance overall management to bring out the economies of scale. Third, work on capital construction, equipment configuration, talent development, and IT application to achieve the reform target of "strengthening grass-root medical institutions". Fourth, raise the subsidy standard

for basic public health services from 15 RMB per person to 50 RMB per person and provide 52 items of 12 categories of free basic public health services, including establishment of health records, for urban and rural residents to basically cover their whole life.

5. The Finance Department of Yunnan Province focused on eight areas to advance comprehensive rural reform in 2017

According to the news released by the Finance Department of Yunnan Province on April 18, it has focused on eight areas to advance comprehensive rural reform. First, it supported the consolidation of agriculture-related funds for poverty reduction. Second, it offered rewards and subsidies for promoting the case-by-case approval system to strengthen the foundation for comprehensive rural reform. Third, it moved to develop beautiful countryside to improve rural ecological environment. Fourth, it explored new models of agri-businesses to boost the vitality of rural development. Fifth, it strengthened party building at the village level, particularly in the border areas. Sixth, it helped village-level collective economy to fight against poverty and strengthened the party organization at rural grass-root level. Seventh, it refined management system to allow funds for comprehensive rural reform to play a catalytic role. Eighth, it innovated party building at grass-root level and explored diverse ways of strengthening party organizations at grass-root

level through comprehensive rural reform.

6. Zhejiang Province took six measures to advance the comprehensive development of agriculture

According to the news released by the Finance Department of Zhejiang Province on April 20, Zhejiang has taken six measures to advance the comprehensive development of agriculture. First, it fully implemented the *Measures for the Administration of National Funds and Projects for Comprehensive Agricultural Development* (MOF Order No. 84) to streamline administration, delegate authority, and improve government services and regulation. Second, it developed specific action plans for the construction of agricultural industry parks so as to further deepen the comprehensive agricultural development. Third, it provided fiscal subsidies and fund investment to cultivate leading talents for entrepreneurship and innovation in the agricultural sector. Fourth, it implemented the strategy of boosting grain yield by improving soil quality and agricultural technology. Fifth, it improved the ecological environment of small drainage areas by taking into account local circumstances, and placed equal emphasis on development and protection to build beautiful Zhejiang and create beautiful life for people in Zhejiang. Sixth, it mobilized private sector capital for comprehensive agricultural development, promoted the establishment of provincial-level investment fund for comprehensive agricultural

development, and innovated the investment and financing mechanisms for comprehensive agricultural development.

7. Finance authorities in Hubei Province have comprehensively enhanced their performance of duties to advance reform and development

According to the news released by the Finance Department of Hubei Province on April 26, the finance authorities in Hubei have spared no efforts in improving their party building, administration and work style so as to enhance administrative efficiency. First, establish an accountability system that regularly supervises and checks the work of cities and counties. Second, seek the comments and suggestions of various parties through self-inspection, hotline inquiry, questionnaire and door-to-door survey. Third, establish 46 new regulations and revise 34 regulations since 2016 to create an accountability system that addresses fundamental and long-term issues. Fourth, further improve the level of accountability, actively push forward supply-side structural reforms, and maintain the sound momentum for the fiscal and economic performance in Hubei.

8. Finance authorities of Liaoning Province have actively raised and timely disbursed pro-agriculture funds

According to the news released by the Finance Department of Liaoning Province on April 27, it has vigorously implemented all the national fiscal policies aimed at strengthening and supporting agriculture and has achieved new progress in supporting agriculture with public finance. First, 96% of funds earmarked in provincial government budget to support agricultural projects have been disbursed, an increase of 10 percentage points over the same period of last year. Second, it significantly enhanced the timeliness of disbursing and using funds by adopting the factor method to disburse funds, developing medium-term project plans in advance, and creating project pipelines. Third, it prioritized the construction of water conservancy infrastructure for farmland, focused on the development of new industries and new business models in rural area, and promoted the integration of primary, secondary and tertiary industries. Fourth, it reformed the management of funds for pro-agriculture projects by replacing subsidies with rewards and granting rewards after project implementation. Fifth, it procured the services of agencies to strengthen third-party supervision and enhance the level of managing the special funds for agriculture.

V. Remarks and Opinions

1. Xiao Jie: China will continue to implement proactive fiscal policy

this year

At the recent G20 Finance Ministers and Central Bank Governors Meeting in Germany, Finance Minister Xiao Jie said that the Chinese economy is registering a slower but stable performance with a good momentum for growth. In 2016, China's GDP grew by 6.7%, contributing to over 30% of global economic growth. Employment was better than expected as 13.14 million new urban jobs were created. The adjustment of economic structure was gaining speed, consumption was a stronger driver of economic growth, the quality and efficiency of growth were notably improved, and the supply-side structural reforms yielded more notable effects. In 2017, the Chinese government will continue to pursue proactive fiscal policy, increase expenditure as appropriate, set the deficit ratio at 3%, continue to cut taxes and fees, advance the reform of fiscal and tax system, promote the reform of the sharing of fiscal mandates and spending responsibilities between central and local governments, and strengthen the management of local government debt. Since 2017, the global economic recovery has progressed, and trade has rebounded. However, market is concerned about the uncertainty of the economic policy of some developed economies and the possible downside impact of the rise of trade protectionism on economic recovery. In this context, all countries should earnestly implement the relevant outcomes of the G20 Hangzhou Summit, further enable G20 to play its role, strengthen the coordination of macroeconomic policies among countries, continue to promote global trade and investment growth, resist all forms of trade

protectionism, and ensure the sustained recovery of global economy. Currently, the international economic and industrial landscape is fast evolving, but the international tax rules fail to reflect the new changes and are highly fragmented. The international tax coordination needs to be further enhanced. G20 should encourage more countries to sign multilateral tax treaties, exchange tax-related information, improve the transparency of information; take measures to prevent harmful tax competition and raise tax certainty; and adapt to the changes of global value chain and supply chain and improve the tax rules of digital economy.

2. Liu Shangxi: change the traditional way of thinking and promote the coordination of fiscal and financial policies

In his recently published article, Liu Shangxi, Director General of the Chinese Academy of Fiscal Sciences said that under current economic circumstances, the central economic work conference set the tone of maintaining prudent neutrality of monetary policy and enforcing more proactive and effective fiscal policy. To guard against systemic financial risks, it is important to stay problem-oriented, shift from the coordination of fiscal and monetary policies towards the coordination of fiscal and financial policies, generate synergy, and resolve the problem of savings exceeding investment and the relative glut of capital. In current context, it is necessary to keep monetary policy stable, take

more financial factors into consideration including monetary policy, exchange rate policy and interest rate policy, and make comprehensive consideration of those policies and fiscal policies. To increase the translation of savings into investment and enhance financial efficiency, the first thing we need to do is to improve the financial market. Finance is to national economy as blood vessel is to human body, and vascular blockage will lead to feebleness and pose all sorts of danger for health. The economic channels for the translation of savings into investment, once clogged, would lead to slower growth rate, lower potential growth, and operational inefficiency. Therefore, it is important to first construct all sorts of financial market infrastructure, improve the development of financial system and financial market, including that of a multi-tier capital market and a sound financial ecology, so that financial institutions can compete on a level playing field, and refine the corporate governance structure of financial institutions to enable them to evolve from profiting on net interest spread to acting as service platforms. Second, it is vital to enhance regulatory level and reform regulatory system. The fragmentation of financial regulation, the failure of regulation to keep pace with market change, and the outdated regulatory approach would lead to increasing distortion of the mechanism for financial functioning. Third, the fragmentation of financial market also impedes the translation of savings into investment. The fact that regulation and financial market development are falling behind the trend of the mixed operation of financial institutions would also give rise to financial

risks. The enhancement of financial efficiency also requires financial market connectivity to smooth out financial channels and improve, to a certain degree, the affordability and accessibility of finance. Finally, venture capital investment ought to be the function of capital market, but its role is now supplanted by the public finance of government. The large number of investment funds set up by government are acting as venture capital, however, government cannot be always relied upon to replace venture capital market. This also requires the financial market forces to guide the improvement of venture capital market, including the innovation and improvement of the financing for science and technology.

3. Cai Fang: V-shaped recovery has become a thing of the past and the major drivers of growth in the medium and long term lie on the supply side

In his recently published article, Cai Fang, Vice President of Chinese Academy of Social Sciences (CASS), said that the past experiences suggest that China's economic slowdown is often followed by economic recovery and a V-shaped growth pattern would occur repeatedly. In fact, when the factors that hold back growth are mainly stemming from the demand side, the approach that stimulates aggregate demand can often have fast effect and restore the real growth rate to the potential growth rate, which is also the reason behind the V-shaped recovery of China's economy in the past. At present, China's economy has

entered a new normal, which means that the major factors that affect growth lie on the supply side, and the demographic dividends that had long been the key drivers of growth have irreversibly disappeared. In this context, it is hard to still rely on the old approaches to get growth rate back to the previous speed. Although the V-shaped growth is unattainable, the supply-side structural reforms can remove the institutional factors that impede the supply and distribution of production factors, smooth out the downward trajectory of potential growth rate, and generate an L-shaped trajectory for the short term, medium term and long term. Under different scenarios, as the reforms deepen, more benefits will be generated, and the trajectory of potential growth rate will get closer to the L shape. In the process of advancing reform in various areas, it is important to emphasize the coordination and synchronization among them to generate policy synergy, maximize reform benefits and leapfrog the phase of middle income.

4. Xiao Jie: Chinese economy will make greater contribution to world economic growth

At the recent G20 Finance Ministers and Central Bank Governors Meeting, Finance Minister Xiao Jie said that positive signs in China's economy have

continued to increase since 2017. In the first quarter, China's economy grew by 6.9% over the same period of last year, CPI rose by 1.4% year on year, and 3.34 million new urban jobs were created. Supply-side structural reforms have deepened, the efforts to reduce overcapacity, leverage, and inventory, to cut costs and to shore up weak links have made headways, and the capacity utilization rate of major industrial firms was 75.8%, up by 2 percentage points over the fourth quarter of the previous year. New drivers of growth have continued to strengthen, 40,000 new market entities were registered per day in the first quarter, and new business models were growing fast. The growth target is around 6.5% for this year, and in light of current economic performance, Chinese economy is confident to make greater contribution to world economic growth. The improvement of global economic recovery and the optimistic sentiment of market in recent times are attributable to the cyclical upturn of global trade and manufacturing as well as the joint efforts of G20 parties. However, the world economy is still faced with multiple risks and uncertainty as the economic policies of some developed countries are still unclear. Therefore, G20 countries should enhance the coordination of macroeconomic policies, continue to implement the important outcomes of G20 Hangzhou Summit, constantly deepen structural reforms, actively promote the development of an open world economy, and keep reinforcing the momentum of economic recovery.

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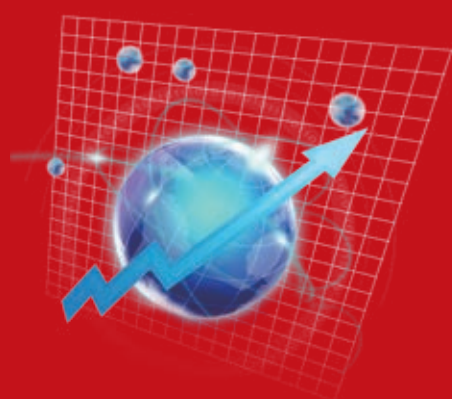
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