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HIGHLIGHTS

- Finance Minister Xiao Jie: promote financial connectivity to give impetus to the Belt and Road
- Finance Minister Xiao Jie and Taro Aso, Deputy Prime Minister and Finance Minister of Japan, co-chaired the 6th China-Japan Finance Ministers Dialogue in Yokohama, Japan
- Finance Minister Xiao Jie, on behalf of MOF, signed the MOU on Collaboration on Matters of Common Interest under the Belt and Road Initiative
- MOF published a circular on the policies of simplifying the VAT rates
- Finance ministries of 27 Countries jointly endorsed the Guiding Principles on Financing the Development of the Belt and Road
- The operating income of Chinese SOEs increased by 17.5% year on year from January to April

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

I. Policy Update

1. MOF published a circular on promoting nationwide implementation of the trial policy for the individual income tax of commercial health insurance

On May 2, MOF (Ministry of Finance) published a circular on promoting nationwide implementation of the trial policy for the individual income tax of commercial health insurance, which provided the following. First, the expenditure incurred by an individual's purchase of eligible commercial health insurance is allowed to be deducted on a pre-tax basis from the calculation of taxable income in the current year (month). The expenditure incurred by employers' purchase of eligible commercial health insurance for their employees shall be included in the individual wages and remuneration of employees, be deemed as individuals' purchase, and be deducted according to the aforementioned policy. Second, the taxpayers, to which the preferential tax policy on commercial health insurance applies, refer to the individuals who obtain wage income and continuous labor remuneration income, the self-employed who obtain income from their own production and operation and from their operation as contractor and lessee for public and private entities, the

investors of sole-proprietorships, the partners of partnerships, and the operators of contract and lease.

2. MOF published a circular on rolling out the comprehensive reform of public hospitals

On May 2, MOF published a circular on rolling out the comprehensive reform of public hospitals, which provided the following. First, implement the reform tasks one by one, enhance the coordination of the reforms of healthcare, health insurance and medical systems, and make overall reform more systematic, integrated and coordinated. Second, make bold exploration and innovation on the basis of local circumstances, and further deepen the comprehensive reform of public hospitals. Third, the nationwide average increase of medical expenses in public hospitals in 2017 shall be no more than 10%. Fourth, roll out the comprehensive reform of public hospitals in urban areas. Fifth, reinforce and improve the comprehensive reform of public hospitals in the first four batches of pilot cities. Further improve the new mechanisms that maintain the pro-bono nature, enhance the incentives, and ensure the operational sustainability of public hospitals, and refine the compensation mechanisms that are science-based and reasonable. Sixth, actively push forward the integration of health service providers in counties and fully implement the diversified payment method by the end of 2017.

3. MOF published the *Key Points for MOF's Publication of Information in 2017*

On May 3, MOF published the *Key Points for MOF's Publication of Information in 2017*, which provided the following. First, make timely and lawful publication of the information on central budget, budget adjustment, budget execution, final accounts reports and statements approved by the National People's Congress and its Standing Committee. Second, strengthen the development of the platform that publishes government procurement information, improve the local websites of the www.ccgp.gov.cn, and enhance the oversight of the weak links of information publication such as the budgeted sum of procurement projects and procurement contracts. Third, enhance the aggregation and sorting of fiscal data and publish them on the portal websites of MOF to make them available for search and use. Fourth, push forward "internet + finance authorities' services" and make the finance authorities' services more standardized, internet-based and smart.

4. MOF published a circular on raising the proportion of technology SMEs' R&D expenses that are deductible on a pre-tax basis

On May 3, MOF published a circular on raising the proportion of technology SMEs' R&D expenses that are deductible on a pre-tax basis, which provided the following. First, if the actual R&D expenses incurred

by technology SMEs do not become intangible assets and are not included in the current loss and profit, 75% of the expenses incurred from January 1, 2017 to December 31, 2019 are deductible on a pre-tax basis, provided that such deduction is done in a truthful manner. If those expenses become intangible assets, then 175% of the costs of intangible assets in the abovementioned period are allowed to be amortized on a pre-tax basis. Second, other policies pertaining to the pre-tax deduction of technology SMEs' R&D expenses shall be implemented according to relevant regulations. Third, the criteria and administration rules for technology SMEs shall be promulgated separately by the Ministry of Science and Technology, MOF and the State Administration of Taxation (SAT). The authorities of science and technology, public finance and taxation shall establish an information-sharing mechanism, share information related to technology SMEs timely, enhance coordination and cooperation, and ensure the preferential policies are well implemented.

5. MOF published a circular on the relevant trial tax policies for venture capital firms and individual angel investors

On May 3, MOF published a circular on the relevant trial tax policies for venture capital firms and individual angel investors, which provided the following. First, the venture capital corporations that make direct equity investment in the seed-stage technology startups for two years may deduct 70% of

their investment value from their taxable income in the year when their equity holding reaches the two-year criteria; if the sum to be deducted is more than their taxable income, deduction is also allowed to be continued in the future tax years. Second, in the case of the venture capital limited partnerships that make direct equity investment in the technology startups for two years, the legal-person partners may deduct 70% of their investment value from their income derived from the limited partnership; the individual partners may deduct 70% of their investment value from their income derived from the operation of the limited partnership. Third, the individual angel investors who make direct equity investment in the technology startups for two years may deduct 70% of their investment value from their taxable income derived from the transfer of shares in the technology startups; if the sum to be deducted is more than their taxable income, the deduction is also allowed to be continued in the future transfer of shares.

6. MOF published a circular on the policies of simplifying the VAT rates

On May 3, MOF published a circular on the policies of simplifying the VAT rates which stipulated that starting from July 1, 2017, the VAT brackets will be simplified and a VAT rate of 13% will be abolished. First, a VAT rate of 11% will apply to the sales or import of agricultural products, heating, liquefied natural gas, and natural gas by taxpayers. Second, during the pilot program of the replacement of business tax with VAT, the taxpayers' purchase of

agricultural products for the production, selling, or entrusted processing of goods taxed at 17% shall still be eligible to the previous intensity of deduction. Third, the ordinary invoices obtained by the taxpayers when they purchase VAT-exempted vegetables and some fresh meat and eggs in the stage of wholesale and retail shall not be used as the proof for calculating the deduction of input tax. Fourth, the trial program of the deduction of input tax for agricultural products will continue to be advanced, and the taxpayers who already deducted input tax for their purchase of agricultural products will still need to comply with the relevant documents.

7. MOF published a circular on further regulating the debt financing by local governments

On May 3, MOF published a circular on further regulating the debt financing by local governments, which provided the following. First, improve contractual clauses in accordance with laws, divide the local government debt into different categories and deal with them accordingly, and comprehensively correct the irregularities in local government financing and guarantee. Second, promote the quick transformation of financing vehicles into market-oriented SOEs and conduct market-based financing in accordance with laws and regulations. Third, allow local governments to set up all sorts of investment funds through government investment or co-investment with private capital and ensure well-regulated and market-based operation of the

funds. Fourth, further improve and regulate the local government debt financing mechanism. Fifth, task MOF, National Development and Reform Commission(NDRC), People's Bank of China(PBoC), China Banking Regulatory Commission(CBRC), China Securities Regulatory Commission(CSRC) and other government agencies to establish a big-data monitoring platform. Sixth, comprehensively advance the transparency of the decision-making, implementation, management and results of the debt financing behaviors of local governments and affiliated government agencies.

4 8. MOF published a circular on improving the work on the basic health insurance of urban residents in 2017

On May 4, MOF published a circular on improving the work on the basic health insurance of urban residents in 2017, which provided the following. First, the government subsidy for residents' health insurance in 2017 is 450RMB per person, and the individual contribution is increased to 180 RMB per person. Second, work on the consolidation of systems and policies, improvement of management system and integration of operation to merge the health insurance schemes of urban and rural areas, with a view to basically building a unified health insurance system for urban and rural residents. Third, all localities shall implement central government's strategic plan on poverty reduction, tackle poverty through improvement of poor people's health, improve the critical illness

insurance by focusing on establishing the records and archives of rural poor population, strengthen the subsistence guarantee, and further enhance the effective link between critical illness insurance and medical aid. Fourth, give equal emphasis to both the rise of benefits and the curb of the increase of expenses, strengthen the health insurance's oversight over health service providers, raise awareness of risk prevention, and establish and improve the mechanism for monitoring and administering the operation of fund.

9. MOF published the *Several Rules on the Management of State-owned Assets in the Process of Reforming the Government Sponsored Institutions (GSIs) Engaging in Commercial Activities*

On May 4, MOF published the *Several Rules on the Management of State-owned Assets in the Process of Reforming the Government Sponsored Institutions (GSIs) Engaging in Commercial Activities*, which provided the following. First, on the basis of clearly defined relationship on property rights, the commercial GSIs shall work on the stocktaking, disposal, operation and oversight of the state-owned assets by considering the institution-specific circumstances as well as the paths, approaches and paces of reform and by following the respective asset management regulations. Second, from the date of the reform plan's approval until the date of the reform's completion, the assets of commercial GSIs, in principle, shall not be used for any activities that may affect the ownership of the assets, including

the use as external investment, collateral and guarantee. Third, after the commercial GSIs are transformed into enterprises, the newly created enterprises, provided that their structure of financial contributors is clear, shall delink themselves from the competent authorities that administered them in the past, and shall be supervised instead by the bodies that responsible as their financial contributors. In the event of unclear structure of financial contributors, the GSIs of the previous competent authorities shall take the responsibilities as shareholders (or investors) of the newly created enterprises according to the current management system and exercise oversight in accordance with laws.

10. The State Council decided on the measures to support private hospitals

On May 3, Premier Li Keqiang chaired an executive meeting of the State Council, which provided the following. First, encourage private sector to set up general practice clinics and standalone specialized institutions for medical check-up and rehabilitation care, and attract foreign investors to jointly invest in and set up high-level medical institutions. Second, provide one-stop as well as online approval services for private hospitals, and no restrictions shall be imposed for any reasons on the establishment of hospitals by the private entities that meet the requirements and criteria. Third, explore an inclusive and effective prudential regulatory approach with a view to raising the service quality of private hospitals, and clamp down on illegal acts and irregularities such

as operating with a leased license, contracting out the services of clinical departments, making fraudulent advertisements and illegal practicing of medicine.

11. MOF published a circular on further improving the publication of government procurement information

On May 8, MOF published a circular on further improving the publication of government procurement information, which provided the following. First, strengthen the development of the local websites of www.ccgp.gov.cn, regulate the management of the local websites' domain names, and enable local websites to deliver better services. Second, strictly enforce the system of government procurement information publication and publish the information related to contract supplier and designated-supplier procurement. Third, enhance the internal control of government procurement information and ensure a rigorous mechanism for the publication and spread of information. Fourth, strengthen oversight and inspection, conduct dynamic regulation and big-data analysis, and undertake the third party assessment.

12. MOF published the *Implementation Plan for Reducing the Time for Accessing Preferential Fiscal and Tax Treatments*

On May 8, MOF published the *Implementation Plan*

for Reducing the Time for Accessing Preferential Fiscal and Tax Treatments, which provided the following. First, compile a list of preferential fiscal and tax treatments and manage them on a dynamic basis. Second, regulate and optimize the procedures and cut the time for accessing such treatments. Third, streamline the application documents and reduce the intermediary services. Fourth, innovate service delivery approaches and explore the model of "notice + promise". Fifth, increase the use of IT and accelerate online application. Sixth, promote the sharing of information and tear down silos of information. Seventh, enhance publicity and ensure the preferential treatments are well implemented.

13. MOF published a circular on cleaning up and regulating the service charges related to business operation

On May 9, MOF published a circular on cleaning up and regulating the service charges related to business operation, which provided the following. First, according to the requirements of "streamlining administration, delegating authority, and improving regulation and services", comprehensively sort out all service charges related to business operation under the catalogue of government-priced items and further reduce the government-priced service charges related to business operation, including the intermediary services. Second, all localities and government agencies shall take stock of the intermediary service charges under their jurisdiction in accordance with the

catalogue of intermediary services for administrative pre-approval. Third, clean up and regulate the charges in the financial area, rail freight, export and import, quarantine inspection and mobility of talents. Fourth, regulate the charging by trade associations and chambers of commerce, improve the catalogue and centralized publication of business-related charges, and enhance the oversight of the market-priced service charges related to business operation.

14. MOF published the *Interim Measures for the Performance Management of the Central Fiscal Funds for Water Conservancy Development*

On May 9, MOF published the *Interim Measures for the Performance Management of the Central Fiscal Funds for Water Conservancy Development*, which provided the following. First, MOF is responsible for undertaking the overall performance management and providing guidance, and local finance authorities are responsible for performance management in their jurisdictions. Second, performance targets shall be set, as required, for the funds for water conservancy development, and those targets shall clearly reflect the expected output and effects of the funds. Third, performance targets are assessed in terms of their completeness, relevance, appropriateness and feasibility. Fourth, local water and finance authorities shall follow the approved performance targets to implement their budget. Fifth, local water and finance authorities shall implement their budget in accordance

with the performance targets. Sixth, in the process of budget implementation, local water and finance authorities shall monitor the realization degree of the performance targets and the status of the deployment of the funds. Seventh, performance evaluation is conducted in a tiered manner. MOF and the Ministry of Water Resources shall undertake performance evaluation of each province, and the provincial finance and water authorities shall undertake performance evaluation in their jurisdictions. Eighth, provincial water authorities shall organize the self-evaluation of the water authorities of cities and counties against the performance targets, and the local water and finance authorities shall be responsible for the truthfulness of the results of their self-evaluation and their performance evaluation documents.

15. The State Council approved the *13th Five-Year Plan for Developing the Border Regions and Enriching the Local People*

On May 11, the executive meeting of the State Council approved the *13th Five-Year Plan for Developing the Border Regions and Enriching the Local People*, which provided the following. First, improve infrastructure of the border regions, enhance educational, healthcare, elderly care, employment, cultural and other basic public services, and realize the goals of providing access to road, electricity, information services, safe drinking water, qualified clinics and village doctors, and safe housing by 2020 in all border villages. Second, develop agriculture, animal husbandry, cultural tourism, ethnic

handicraft and other industries with local characteristics and advantages, develop industrial parks of trade, commerce and logistics, and implement the program of developing key border towns as well as ethnic villages and townships. Third, step up policy support and targeted assistance, tilt the pro-people policies, projects and programs of all government agencies towards border regions, reasonably increase the subsidies for the basic health insurance of border people, and promote employment and entrepreneurship in border regions. Fourth, deepen opening-up and cooperation of the border regions, promote the integration of relevant border regions into the Belt and Road, advance the facilitation of the flow of people and customs clearance, improve relevant oversight, and enhance the trading of goods among the residents of border regions.

16. MOF published the *Measures for the Administration of Fiscal Supervision of the Asset Appraisal Industry*

On May 15, MOF published the *Measures for the Administration of Fiscal Supervision of the Asset Appraisal Industry*, which provided the following. First, finance authorities shall conduct supervision of the asset appraisal industry by following the principle of combining administrative regulation, self-discipline of industry and self-management of institutions. Second, MOF shall oversee the overall supervision of the asset appraisal industry nationwide, formulate relevant rules for supervision and basic standards for asset appraisal, and guide and urge the local finance authorities to

exercise supervision and management. Third, the finance departments (bureaus) of provinces, autonomous regions and municipalities with independent planning status shall be responsible for the supervision and management of asset appraisal industry in their respective administrative jurisdictions. Fourth, China Appraisal Society (CAS) is responsible for the self-discipline management of asset appraisal industry nationwide in accordance with laws, administrative regulations, the Measures and the charter of CAS.

17. Finance ministries of 27 countries jointly endorsed the *Guiding Principles on Financing the Development of the Belt and Road*

According to the news released by MOF on May 15, to advance the development of the financing system for the Belt and Road, as initiated and promoted by China, MOF and the finance ministries of 26 countries, such as Argentina, Belarus, Cambodia, Chile, Czech Republic, Ethiopia, Fiji, Georgia, Greece, Hungary, Indonesia, Iran, Kenya, Laos, Malaysia, Mongolia, Myanmar, Pakistan, Qatar, Russia, Serbia, Sudan, Switzerland, Thailand, Turkey and UK, jointly endorsed the *Guiding Principles on Financing the Development of the Belt and Road*.

18. MOF published the *Measures for the Financial Management of the Projects Financed by the Loans and Grants of International*

Financial Institutions and Foreign Governments

On May 16, MOF published the *Measures for the Financial Management of the Projects Financed by the Loans and Grants of International Financial Institutions and Foreign Governments*, which provided the following. First, the financial management of those projects shall follow the principle of conducting unified management, undertaking division of labor in a cooperative way, promoting regulated and effective management and preventing risks. Second, the main tasks of financial management include enforcing the relevant national laws, regulations and rules and the management requirements of the providers of loans or grants; establishing and improving the project financial management system; conducting financial assessment of those projects, and compiling the plan, budget and final accounts for using those loans and grants. Third, the revenues, expenditures and repayment of principal and interest of the loans for which government has repayment responsibility as well as the portion of loans guaranteed by government and needed to be repaid by government according to laws and agreement shall be put under general public budget management in accordance with the relevant budget management rules.

19. The State Council decided to further cut the service charges associated with the operation of enterprises

On May 17, Premier Li Keqiang chaired an executive

meeting of the State Council, which provided the following. First, reduce the logistics costs of enterprises. Abolish the charges made by power grid companies to rail transport enterprises for repaying the loans of constructing electrified railway, lower the railway freight price, and reduce the fees of inspection and testing. Second, advance the reform of the price for power transmission and distribution in provincial power grid, and reduce the price of power transmission and distribution by a reasonable margin. Increase the volume of direct transaction among power generators and users. Adjust the structure of power price, and reduce the burden of enterprises by abolishing the special funds for structural adjustment of industrial enterprises and properly cutting the price of power treated with desulfurization and denitrification. Third, reduce service fees associated with the operation of enterprises. The administrative approval authorities shall fund their own provision of technical services. Abolish the unreasonable charges of trade associations, and lower the remaining charges that are relatively high. Regulate the charging behavior of financial institutions, and deepen the reform of commercial vehicle insurance to lighten the insurance premium burden of enterprises.

20. MOF published a circular on further improving the management of the nutrition improvement plan for the rural students receiving compulsory education

On May 18, MOF published a circular on further improving the management of the nutrition improvement

plan for the rural students receiving compulsory education, which provided the following. First, all localities shall enforce their principal responsibility and strengthen their work on the nutrition improvement plan. Second, ensure food safety by strictly following the relevant laws, regulations and policies. Rigorously implement the food supplier entry system, establish and improve the school food safety management system as well as the tendering system for commodity food and raw and auxiliary materials. Third, the surplus and carryover of central government's subsidies resulting from the flow of students or the inconsistency between the students' actual days of schooling and the 200-day schooling requirement shall be dealt with on a case-by-case basis by local governments in accordance with regulations. Fourth, establish a management system covering the collection, uploading, storing, altering and accounting of information and a sophisticated management mechanism.

21. The State Council published the *Work Plan on the Trial Program of Promoting Standardized and Regulated Disclosure of Government Affairs at Grass-root Level*

On May 22, the State Council published the *Work Plan on the Trial Program of Promoting Standardized and Regulated Disclosure of Government Affairs at Grass-root Level*, which provided the following. First, comprehensively sort out and classify the items to be disclosed on the basis of the list of government responsibilities and public service items.

Second, determine the disclosure standard of each specific item. Third, comprehensively improve the working procedures for disclosure in order to change government functions and push forward greater openness. Fourth, accelerate the development of a standardized and regulated platform for the disclosure of government affairs, strengthen the development and management of the government website content, and enable government website to play a role as the primary platform for information disclosure.

22. The State Council published the guidelines on supporting private sector to provide multi-tiered and diversified healthcare services

On May 24, the State Council published the guidelines on supporting private sector to provide multi-tiered and diversified healthcare services, which provided the following. First, expand multi-tiered and diversified services. Encourage the development of general practitioner services, accelerate the development of specialized services, comprehensively develop traditional Chinese medicine services, develop frontier healthcare services in an orderly way, actively develop personalized hospital services, promote the development of services offered by the fusion of multiple business models, and explore the development of industrial clusters featuring distinctive health services. Third, further open up market. Expand market access, streamline and optimize approval services, promote investment and cooperation, and increase the level of opening up.

Third, step up policy support. Enhance the supply of human resources, improve and implement the supportive insurance policies, promote the application of new medical and pharmaceutical technologies and products, intensify fiscal, tax, investment and financing support, and ensure reasonably adequate land supply. Fourth, enforce rigorous regulation and self-discipline of the industry. Improve management system and standards, strengthen whole-industry regulation, and promote business integrity. Fifth, improve the work on organization, implementation, inspection, oversight and innovation.

23. MOF published a circular on sorting out subsidies on the price for renewable energy power

On May 25, MOF published a circular on sorting out subsidies on the price for renewable energy power, which provided the following. First, the State Grid Corporation of China (SGCC) and China Southern Power Grid (CSPG) shall require their provincial branches to use the information platform to register and fill in the application forms for subsidies on the price for renewable energy power from 2012 to 2016 and upload relevant documents as the proof of electricity costs and volumes. Second, the finance, price, energy authorities of all provinces (regions and municipalities) shall use the information platform to conduct online preliminary review of all the application forms and documents in their jurisdictions; make a second review and aggregate the

application forms and documents of the independent local grid companies that do not belong to SGCC and CSPG and project agencies independent of the public system, and submit written reports to MOF, NDRC and the National Energy Administration before August 30, 2017. Third, with respect to the changes of electricity price during grid-connected power generation, the volume of purchased electricity and the correspondent subsidy standard shall be reported on the basis of time period.

24. The State Council published guidelines on the innovation-driven development of counties

On May 25, the State Council published guidelines on the innovation-driven development of counties, which provided the following. First, promote the transformation and upgrading of manufacturing, processing and other traditional industries. Second, cultivate a batch of high-tech enterprises with relatively strong capacity for endogenous innovation and international competitiveness and support the public listing of qualified high-growth tech firms. Third, support entrepreneurs to consolidate technologies, funds, talents and other resources to accelerate the innovation of enterprises. Fourth, plan and develop high-tech industrial zones, agricultural technology parks and industrial bases with special features by following high standards. Fifth, intensify the commercialization of key technologies in the area of air pollution prevention and treatment, soil improvement, water environment protection

and efficient utilization of resources, and enhance the ecological protection and restoration of key regions. Sixth, reduce poverty through technology and enable science and technology to play a leading role in advancing targeted poverty reduction and elimination. Seventh, provide education and training related to agricultural science and technology and popularize science in the rural area to improve the science and technology literacy of farmers. Eighth, enhance the link of national and local policies on science and technology innovation, and step up efforts to implement inclusive policies on science and technology innovation.

25. MOF published the *Measures for the Administration of the Special Reserve Funds for the Residential Earthquake Insurance of Urban and Rural Residents*

On May 27, MOF published the *Measures for the Administration of the Special Reserve Funds for the Residential Earthquake Insurance of Urban and Rural Residents*, which provided the following. First, the member firms shall set aside a portion of the premiums incomes of residential earthquake insurance as reserve funds, accumulate them over years, and reflect them separately in the annual financial statements. Second, the member firms may temporarily set aside 15% of the premiums incomes of residential earthquake insurance as reserve funds. Third, when the sum of accumulated reserve funds reaches the insurer's retained liability limit

for a single accident in regard to the incompletely terminated earthquake insurance liability, the member firm may temporarily suspend setting aside reserve funds. Fourth, the member firms shall finish setting aside reserve funds for the previous year by the end of June of each year, accumulate the funds over years, and gradually build up the resilience against earthquake risks.

26. MOF published a circular on the pilot program of promoting agricultural disaster insurance in major grain-producing provinces

On May 31, MOF published a circular on the pilot program of promoting agricultural disaster insurance in major grain-producing provinces, which provided the following. First, select 200 major grain-producing counties in 13 major grain-producing provinces and undertake the pilot program of agricultural disaster insurance for agribusinesses of moderate scale. Second, the provincial finance authorities of pilot regions shall submit their pilot scheme and report on fund application for 2017 to MOF by May 31, 2017, and carbon copy them to the local Fiscal Inspector's Office affiliated to MOF. Third, in light of the local application for pilot programs, MOF will disburse the funds before June 14, 2017 and make a unified settlement in 2018. Fourth, in the process of implementing the pilot program, the finance authorities in the pilot regions may innovate and explore specific insurance models by considering

local conditions, and develop locally specific agricultural disaster insurance products. Fifth, undertake the pilot program of agricultural disaster insurance for agribusinesses of moderate scale.

27. MOF published the *Measures for the Administration of Funds for Agricultural Production and Development*

On May 31, MOF published the *Measures for the Administration of Funds for Agricultural Production and Development*, which provided the following. First, the funds are mainly allocated by following the factor method, and the factors include tasks of work and performance. Second, the Ministry of Agriculture (MOA) shall submit a written proposal on fund allocation of each province to MOF by May 15 of each year. Third, within 90 days of the approval by the National People's Congress, MOF will approve and disburse the funds on the basis of the annual budgetary arrangement and MOA's proposals. Fourth, the disbursement of funds shall be conducted in accordance with the relevant rules of centralized treasury payment. Fifth, except for the funds earmarked for mandatory tasks, all provinces are allowed to determine the use of other funds that are within the scope of special-purpose expenditure, and shall comprehensively implement the requirements on budget information disclosure. Sixth, the use and management of the funds shall be subject to performance evaluation, and the results of evaluation will be used as important basis for allocating the funds.

28. MOF published a circular on the policy of pre-tax deduction for advertisement and publicity expenses

On June 1, MOF published a circular on the policy of pre-tax deduction for advertisement and publicity expenses, which provided the following. First, in the case of the advertisement and publicity expenses incurred by enterprises of cosmetics production or sales and medicines production & beverage production, the portion of expenses that do not exceed 30% of the sales revenue of the current year is allowed to be deducted; the portion that exceeds the 30% limit is allowed to be deducted in the coming tax years. Second, for the related enterprises that enter into the agreement on sharing advertisement and publicity expenses, such expenses may be deducted from one party if the expenses do not exceed the pre-tax deduction limit of the sales revenue of the current year; some or all of such expenses may also be attributed to the other party and be deducted in accordance with the sharing agreement. When the other party calculates the pre-tax deduction limit, it may exclude the advertisement and publicity expenses attributed to it following the above-mentioned measures. Third, the advertisement and publicity expenses of tobacco enterprises shall not be deducted from taxable incomes.

29. MOF published the *Measures for the Administration of Subsidy Funds for Animal Epidemic Prevention*

On June 1, MOF published the *Measures for the Administration of Subsidy Funds for Animal Epidemic Prevention*, which provided the following. First, the subsidies for compulsory immunization and harmless treatment of animal farming shall be allocated by using the factor method, and the factors include the number of livestock, the annual tasks (list of tasks) or the realization of performance targets. Second, the subsidies for compulsory culling are disbursed after the culling, and are doled out according to the number of livestock killed actually and by following the subsidy standard. Third, the subsidies for animal epidemic prevention shall not be used for constructing buildings, plugging budget expenditure gaps, or funding other expenditures unrelated to animal epidemic prevention. Fourth, the payment of subsidies for animal epidemic prevention shall be governed by relevant rules of centralized treasury payment. Those within the scope of government procurement management shall be governed by relevant government procurement laws. Fifth, budget execution and management will be an important factor that will be linked to the allocation of funds for the next year. The surplus and carried-over subsidies for animal epidemic prevention shall be managed in accordance with the relevant rules of MOF.

30. MOF published a circular on revising the *Measures for the Administration of Subsidy Funds for Agricultural Resources and Ecological Protection*

On June 1, MOF published a circular on revising the

Measures for the Administration of Subsidy Funds for Agricultural Resources and Ecological Protection, which provided the following. First, the subsidy funds are mainly allocated by using the factor method that includes factors such as tasks of work and performance. Second, except for the funds earmarked for mandatory tasks, all provinces are allowed to determine the use of other funds that are within the scope of special-purposed expenditure. Third, the subsidy funds that are surplus and carried over shall be managed in accordance with the relevant rules of MOF. Fourth, the use and management of the subsidy funds shall be subject to performance evaluation, and the results of evaluation will be used as important basis for allocating the subsidy funds.

31. MOF published the (Trial) Measures for the Administration of the Special Land Reserve Bonds for Local Government

On June 1, MOF published the *(Trial) Measures for the Administration of the Special Land Reserve Bonds for Local Government*, which provided the following. First, MOF determines the aggregate annual quota for national land reserve special bonds in light of the land reserve financing needs and the land transfer incomes. Second, in the case that provinces, autonomous regions and municipalities find their annual quota of land reserve special bonds insufficient, the provincial finance authorities and land resource authorities may apply to MOF by the end of August each year. Third, the local land reserve institutions above the county

level, in light of the situation of the land market and the land reserve plan for the next year, shall compile the annual plan on the incomes and expenditures of the land reserve program for the next year and submit it to the land resource authorities for review and to the finance authorities for a second review. Fourth, the provincial finance authorities and land resource authorities shall aggregate and review the local needs for land reserve special bonds for the next year and report to MOF by the end of October each year. Fifth, the increase of the incomes of land reserve special bonds shall be included in the budget adjustment plan of the government-managed fund. Sixth, the increase of the expenditures of the land reserve special bonds shall be included in the budget adjustment plan. Seventh, the expenditures used to repay the principal of the land reserve special bonds shall be included in the annual draft budget of government-managed fund. Eighth, the interests and issuance costs of land reserve special funds shall be included in the overall spending arrangement of government-managed fund. Ninth, the land transfer incomes from land reserve programs shall be dedicated to the repayment of bond principal in light of the corresponding balance of the land reserve special bonds of the program.

II. Facts & Figures

1. China's manufacturing PMI in April was 51.2%

The data published by National Bureau of Statistics(NBS) on April 30 showed that China's manufacturing PMI in April was 51.2%, down by 0.6 percentage point month on month. In a breakdown of enterprises, PMI was 52.0% for large-sized ones, down by 1.3 percentage points month on month; 50.2% for medium-sized ones, down by 0.2 percentage point month on month; and 50.0% for small-sized ones, up by 1.4 percentage points month on month. In specific terms, the production index was 53.8%, down by 0.4 percentage point month on month; the new order index was 52.3%, down by 1 percentage point month on month; the employee index was 49.2%, down by 0.8 percentage point month on month; the raw material inventory index was 48.3%, staying flat month on month; and the supplier delivery time index was 50.5%, up by 0.2 percentage point month on month.

2. China's CPI rose by 1.2% year on year in April

The data released by NBS on May 10 showed that China's CPI rose by 1.2% year on year in April, among which, the CPI rose by 1.3% in urban areas and 0.8% in rural areas; fell down by 3.5% for food and went up by 2.4% for non-food; increased by 0.2% for consumer goods and 2.9% for services. The average CPI rose by 1.4% year on year from January to April. In April, CPI edged up by 0.1% month on month, among which, the figure rose by 0.1% in urban areas and stayed flat in rural areas;

decreased by 0.6% for food and went up by 0.2% for non-food; went down by 0.1% for consumer goods and rose by 0.4% for services.

3. China's fiscal revenue and expenditure in April

The data released by MOF on May 12 showed that revenue under China's general public budget was 1.6784 trillion RMB in April, up by 7.8% year on year, among which, revenue at the central government level was 821.3 billion RMB, up by 6.9%; revenue at the local government level was 857.1 billion RMB, up by 8.6%; tax revenue under national general public budget was 1.4458 trillion RMB, up by 4.9% year on year. Expenditure under China's general public budget was 1.3636 trillion RMB in April, up by 3.8% year on year, among which, expenditure at the central government level was 267.4 billion RMB, up by 3%; expenditure at the local government level was 1.0962 trillion RMB, up by 3.9%. From January to April, cumulative revenue under China's government-managed fund budget was 1.5382 trillion RMB, up by 32.7% year on year. Cumulative expenditure under China's government-managed fund budget was 1.0888 trillion RMB, up by 23.7% year on year.

4. China's private fixed asset investment increased by 6.9% from January to April

The data published by NBS on May 15 showed

that China's private fixed asset investment reached 8.8053 trillion RMB in the first 4 months of 2017, up by 6.9% year on year in nominal terms, a decrease of 0.8 percentage point in growth rate compared with the first 3 months of 2017. The private fixed asset investment as a share of national fixed asset investment was 61%. By regions, the private fixed asset investment was 4.4323 trillion RMB in the eastern region, up by 8.7% year on year; 2.5949 trillion RMB in the central region, up by 8.8%; 1.5825 trillion RMB in the western region, up by 6.4%; and 195.6 billion RMB in the northeastern region, down by 28.2%. By industries, the private fixed asset investment in the primary industry was 320.7 billion RMB, up by 20% year on year; 4.2851 trillion RMB in the secondary industry, up by 3.8%; and 4.1995 trillion RMB in the tertiary industry, up by 9.2%.

5. China's retail sales of consumer goods in April went up by 10.7%

The data published by NBS on May 15 showed that retail sales of consumer goods in April totaled 2.7278 trillion RMB, up by 10.7% in nominal terms, or by 0.79% month on month after adjusting for seasonal factors. The retail sales by major suppliers of consumer goods were 1.2253 trillion RMB, up by 9.2%. In the first 4 months, retail sales of consumer goods totaled 11.3102 trillion RMB, up by 10.2% year on year, among which, the retail sales by major suppliers of consumer goods were 4.9765 trillion RMB, up by 8.2%. In April, catering revenues amounted to 288.6 billion RMB, up by 11.1% year on

year, and retail sales of goods reached 2.4393 trillion RMB, up by 10.6%. From January to April, catering revenues amounted to 1.2082 trillion RMB, up by 10.9% year on year, and retail sales of goods reached 10.102 trillion RMB, up by 10.1%.

6. The operating income of Chinese SOEs increased by 17.5% year on year from January to April

The data published by MOF on May 25 showed that the operating income of SOEs totaled 15.58297 trillion RMB from January to April, up by 17.5% year on year. The operating costs of SOEs totaled 15.05452 trillion RMB, up by 16.7% year on year. The profits of SOEs totaled 824.75 billion RMB, up by 24.8% year on year. The payable taxes of SOEs totaled 1.3413 trillion RMB, up by 10.7% year on year. As of the end of April, the assets of SOEs totaled 137.36075 trillion RMB, up by 10.8% year on year; the liabilities totaled 90.37336 trillion RMB, up by 11% year on year; and the owners' equities totaled 46.98739 trillion RMB, up by 10.6% year on year.

7. China's manufacturing PMI in May was 51.2%

The data published by NBS on May 31 showed that China's manufacturing PMI in May was 51.2%, staying flat month on month. In a breakdown of enterprises, PMI was 51.2% for large-sized ones, down by 0.8 percentage point month on month;

51.3% for medium-sized ones, up by 1.1 percentage point month on month; and 51.0% for small-sized ones, up by 1.0 percentage point month on month. In specific terms, the production index was 53.4%, down by 0.4 percentage point month on month; the new order index was 52.3%, staying flat month on month; the raw material inventory index was 48.5%, up by 0.2 percentage point month on month; and the supplier delivery time index was 50.2%, down by 0.3 percentage point month on month.

III .MOF Events

1. On May 5, Vice Finance Minister Shi Yaobin attended the China-Japan-Korea Finance Ministers and Central Bank Governors Meeting in Yokohama, Japan. The three parties held discussions on the macroeconomic situation of the three countries and regional financial cooperation.

2. From May 4 to May 7, Xiao Jie, Finance Minister of China and Asian Development Bank (ADB) Governor for China, attended the 50th Annual Meeting of the ADB in Yokohama, Japan.

3. On May 6, Finance Minister Xiao Jie and Taro Aso, Deputy Prime Minister and Finance Minister of Japan, co-chaired the 6th China-Japan Finance Ministers Dialogue in Yokohama, Japan. The two finance ministers agreed to host the 7th Dialogue in China in 2018.

4. On May 10, Finance Minister Xiao Jie met with Gerd Müller, Minister of the Federal Ministry for Economic Cooperation and Development of Germany, and exchanged views on bilateral cooperation on lending and international development cooperation.

5. On May 13, Assistant Finance Minister Zhao Mingji inspected and provided guidance for the Monitoring Center for National Exam on Accounting Professional Qualification.

6. On May 14, Finance Minister Xiao Jie attended and addressed the Thematic Session on Financial Connectivity of the Belt and Road Forum for International Cooperation jointly organized by MOF and PBoC.

7. On May 15, Finance Minister Xiao Jie met with Ali Tayebnia, the Minister of Economic Affairs and Finance of Iran who visited China to attend the Belt and Road Forum for International Cooperation, and exchanged views on China-Iran relationship and matters of pragmatic financial cooperation.

8. On May 15, Finance Minister Xiao Jie met with Anton Siluanov, the Finance Minister of Russia who visited China to attend the Belt and Road Forum for International Cooperation, and exchanged views on pragmatic financial cooperation between China and Russia.

9. On May 17, Vice Finance Minister Shi Yaobin attended the Seminar on Closer Partnership for

Interconnected Development organized by the International Economics and Finance Institute of MOF (IEFI). Around 60 persons attended the seminar, including the senior management of the World Bank, the ADB, the AIIB, the NDB, the EIB, the EBRD and other MDBs, the senior representatives of the domestic financial institutions and private sector, such as the China Development Bank, the China Exim Bank, the Silk Road Fund, the JD group and China Fortune Land Development Co., Ltd, as well as the representatives of MOF, NDRC, the Ministry of Commerce and other government agencies. The Hong Kong Monetary Authority also had representatives to the seminar. The seminar was chaired by Zhou Qiangwu, Director General of IEFI, and Wang Zhongjing, Deputy Director General of the Department for International Economic and Financial Cooperation.

10. On May 14, Finance Minister Xiao Jie, on behalf of MOF, signed the *MOU on Collaboration on Matters of Common Interest under the Belt and Road Initiative* with President Jim Yong Kim of the World Bank Group, President Jin Lique of the AIIB, President Kamath of the NDB, Vice President Groff of the ADB, Director General Laloux of the EIB, and Secretary-General Enzo of the EBRD.

11. On May 15, Finance Minister Xiao Jie met with the World Bank Group President Jim Yong Kim who visited China to attend the Belt and Road Forum for International Cooperation, and exchanged views on enhancing cooperation under the Belt and Road framework and China-World Bank cooperation.

12. On May 16, Finance Minister Xiao Jie met with the IMF Managing Director Christine Lagarde who visited China to attend the Belt and Road Forum for International Cooperation, and exchanged views on the Belt and Road Forum, China's fiscal and tax reform, bilateral cooperation and matters of common interest.

13. On May 23, Assistant Finance Minister Dai Bohua attended and addressed the Joint Working Meeting on the Development of the ministry and province in Dongbei University of Finance and Economics.

14. On May 26, Vice Finance Minister Zhu Guangyao met with Andreas Dombret, Vice Governor of the Bundesbank of Germany, and exchanged views on issues of common interest.

15. On May 27, Vice Finance Minister Shi Yaobin visited the headquarters of the NDB in Shanghai and exchanged views with President Kamath on advancing NDB's operation and deepening China-NDB cooperation.

IV. Local Finance

1. Finance authorities in Guangdong Province brought management of budget performance to a new level

According to the news released by the Finance

Department of Guangdong Province on May 2, it has focused on the management of budget performance and pushed forward the development of a system for the whole-process management of budget performance. First, focus on the four key links in budget performance management, namely target management, performance monitoring, performance evaluation and application of results, and establish a budget performance management framework featuring ex-ante performance review, in-process performance inspection, ex-post performance evaluation, and application of results. Second, create a well-regulated system for budget performance management, a science-based third-party management system, and a complete system of performance evaluation indicators to make budget performance management more regulated. Third, improve the IT-based management of budget performance, establish a professional agency and team for performance management, and reinforce the foundation for budget performance management work.

2.Nanchang City, Jiangxi Province invigorated SMEs with a program of facilitating access to finance in the industrial park

According to the news released by the Finance Department of Jiangxi Province on May 3, Nanchang City has solidly advanced the program of facilitating access to finance in the industrial parks and achieved fruitful outcomes over the past three years. First, the size of lending has steadily increased and

brought more benefits. In 2016, enterprises that received loans under the program paid a total of 2.9 billion RMB of taxes, up by 23% year on year. A cumulative 3.7 billion RMB of taxes were paid over the past three years and the cumulative operating income reached 191.1billion RMB. Second, make a special arrangement under this program to act as a matchmaker for county industrial parks, partner banks, city government agencies and small and micro-sized enterprises. In the process of advancing the program, focus on service delivery and strive to better serve enterprises and banks. Third, follow rigorous eligibility for credit extension and basic requirements for borrowers under the program, and establish a post-lending business management system, business financial flash report system and risk-warning system.

3. Shandong Province improved three systems to comprehensively subject government debt to institutional constraints

According to the news released by the Finance Department of Shandong Province on May 9, Shandong has taken multiple measures to institutionalize and regulate government debt management. First, comprehensively subject government debt to institutional constraints, and build a whole-process debt management system covering borrowing, use, management and repayment of debt. Second, establish a multi-tiered system for the management and oversight of government debt, and strengthen budget management, dynamic oversight,

focused supervision and information publication. Third, to guard against fiscal and financial risks and prevent regional and systemic risks, Shandong has planned and made systemic arrangement for province-wide risk warning, performance assessment and contingency response of government debt.

4. Shaoxing City, Zhejiang Province took three measures to enable government industrial funds to play a bigger role in fostering new drivers of economic growth

According to the news released by the Finance Department of Zhejiang Province on May 10, Shaoxing City, Zhejiang Province in recent years has vigorously developed the government industrial fund and enabled it to play a bigger role in industrial development to foster new drivers of economic growth. First, on the basis of local circumstances in Shaoxing, the *Measures for the Administration of the Funds for Guiding the Development of Key Industries in Shaoxing* was drawn up by adopting the advanced management models of domestic and foreign funds. Second, establish a list of candidate projects and lock in 20 listed companies and leading firms. Secure the potential projects for cooperation and actively promote the implementation of projects directly invested with funds. Third, in accordance with the target of "establishing one fund, reviving one industry, and driving the growth of one area", the government industrial fund of Shaoxing has prioritized the industries with strategic importance for investment.

5. Finance authorities of Changchun City, Jilin Province have actively supported the supply-side structural reform of agriculture

According to the news released by the Finance Department of Jilin Province on May 16, the Finance Bureau of Changchun has actively supported the supply-side structural reform of agriculture. First, it prioritized the relevant spending on agriculture and rural areas, supported the development of agriculture with local advantages and characteristics, and encouraged innovation of agribusinesses through subsidies for technological findings and subsidized loans. Second, it aligned the use of fiscal funds with the city's policies on poverty reduction to make the use of funds more targeted and precise, and it supported the development of water-efficient irrigation and the development of quality and safety standards for agricultural products. Third, it stepped up financial and policy support towards high-standard and green infrastructure, supported the development of demonstration zones for leisure agriculture and rural tourism, supported the protection and improvement of arable land quality, and implemented the national subsidies for supporting and protecting agriculture. Fourth, it accelerated comprehensive rural reform, solidly promoted the construction of the new countryside, supported the trial program of the delivery of services by private sector for agricultural production, and supported the providers of commercial services such as agricultural machinery operation, drying and storage.

6. The reform of centralized treasury payment has been progressing steadily in the townships of Dali Prefecture, Yunnan Province

According to the news released by the Finance Department of Yunnan Province on May 18, the work on centralized treasury payment has been progressing steadily in the townships of Dali Prefecture, Yunnan. First, all the budget units that enjoy fiscal subsidies are subject to the centralized treasury payment to gradually realize the thorough supervision of fiscal funds. Second, develop and enforce reform measures in a timely manner, and identify the goals, tasks and basic principles of reform. Third, while actively exploring the trial reform of centralized treasury payment in townships, all counties and cities introduced a series of supporting reform measures based on local conditions, such as the reform of official credit card system and the dynamic monitoring of budget execution in townships. Fourth, in accordance with the principle of running trial programs before scaling up, all counties and cities are required to summarize the experiences of trial reform programs, further improve reform plans, and accelerate the pace of reform.

7. The Finance Department of Jiangxi Province focused on streamlining administration, delegating power and improving regulation and services to raise the level of services

According to the news released by the Finance

Department of Jiangxi Province on May 24, it has focused on streamlining administration, delegating power and improving regulation and services in recent years to raise the level of services. First, it retained only 2 administrative licensing items, namely the approval of the establishment of accounting firms and their branches and the approval of the temporary audit services provided by foreign accounting firms in mainland. Second, it took stock of and sorted out all of its administrative authority and compiled a list of accountabilities accordingly. Third, since 2013, it has abolished a total of 77 administrative charges enacted at the provincial level and retained only 14 provincial-level administrative charges. Fourth, it required those conducting fiscal inspections to strictly follow the requirements of "inspections of randomly selected entities by randomly selected inspectors and the public release of inspection results". Fifth, it changed the approval of the establishment of accounting firms and their branches into post-business-registration approval, simplified the procedures for accessing government services, cleaned up and regulated intermediary services for administrative approval, and introduced the "one-stop" window services which handled all approval items at a single window.

8. Guangdong Province arranged 46.5 billion RMB in the past 3 years to strengthen the capacity building of grass-root healthcare services

According to the news released by the Finance Department of Guangdong Province on May 25,

Guangdong supported localities to strengthen the capacity building of grass-root healthcare services and to gradually resolve the inadequacy of service capacity at grass-root healthcare institutions. First, support central healthcare institutes to upgrade into county-level hospitals, upgrade county-level traditional Chinese medicine hospitals and public hospitals, and promote standardization of township healthcare institutes and village clinics. Second, consolidate the existing healthcare resources and promote the development of county-town healthcare consortium. Encourage the participation of private capital and develop healthcare institutions run by private sector. Third, establish an interconnected information management system for healthcare and family planning, advance the development of remote healthcare platforms in township healthcare institutes in east and northwest Guangdong. Fourth, increase the standard of benefits for medical staff at township healthcare institutes and the subsidies for doctors at village clinics. Fifth, intensify the training of general practitioners, expand the plan for targeted enrollment of students, and implement the project of reassignment and training for obstetricians and pediatricians. Sixth, increase the allocation of funds for grass-root healthcare institutions and raise the level of funding for basic public healthcare services.

9. Finance Department of Yunnan Province strengthened the development of rural grass-root communities to boost poverty reduction

According to the news released by the Finance Department of Yunnan Province on May 27, it

has strengthened the development of rural grass-root communities to boost poverty reduction. First, develop innovative rural collective economy while supporting the trial program of village-level collective economy, and explore new models for sustainable agricultural and rural development in new circumstances. Second, support the development of village-level collective economy by selecting projects through competition and on a merit basis. Third, increase guidance on and monitoring of the pilot programs, encourage creative pilot work at grass-root communities, and combine self-reliance with policy support in light of local specific circumstances.

10. The development of government procurement deepened in Shanxi Province

According to the news released by the Finance Department of Shanxi Province on June 1, the scale of government procurement in Shanxi has rapidly increased, oversight and management system has gradually improved, and the size of professional procurement teams has grown. First, develop a science-based catalogue of centralized government procurement, reasonably determine procurement limit, and expand government procurement from generic goods such as computers and vehicles to all goods, engineering projects, and services. Second, in light of the new situation and new problems arising from procurement practice, improve the policies and regulations under the legal framework for government procurement, constantly fill the institutional gaps and

close the management loopholes. Third, use multiple means, including price discount and preferential treatment, in review and assessment to better enable government procurement to serve its policy purpose. Fourth, improve government procurement management system by focusing on procurement method, procurement efficiency, procurement oversight, experts' review and team building. Fifth, establish a province-wide and nationally connected electronic service platform.

V. Remarks and Opinions

1. Shi Yaobin: improve PPP system, optimize development environment and step up support

At this year's first meeting of the Leading Group on PPP Work, Vice Finance Minister Shi Yaobin said that positive outcomes of PPP reform have been achieved over the past three years. In particular, every work went smoothly in 2016, as the number and size of implemented PPP projects increased by four fold over 2015, PPP was adopted in more areas and sectors, the participation of private enterprises steadily increased, and the environment for PPP development was also improved. In the first quarter of 2017, the implementation of PPP projects continued to maintain a good momentum, and posted a net increase of 28%. In the meantime, institutional building, publicity and training, fund investment, and basic management of

PPP also made positive progress. Public expectation of PPP reform will grow increasingly higher, and the problems and challenges facing reform will be more and more complicated and formidable. We need to keep in mind the objective of "preventing irregularities and risks of PPP projects", continue to improve institutions and systems, optimize development environment, step up support, and strive for new breakthroughs in project implementation, participation of private enterprises, and well-regulated operation. PPP reform is not only the reform of public service delivery mechanism, but also a major reform of state governance approach, and is thus of great significance and far-reaching impact as well as one of the central work of public finance. The current PPP work has favorable foundation and broad prospects for development, and we need to strengthen cooperation and be bold to innovate. The priority for 2017 is to improve PPP system, vigorously promote PPP in agricultural and happiness industries, introduce the fourth batch of demonstration projects, step up the replacement of subsidies with rewards for PPP projects, intensify PPP fund's guidance and support, further optimize development environment, and push PPP work towards great progress.

2. Xiao Jie: MOF played a positive role of pushing forward the development of the Belt and Road

In his recent speech, Finance Minister Xiao Jie said that MOF has actively played its role in terms of policy support and financing and achieved positive

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outcomes in pushing forward the development of the Belt and Road and promoting the implementation of the "five connectivity". Enhanced connectivity of development policies and strategies is vital for the development of the Belt and Road. In recent years, MOF, by following the principle of seeking common ground while shelving differences, has actively deepened inter-governmental communication and exchanges of macro policies and advanced regional economic integration through international dialogue mechanisms. Trade and economic cooperation is the key component of the Belt and Road. On promoting open trade, MOF has focused on two priorities in recent years. One priority is to avoid double taxation. 54 Belt and Road countries have signed international tax treaties on the avoidance of double taxation. Another priority is to actively implement strategies on free trade zones, advance tariff negotiations with foreign countries, further open up market to Belt and Road countries, reduce tariffs for relevant partners of free trade zones and least developed countries, and enhance trade connectivity. Financial integration is an important pillar for the development of the Belt and Road. In recent years, MOF, in cooperation with relevant government agencies, has gradually stepped up overseas aid and arranged for the implementation of a host of infrastructure projects in the areas of road, railway, optical cable and electricity, boosting the economic development and livelihood of people in the recipient countries. In the meantime, MOF supports financial institutions like the China Development Bank, China Exim Bank and Sinosure, to push forward projects in infrastructure, resource development,

industrial capacity cooperation and financial cooperation in relevant countries and regions under the Belt and Road Initiative by setting up overseas equity investment fund, offering special overseas RMB loans and providing multilateral and bilateral special funds for industrial capacity cooperation. Belt and Road demands enormous amount of capital, and government investment alone cannot meet those demands. In this regard, MOF has always emphasized the importance of properly handling the relationship between government and market, fully allowed market forces to play a decisive role in resource allocation, enabled all sorts of enterprises to act as dominant market entities while ensuring the role of government is well played. At the time of motivating all sorts of domestic and foreign investors for the Belt and Road, it is also important to earnestly promote financial innovation, deepen financial cooperation, and build a diversified multilateral financing mechanism. Multilateral development institutions, with considerable experiences in development financing, can play a bigger part in the development of the Belt and Road. China has reached agreement with relevant MDBs to jointly scale up support towards infrastructure and connectivity projects. On the occasion of the Belt and Road Forum for International Cooperation, MOF and PBoC will co-host the thematic session on financing connectivity under the theme of "establishing a diversified financing system to promote the development of the Belt and Road". Representatives will take stock of the practices and experiences of financing Belt and Road projects, analyze the risks and challenges, further build

up consensus, and promote the establishment of a diversified financing system that is long term, stable, sustainable and with controllable risks, with a view to better providing financing support for the Belt and Road. People-to-people exchange is the social foundation for the Belt and Road. In recent years, central finance authorities have vigorously supported various cultural exchanges and activities with the Belt and Road countries, laying a solid popular foundation for deepening multilateral and bilateral cooperation. Going forward, MOF will further improve the use of funds, raise the efficiency of funds, and continue the cooperation with relevant government agencies in enhancing the exchanges in cultural and educational areas, so as to promote the spread of Chinese culture and further deepen the people-to-people connectivity.

3. Xiao Jie: promote financial connectivity to give impetus to the Belt and Road

At the Thematic Session on Financial Connectivity held on the sidelines of the Belt and Road Forum for International Cooperation on May 14, Finance Minister Xiao Jie said that financing bottlenecks are the salient challenges for realizing connectivity and financial connectivity is an important pillar for the development of the Belt and Road. In the face of immense demands for development financing, the Chinese government initiated and established institutions such as the AIIB and the Silk Road Fund and deepened cooperation with the World

Bank and other established multilateral development institutions, putting in place a well-structured and sizable network for financing the Belt and Road. In the longer run, we need the joint participation of countries along the Belt and Road, give full play to both government and market, and further improve a diversified financing system that is long-term, stable, sustainable and with controllable risks. To better promote financial connectivity, the finance authorities of 27 countries, including China, have jointly endorsed the *Guiding Principles on Financing the Development of the Belt and Road*. The Guiding Principles, which is the first ever guiding document developed by the Belt and Road countries on financial connectivity, aims to create a diversified financing system that is long-term, stable, sustainable and with controllable risks by following the principle of participation on an equal footing and sharing of benefits and risks. The participating countries need to actively support the Belt and Road countries to enhance policy coordination, improve financing environment, catalyze market forces to mobilize resources from various channels, and promote financial innovation and financial regulatory cooperation to better serve the development of the financing system in the Belt and Road countries. Advancing the stable and long-term development of the Belt and Road is an important mission of financial connectivity. To that end, all relevant parties need to work together and take active actions. First, they need to enable government to play a guiding and supporting role, link up the national development strategies in the region, establish regional arrangement for

infrastructure planning and financing, and strengthen policy coordination of law, tax, trade and investment to foster a financing environment that is transparent, friendly and non-discriminatory. Second, they need to allow market to fully play a decisive role in resource allocation, encourage financial institutions, policy-based, development-oriented and commercial, as well as relevant institutional investors to play a bigger part, and promote public-private partnership to catalyze all sorts of funds for the Belt and Road Initiative. Third, they need to enhance cooperation with multilateral development institutions, capitalize on their respective advantages, and adopt flexible models for multilateral financing. Six international financial institutions, including the World Bank and the AIIB, will sign MOU with China to strengthen cooperation on matters of common interest under the Belt and Road initiative. Fourth, on the precondition of keeping risks under control, they need to encourage the innovation of financing models, channels, instruments and services, and develop and improve equity financing market and local currency bond market so as to benefit the Belt and Road countries and promote sustainable and inclusive development. We expect all national governments, international organizations, financial institutions and investors to enhance exchanges and cooperation, contribute to the advancement of financial connectivity and common development, discuss the ways of promoting financial connectivity, and address the bottlenecks and challenges of financing in order to make contribution to the development of the Belt and Road.

4. Shi Yaobin: implement the outcomes of the Belt and Road Forum to promote financial connectivity

According to the speech of Vice Finance Minister Shi Yaobin at the Seminar on Closer Partnership for Interconnected Development on May 17, the current world economic recovery remains sluggish, and all parties have recognized the importance of new drivers of growth for achieving inclusive growth for which interconnected development is required, and the key to interconnected development is infrastructure connectivity. This is not only the urgent need of global and regional development, but also in line with the mandate and policies of MDBs, and more importantly, this reflects the important goals of China's Belt and Road Initiative. The Belt and Road covers over 60 countries which have different levels of development, weak economic foundation and large financing gap, while no single country or entity alone can meet those development needs. As Finance Minister Xiao Jie said, financing bottleneck is the salient challenge for realizing connectivity. Addressing financing problem is of great significance for promoting inclusive economic and social development of the Belt and Road countries and the smooth development of the Belt and Road Initiative. The just concluded Belt and Road Forum has achieved multiple pragmatic outcomes in financial connectivity. In particular, MOF has endorsed the *Guiding Principles on Financing the Development of the Belt and Road* with the finance ministries of relevant countries, and has signed the

MOU on Collaboration on Matters of Common Interest under the Belt and Road Initiative with six MDBs including the World Bank, AIIB, NDB, ADB, EIB and EBRD. These two important outcomes will lay a solid foundation for enhanced financial cooperation among various parties going forward. In addition, Chinese financial institutions also signed a series of agreements with relevant countries on project financing and cooperation. These outcomes are of equal significance for developing a diversified financing system that is long-term, stable, sustainable and with controllable risks. The World Bank and other MDBs, which have rich experience in development financing, are important partners for promoting interconnected regional development and the Belt and Road Initiative. It is notable that the World Bank and other MDBs, in recent years, have made good explorations and achieved positive outcomes in developing a diversified investment and financing system. The MOU signed by the six parties at the Belt and Road Forum will focus on cooperation in five areas under the Belt and Road Initiative, including enhancing support for infrastructure and connectivity projects, establishing a stable, diversified and sustainable development financing mechanism, improving business environment, strengthening coordination and capacity building, and supporting the implementation of UN 2030 Sustainable Development Agenda, sustainable development goals and *Paris Agreement on Climate Change*. The development of the Belt and Road ultimately depends on market forces and requires the market to play a decisive role in the

allocation of financial resources and all sorts of enterprises to play a principal role. Government not only needs to provide policy, legal and credit support, but also needs to deliver services and create conditions and favorable environment for all sorts of investors, especially the investors from the private sector. As President Xi Jinping put it, the Belt and Road follows the principle of extensive consultation, joint participation and shared benefits, and will not be a solo but a chorus. MDBs, policy financial institutions, sovereign wealth funds, financial institutions, private sector and other investors are all expected to enhance exchanges and expand cooperation.

5. Liu Wei: actively promote cross-border cooperation on accounting oversight

In his recent speech, Vice Finance Minister Liu Wei said that in the face of new circumstances and challenges, the accounting oversight work must have clearly defined positioning, orient towards serving the comprehensive building of a moderately prosperous society, focus on advancing the “Four-pronged Comprehensive Strategy”, and further enhance the level and effects of accounting oversight work. First, on comprehensively building a moderately prosperous society, conduct oversight to promote the sustained and healthy development of economy under the new normal. Enhanced accounting oversight will not only help market to play a decisive role in the allocation of resources,

foster a level playing field in the market, but also provide reliable basic data for macro management, further strengthen government's capacity for macro management, and promote the modernization of the state governance system. In addition, it will encourage the well-regulated accounting and enhanced internal control of enterprises, boost the vitality and competitiveness of economic entities, and promote the fundamental transformation of economic growth pattern. Second, on comprehensively deepening reform, conduct oversight to improve the fiscal and tax administration system and the modern fiscal system. Finance authorities shall identify accounting oversight as the important mandate and means of fiscal management; seriously deal with the use of fraudulent accounting information to avoid and evade taxes, obtain preferential fiscal and tax treatments, claim funds, and borrow money and make guarantee; ensure fiscal revenues are fully collected, fiscal funds are sensibly used, and fiscal risks are effectively controlled so as to lay solid groundwork for the improvement of fiscal and tax system and advancement of fiscal reform. Third, on comprehensively governing the nation according to the law, conduct oversight to promote the efforts of "streamlining administration, delegating power, and improving regulation and services" and strengthen in-process and ex-post oversight. Finance authorities, as the competent authorities that supervise the accounting industry, must earnestly implement the State Council's requirements on deregulation, change regulatory philosophies, enhance the in-process and ex-post

oversight of accounting firms, make full use of the audit offered by certified public accountants, and raise the quality of accounting information of the society. On one hand, we must uphold law-based supervision and regulation, duly exercise the responsibilities required by laws, and earnestly enforce the regulatory responsibilities. On the other hand, we must enforce laws in a transparent way, comprehensively promote "the inspections of randomly selected entities by randomly selected inspectors and the public release of inspection results", ensure objective, fair and transparent accounting oversight, further optimize business environment, and unleash the market vitality and creativity of society. Fourth, on comprehensively strictly governing the party, conduct oversight to promote the smooth implementation of the Central Party Committee's orders and the corruption-free working style of the party. Accounting oversight must identify the smooth implementation of the Central Party Committee's orders as the primary task, and focus oversight and inspection on the implementation of the major decisions and fiscal and tax policies of the Central Party Committee. In the meantime, accounting oversight is also an important means to enforce the party discipline and tackle corruption at its root cause. Finance authorities shall earnestly enhance accounting oversight, regulate accounting order, and bring illegal acts such as embezzlement of state-owned assets to justice, which is of important significance for enforcing party discipline and strictly governing the party.

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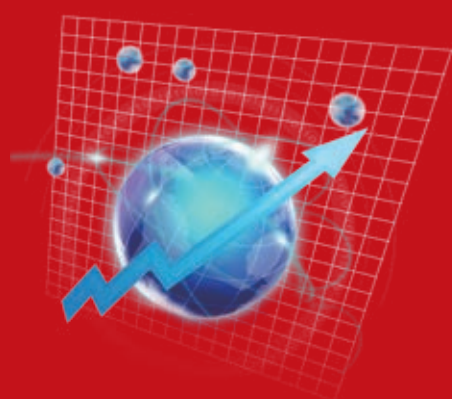
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