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HIGHLIGHTS

- Finance Minister Xiao Jie met with the President of the World Bank Group Jim Kim at the Diaoyutai State Guesthouse
- Vice Finance Minister Shi Yaobin: PPP market development should be well-regulated and focus on risk prevention and control
- The State Council made plan on vigorously developing the food industry by accelerating the supply-side structural reform in the agricultural sector
- MOF issued the Financial Regulation on the Social Insurance Fund
- China's fiscal revenue and expenditure in August

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. Collection and distribution of lottery public welfare funds in 2016

The data released by the Ministry of Finance (MOF) on September 4 showed that nationwide lottery sales in 2016 totaled 394.64128 billion RMB, among which, welfare lottery sales were 206.49164 billion RMB, and sports lottery sales were 188.14964 billion RMB. By type, the lotto lottery sales were 244.8644 billion RMB, the total lottery sales were 76.49012 billion RMB, the video lottery sales were 44.5435 billion RMB, the instant lottery sales were 28.47706 billion RMB, and the keno lottery sales were 266.2 million RMB, accounting for 62.05%, 19.38%, 11.29%, 7.22% and 0.06% of total lottery sales respectively. According to the policy of sharing the lottery public welfare funds approved by the State Council, the central and local authorities have equal share of the funds. The funds retained by local authorities are distributed by provincial finance authorities in consultation with civil affairs and sports authorities. In terms of the funds retained by central authorities, 60% are allocated to the National Social Security Fund, 30% to the Central Special Lottery Public Welfare Fund, 5% to the Ministry of Civil Affairs, and 5% to the State General Administration of Sports.

2. MOF published the *Measures for the Administration of Central Fiscal Rewards and Subsidies for Ensuring the Basic Funding of County Governments*

On September 5, MOF published the *Measures for the Administration of Central Fiscal Rewards and Subsidies for Ensuring the Basic Funding of County Governments*, which provided that the central authorities shall adopt the factor method to allocate rewards and subsidies to assist provincial authorities with funding for county governments, taking into account the financial difficulty of different regions and the provincial fiscal inputs. To support the basic funding of county governments, central finance authorities will provide subsidies for county governments to help them cope with the loss of fiscal revenue and the increase of fiscal needs and facilitate the disbursement of relevant transfer payment. To encourage the allocation of more resources to grass-root and poor regions, improve the horizontal and vertical fiscal balance of county governments, and narrow the fiscal gap between counties, the regions that are performing well in balancing fiscal resources among counties will be rewarded.

3. MOF published the *Measures for the Central Transfer Payment to Local Key Ecological Function Zones*

On September 5, MOF published the *Measures for the Central Transfer Payment to Local Key Ecological*

Function Zones. To promote ecological development, encourage local governments to enhance ecological and environmental protection, and enhance the public service delivery capacity of local governments where national key ecological function zones and other key ecological function zones are located, the central finance authorities will offer the transfer payment for key ecological function zones. The transfer payment subsidy to the key ecological function zones of a given province=key subsidies+subsidies for the prohibition of development at the expense of environment+subsidies for encouraging environmental-friendly behavior+subsidies for forest ranger=rewards or fines. The provincial finance authorities shall develop rules for the disbursement of transfer payment in light of local circumstances, regulate the allocation of funds, enhance the management of funds, and ensure all the subsidies and rewards are well disbursed.

4. The State Council planed for the roll-out of the pilot program of "separating business licenses from permits"

On September 6, Premier Li Keqiang chaired an executive meeting of the State Council to plan for the roll-out of the pilot program of "separating business licenses from permits" and further abolish a batch of administrative approval items to create a level playing field. The meeting decided to extend the pilot program of "separating business licenses from permits and abolishing 116 administrative approval

items of Pudong District of Shanghai" to 10 free trade zones in Tianjin, Liaoning, Zhejiang, Fujian, Henan, Hubei, Guangdong, Chongqing, Sichuan and Shaanxi. First, except for the items related to national security, public security, ecological security, public health and other major public interest, business licenses shall be separated from all separable permits. Second, items which can be effectively regulated by market mechanism and independently managed by enterprises or items that are able to meet intended purpose through interim and ex-post supervision will be gradually abolished or be subject to record-filing requirements. The meeting also decided to further abolish 52 administrative approval items previously required by the State Council departments, including the qualification verification of property management service providers and the verification of bidders for contracting overseas engineering projects, as well as 22 approval items delegated from central authorities to local authorities, such as the approval of soil and water conservation facilities for capital construction projects and the approval of timber processing in forest regions. Moreover, 23 items are to be presented to the Standing Committee of the National People's Congress for abolition through amendment of laws. To this date, this government has cumulatively canceled 697 approval items, accounting for 41% of the total.

5. Central finance authorities actively supported the reforestation of cultivated land

The data released by MOF on September 6 showed that in 2017, central finance authorities have earmarked a total of 21.1 billion RMB (300 million RMB earmarked for the central government and 20.8 billion RMB for local governments as subsidies, excluding central capital construction investment), among which, 11.9 billion RMB went for improving the policy of reforestation of cultivated land and 9.2 billion RMB for promoting a new round of reforestation. As of 2017, the central finance authorities have supported 181 million *mu* (or 12.06 million hectares) of reforestation, among which 139 million *mu* are attributable to the previous round of reforestation and 42.4 million *mu* are to the new round of reforestation.

6. MOF further strengthened the management of the appraisal of the state-owned assets of central cultural enterprises

According to the news released by MOF on September 11, to safeguard the legal rights and interests of state-owned assets and prevent the loss of state-owned assets, consistent with the requirements for "streamlining administration, delegating power and improving government services", MOF published the *Supplementary Circular on the Appraisal and Management of the State-owned Assets of Central Cultural Enterprises* to further regulate the appraisal and management of the state-owned assets of central cultural enterprises

and their subsidiaries for which MOF exercises its responsibility as the capital contributor on behalf of the State Council. First, when it comes to corporate reform, equity transfer or other matters related to the asset appraisal of central cultural enterprises, enterprises and appraisal agencies are required to follow relevant provisions of the *Asset Appraisal Law and the Basic Code of Asset Appraisal* and ensure high quality of asset appraisal. Second, MOF will delegate to central cultural enterprises authority over some matters related to the management of asset appraisal, promote the change of supervisory and managerial functions over state-owned assets, and raise the efficiency of state-owned capital operation and allocation. Third, further define the responsibilities of state-owned asset administrators and clarify the record-filing procedures, establish a pool of asset appraisal experts, and realize internet-based management and service delivery by using the central cultural enterprise state-owned asset supervision and management platform. In the next stage, MOF will further streamline its regulation as capital contributor over central cultural enterprises, refine regulatory approaches, and strengthen the supervision and management of central cultural enterprise state-owned assets by focusing on capital management.

7. Reform on the operation budget of the central cultural enterprises' state-owned capital is advancing well

According to the news released by MOF on September 12, to optimize the efficiency of state-owned capital allocation, MOF has actively explored the reform of the central cultural enterprises state-owned capital operation budget. In 2017, MOF injected 1.2 billion RMB into 58 central cultural enterprises, among which 870 million RMB went for advancing supply-side structural reform in the cultural area, 290 million RMB went for supporting merger and restructuring of enterprises, and 40 million RMB went for resolving the legacy problems. Going forward, MOF will provide guidance for central cultural enterprises to help them make budget execution more science-based and regulated, and study the establishment of a state-owned capital budget performance evaluation system for central cultural enterprises.

8. The State Council made plan on vigorously developing the food industry by accelerating the supply-side structural reform in the agricultural sector

Recently, the General Office of the State Council published the *Guidelines on Vigorously Developing the Food Industry for Accelerating the Supply-side Structural Reform in the Agricultural Sector*. According to the Guidelines, to accelerate the supply-side structural reform in the agricultural sector, vigorously develop the food industry, promote the improvement of agricultural quality and performance, the increase of farmers' income and social and

economic development, it is important to strengthen the major players in the food industry, innovate the pattern of food industry development, accelerate the transformation and upgrading of food industry, enhance the innovation capacity for food technology and the development of talents, and strengthen the foundation and improve the supportive measures for the development of food industry. By 2020, a modern food industry system that suits the circumstances of China and food industry will be basically established, and the quality and performance of the industry will be improved markedly so as to better safeguard the national food security and boost farmers' income. The supply of green and high-quality food products will steadily increase, and the proportion of high-quality food products will increase by around 10 percentage points; the value-added of the food industry will grow at an annual rate of around 7%, the proportion of food being processed will reach 88%, and the industrialization rate of staple food products will reach over 25%; the food enterprises with over 10 billion RMB of operating income will exceed 50, and the leading food enterprises and clustering of food industry enterprises will continue to strengthen; the innovation capacity of food technology and the food quality and security will further improve.

9. Three government departments jointly conducted the first pilot program on the insurance compensation mechanism for the application of new materials

According to the news released by MOF on September 13, to implement the priority tasks identified in the master plan of the national leading group on the development of new material industry and the *Guidelines on the Development of New Material Industry* and to promote the strategy of Made in China 2025, the Ministry of Industry and Information Technology, MOF and the China Insurance Regulatory Commission have decided to establish the insurance compensation mechanism for the application of new materials and conduct the first pilot program for this mechanism.

10. Three government departments jointly published the *Guidelines on the Establishment of Underwriting Syndicate for Government Bonds*

On September 14, MOF, PBoC and China Securities Regulatory Commission (CSRC) jointly published the *Guidelines on the Establishment of Underwriting Syndicate for Government Bonds*, which provided that the underwriting syndicate for government bonds should be established according to the type of government bonds, i.e. syndicate for savings bonds and syndicate for book-entry bonds. The establishment of syndicates should follow the market-based principles featuring openness, fairness and justice. MOF, along with PBoC, will oversee the establishment of underwriting syndicate for savings bonds, and MOF, together with PBoC and CSRC, will oversee the establishment of underwriting syndicate

for book-entry bonds. MOF and other authorities will determine the intended number of the syndicate members on the basis of market environment and the tasks of bond issuance.

11. Chinese mainland's accounting standards for business enterprise continue to converge with Hong Kong

According to the news released by MOF on September 15, after full communication and coordination with Hong Kong Institute of Certified Public Accountants (HKICPA), MOF recognized that Chinese mainland's accounting standards for business enterprise, which has been revised in the past 2 years, are converged, in principle, with the Hong Kong accounting standards and international financial reporting standards. In 2007, Chinese mainland realized the mutual recognition of the equivalence of accounting standards with Hong Kong and maintained the continuous convergence by regularly comparing notes on the development of respective standards and the developments of international convergence. MOF will maintain close communication with Hong Kong accounting standard setters, and, consistent with the *CEPA Agreement on Economic and Technical Cooperation* which went into force on June 28, 2017, further improve the mechanism for the continuous convergence of accounting standards between both sides, jointly play the role in the international accounting standard institutions, and promote the setting of high-quality international standards.

12. The State Council published the *Guidelines on Further Stimulating the Vitality of Private Investment to Promote the Sustained and Healthy Development of Economy*

On September 18, the General Office of the State Council published the *Guidelines on Further Stimulating the Vitality of Private Investment to Promote the Sustained and Healthy Development of Economy*, which provided the following. First, further deepen the reform of “streamlining administration, delegating power and improving services”, and constantly improve the business environment. Second, review the approval records of private investment projects and improve the approval services. Third, promote industrial transformation and upgrading and support the innovative development of private investment. Fourth, encourage the participation of private capital in PPP projects and promote the development of infrastructure and public utilities. Fifth, reduce the operating costs of businesses and strengthen the vitality of private investment. Sixth, remove the bottlenecks of financing and provide diversified financing services for private capital. Seventh, enhance the integrity of government and ensure the good credit of government in contract enforcement. Eighth, improve the coordination of policies and stabilize market expectation and investor confidence. Ninth, foster corruption-free relationship between government and businesses and enhance the awareness and capacity of government in delivering services. Tenth, make an effort to implement all

policies and measures to deliver more benefits to private businesses.

13. MOF published the *Measures for Performance Evaluation of Special Fiscal Funds for Poverty Reduction*

On September 19, MOF published the *Measures for Performance Evaluation of Special Fiscal Funds for Poverty Reduction*, which provided the following. First, the performance evaluation of special fiscal funds for poverty reduction covers input, disbursement, supervision and effect of funds. The specific indicators are to be set according to the content of evaluation. Second, the performance evaluation of special fiscal funds for poverty reduction will be implemented at different levels of government. MOF and the State Council Leading Group Office of Poverty Alleviation and Development are responsible for the performance evaluation of the provincial funds, while the provincial finance and poverty alleviation authorities are responsible for the performance evaluation of funds below the provincial level. Third, the finance and poverty alleviation authorities of all provinces shall submit the performance evaluation documents of their province in the previous year as well as the review on the implementation of their poverty reduction plan to MOF and the State Council Leading Group Office of Poverty Alleviation and Development by January 15 of each year. Fourth, the results of performance evaluation of funds are also included into the

performance evaluation of the poverty reduction work of provincial party committee and government, and are used as one of the factors for the allocation of funds.

14. MOF issued the *Method on the Management of Importing Duty-free Equipment and Devices for Scientific Research, Development and Teaching by Science Research Institutes, Reformed Research Institutes, Key State Laboratories, and National Engineering Technology Research Centers*

On September 25, MOF issued the *Method on the Management of Importing Duty-free Facilities for Scientific Research, Development and Teaching by Science Research Institutes, Reformed Research Institutes, Key State Laboratories, and National Engineering Technology Research Centers*, which provides the following. (1) Qualified research institutes may apply to the competent customs offices for tax reduction and exemption for their imports of science research and teaching equipment and devices. (2) Science research institutes established before January 1, 2016 are eligible for the innovation-supporting tax incentives starting from January 1, 2016. Science research institutes established after January 1, 2016 are eligible for the innovation-supporting tax incentives starting from the date when their Legal Person's Certificate comes into

force. (3) The Ministry of Science and Technology (MOST), in conjunction with MOF, the General Administration of Customs (GAC) and the State Administration of Taxation (SAT), are responsible for the review and approval of the reformed central level research institutes. The reformed local institutes are to be initially reviewed by science and technology authorities at provincial and municipal levels. After initially recognized as qualified, the list of institutions and their establishing time will be reported to the MOST, and jointly reviewed and decided by MOF, GAC and SAT.

15. MOF issued the *Circular on Supervision and Evaluation Methods for Dynamic Monitoring of Local Budget Implementation*

On September 25, MOF issued the *Circular on Supervision and Evaluation Methods for Dynamic Monitoring of Local Budget Implementation*, which provides the following. (1) The supervision and evaluation is to be carried out by MOF. (2) The reviewing period spans from October 1 of the previous year to September 30 of the current year. (3) The provincial financial authorities should carry out self-evaluation based on this Circular, and provide a self-evaluation report. The report should be submitted, together with the Performance Scoring Table, the General Overview Report and related documents, to MOF by October 31 every year. (4) The evaluation will be made in a scale of 0-100. After the evaluation,

MOF will file a ranking list and inform the provincial financial authorities of the ranking. (5) Based on the evaluation findings, MOF will provide guidance to provinces with low scorings or specific problems.

16. MOF issued the *Catalogue on Preferential Business Income Tax for Special Energy Saving and Environmental Protection Equipment (2017 Edition)*

On September 26, MOF issued the *Catalogue on Preferential Business Income Tax for Special Energy Saving and Environmental Protection Equipment (2017 Edition)*, which provides the following. (1) Business income tax for special energy saving and environmental protection equipment should be adjusted and applied according to this Catalogue. (2) Following the requirements by the State Council on simplifying administrative regulation and approval, the preferential incentives should be further optimized. The businesses can apply and get the tax credits directly, and the tax authorities will strengthen follow-up supervision. (3) An inter-agency coordination mechanism is to be established to ensure effective implementation of the tax incentives.

17. MOF issued the *Financial Regulation on the Social Insurance Fund*

On September 27, MOF issued the *Financial Regulation on the Social Insurance Fund*, which

provides the following. (1) In areas where the maternity insurance and basic medical insurance have been combined, there should be no separate maternity insurance fund. (2) The financial management and accounting of social insurance fund generally applies the cash basis of accounting. The accrual basis of accounting should be applied for investment commissioned by the basic pension insurance fund. (3) The fund should be integrated into the special account of social security fund, and its revenue and expenditure should be managed separately. Based on the types of insurance, various funds should be established with corresponding systems of accounting, booking verification, interest accrument and designated use. (4) The budget of the social insurance fund should be in compliance with the *Budget Law, Social Insurance Law, Implementation Regulations of the Budget Law* and other relevant provisions of the State Council.

II . Facts & Figures

1. China's deficit of trade in services shrank from January to July

The data released by the Ministry of Commerce on September 7 showed that from January to July, the exports and imports in services totaled 2.65297 trillion RMB, up by 10.6% year on year, with the deficit of trade in services shrinking markedly. In the

first 7 months of 2017, exports totaled 807.72 billion RMB, up by 4.4%; imports totaled 1.84524 trillion RMB, up by 13.5%; and deficit was 1.03752 trillion RMB. In July, the exports and imports in services totaled 368.13 billion RMB, down by 1.9% year on year, among which, exports were 113.31 billion RMB, down by 2%; imports were 254.82 billion RMB, down by 1.9%; and deficit was 141.5 billion RMB, down by 1.8% year on year, or down by 30% month on month.

2. China's foreign exchange reserve was 3.0915 trillion USD at the end of August

The data released by the People's Bank of China (PBoC) on September 7 showed that at the end of August, China's foreign exchange reserve was 3.0915 trillion USD, up by 10.8 billion USD from the end of July or 0.4%, and was on the rise for 7 consecutive months.

3. China's fiscal revenue and expenditure in August

The data released by MOF on September 11 showed that revenue under China's general public budget was 1.0652 trillion RMB in August, up by 7.2% year on year, among which, revenue at the central government level was 510.6 billion RMB, up by 6.2%; revenue at the local government level was 554.6

billion RMB, up by 8.2% year on year. Tax revenue under China's general public budget was 890.7 billion RMB in August, up by 16% year on year, higher than the margin of increase in the first half of 2017 and in July. The surge in tax revenue in August was mainly attributable to the steady and improving economic performance, price increase and other factors. Non-tax revenue was 174.5 billion RMB, down by 22.5% year on year, because the base number of the same month of last year was too high. Expenditure under China's general public budget was 1.4647 trillion RMB in August, up by 2.9% year on year, among which, expenditure at the central government level was 228.9 billion RMB, up by 5.7%; expenditure at the local government level was 1.2358 trillion RMB, up by 2.4%. The increase of expenditure was moderate because some expenditure was made in the prior period to accelerate the pace of spending.

From January to August, revenue under China's general public budget was 12.1415 trillion RMB, up by 9.8% year on year, among which, revenue at the central government level was 5.7506 trillion RMB, up by 9.3% year on year, amounting to 73.2% of the budgeted sum set in early 2017; revenue at the local government level was 6.3909 trillion RMB, up by 10.2% year on year, amounting to 71% of budgeted sum set in early 2017. Tax revenue under China's general public budget was 10.341 trillion RMB, up by 11.6% year on year; non-tax revenue was 1.8005 trillion RMB, up by 0.1% year on year. Expenditure under China's general public budget was 13.1627 trillion RMB, up by 13.1% year on year, among which, expenditure at the central government level

was 1.8812 trillion RMB, up by 8.6% year on year, amounting to 63.6% of budgeted sum set in early 2017, and up by 0.3 percentage point compared with the same period of last year; expenditure at the local government level was 11.2815 trillion RMB, up by 13.9%, amounting to 68.5% of budgeted sum in early 2017, and up by 3.9 percentage points compared with the same period of last year.

4. China's retail sales of consumer goods in August went up by 10.1%

The data published by National Bureau of Statistics (NBS) on September 14 showed that retail sales of consumer goods in August totaled 3.033 trillion RMB, up by 10.1% year on year, among which, the retail sales of consumers goods above designated size reached 1.3229 trillion RMB, up by 7.5% year on year. In August, the retail sales of urban areas totaled 2.6169 trillion RMB, up by 9.9% year on year; and the retail sales of rural areas amounted to 416.1 billion RMB, up by 11.5%. In addition, catering revenues amounted to 336 billion RMB, up by 10.7% year on year; and retail sales of goods reached 2.697 trillion RMB, up by 10.1% year on year.

5. A total of 4.4 trillion RMB of bonds were issued on China's bond market in August

The data released by PBoC on September 19 showed that 4.4 trillion RMB of bonds were issued on China's bond market in August, among which, 929 billion RMB were government bonds, 424.7 billion RMB were financial bonds, 670.5 billion RMB were corporate bonds, 68.8 billion RMB were asset-backed securities, and 1.6 trillion RMB were interbank certificates of deposit. A total of 3.9 trillion RMB of bonds were issued on the interbank bond market. In August, the transaction of the money market amounted to 64.9 trillion RMB, down by 12.3% year on year and up by 9% month on month, among which, the figure for pledge-style repo was 55.8 trillion RMB, down by 6.6% year on year and up by 8.3% month on month; the figure for outright repo was 2.8 trillion RMB, down by 19.9% year on year and up by 23.5% month on month; and the figure for interbank borrowing was 6.2 trillion RMB, down by 41.8% year on year, and up by 9.8% month on month.

6. China's M2 balance went up by 8.9% year on year in late August

The data released by PBoC on September 15 showed that in late August, M2 balance was 164.52 trillion RMB, up by 8.9% year on year; M1 balance was 51.81 trillion RMB, up by 14% year on year; M0 balance was 6.76 trillion RMB, up by 6.5% year on year. In late August, the balance of RMB and foreign currency loans totaled 121.99 trillion RMB, up by 12.6% year on

year; the balance of RMB and foreign currency deposits was 167.04 trillion RMB, up by 9.3% year on year.

7. The revenue of China's SOE from January to August grew by 15.5%

According to the data released on September 26 by MOF, the total operating revenue of China's state-owned enterprises from January to August was 33076.38 billion RMB, an increase of 15.5%. Among the total revenue, the central SOEs' revenue was 19812.6 billion RMB, an increase of 14.2%; the local SOE's revenue was 13263.78 billion RMB, an increase of 17.5%. In terms of the total operating costs, the operating costs of SOEs were 31938.98 billion RMB, an increase of 14.7%. Among the costs, the central SOEs' costs were 18941.02 billion RMB, an increase of 13.8%; the local SOEs' costs were 12997.96 billion RMB, an increase of 16.1%. In terms of profits, the total profits of SOEs were 1911.41 billion RMB, an increase of 21.7%. Among the profits, the central SOEs profits were 1244.42 billion RMB, an increase of 16.1%; the local SOEs' profits were 666.99 billion RMB, an increase of 33.8%. In terms of tax payable, the central SOEs contributed 2710.63 billion RMB, an increase of 12.2%. Among the tax payable, the central SOEs contributed 2011.54 billion RMB, an increase of 7.5%; and the local SOEs contributed 699.09 billion RMB, an increase of 28.4%.

8. The value-added by China's culture-related industries in 2016 increased by 13%

According to the data released on September 26 by the NBS, the value-added by China's culture-related industries in 2016 was 307.85 billion RMB, an increase of 13%. In terms of sub-industries, the value-added by the cultural manufacturing industry was 1,888.9 billion RMB, up by 7.6% over the same period of last year. The value-added by the cultural wholesale and retail trade was 287.2 billion RMB, up by 13.0 % year on year. The value-added by the cultural service industry was 1602.4 billion RMB, up by 17.5% year on year. In terms of various activities, the value-added by production of cultural products was 1965.5 billion RMB, an increase of 15.1%; the value-added by production of cultural-related products was 111.3 billion RMB, an increase of 9.5%.

9. China's first-quarter industrial enterprises above designated size saw their total profits rose by 21.6%

According to the data released on September 27 by the NBS, in the first eight months of 2017, the profits made by industrial enterprises above the designated size achieved 4,921.35 billion RMB, a year on year increase of 21.6%. The profits of state-holding industrial enterprises above the designated size gained 1,084.07 billion RMB, up by 46.3% year on year; that of collective-owned enterprises reached

29.41 billion RMB, an increase of 4.6%; that of joint-stock enterprises stood at 3,462.93 billion RMB, up by 23.3%; that of foreign funded enterprises, and enterprises funded from Hong Kong, Macao and Taiwan achieved 1,180.94 billion RMB, increased by 18.0%; and that of private enterprises gained 1,633.21 billion RMB, an increase of 14.0%. In the first eight months, the profits of mining and quarrying reached 324.89 billion RMB, up by 5.9 times year on year; that of manufacturing was 4,322.33 billion RMB, an increase of 18.6%; that of production and distribution of electricity, heat, gas and water reached 274.13 billion RMB, down by 22.6%.

Zhao Mingji attended the opening ceremony of the 2017 Asian Evaluation Week and delivered remarks.

4. On September 7, the inaugural ceremony of CAREC Institute was held in Urumqi, Xinjiang Uyghur Autonomous Region. Finance Minister Xiao Jie, Xinjiang Chairman Xuekelaiti Zhakeer, ADB President Nakao, Ministers of CAREC countries and CAREC Institute Director Bayaraa delivered remarks at the inaugural ceremony. Vice Finance Minister Shi Yaobin, representatives of CAREC countries, the relevant international partners of CAREC Institute, and the representatives of academia also attended the ceremony.

5. On September 11, Finance Minister Xiao Jie met with OECD Secretary General Angel Gurría who visited China for the second "1+6" Roundtable. Both sides exchanged views on China-OECD cooperation, research on "promoting the sustainable development of China's manufacturing sector", cooperation on tax matters, and the tackling of excess capacity.

6. On September 11, Finance Minister Xiao Jie met with Moshe Kahlon, Finance Minister of Israel.

7. On September 12, Finance Minister Xiao Jie met with the President of the World Bank Group Jim Kim at the Diaoyutai State Guesthouse.

8. On September 20, Assistant Finance Minister Xu Hongcai attended the 22nd Ministerial Conference of the Greater Mekong Sub-region.

1. On September 2, the groundbreaking ceremony of NDB headquarters was held in the World Expo Park in Shanghai. Finance Minister Xiao Jie, Shanghai Mayor Ying Yong and NDB President Kamath delivered keynote speeches. Vice Finance Minister Shi Yaobin also attended the groundbreaking ceremony.

2. On September 3, Vice Finance Minister Shi Yaobin attended the press conference during the BRICS Xiamen Summit and took questions from domestic and foreign journalists on the progress of BRICS financial cooperation.

3. From September 4 to 7, Assistant Finance Minister

III . MOF Events

9. On September 20, Finance Minister Xiao Jie met with Benjamin Greve, Secretary of State for Economy and Finance of France.

10. On September 22, Vice Finance Minister Yu Weiping attended the Launching Ceremony of the Project to promote healthcare reform in China with the World Bank loans.

11. On September 25, Finance Minister Xiao Jie met with Pierre Graemia, the Finance Minister of Luxembourg.

IV. Local Finance

1. Jinzhong City of Shanxi Province comprehensively deepened reform

According to the news released by the Finance Bureau of Jinzhong City, Shanxi Province on September 4, Jinzhong has vigorously deepened reform and earnestly implemented all the reform tasks. First, continue to deepen the reform of fiscal and tax system. Jinzhong is the first city in Shanxi that offered funding and conducted field investigation to ensure the seamless implementation of reform policies. Second, deepen budget reform. Jinzhong started to include all government revenue and expenditure in budget management in 2015,

and determined the standard of public expense for government funded agencies in 2016 to subject them to departmental budget management. Third, deepen the reform of government investment and financing. Jinzhong made meaningful endeavors in the innovation of government management, social financing and property right system. As of August 2017, out of Jinzhong's PPP project pipeline, 31 projects with a total investment of 22.83 billion RMB have been launched, among which, government direct investment only amounted to 1.57 billion RMB, while the catalyzed private capital is 14.5 times that of government investment. Fourth, deepen the reform of SOEs and state capital. Since 2015, Jinzhong has actively explored the reform of SOEs and state capital, introduced third-party agencies through government procurement of services, promoted the performance-based management of city-owned enterprises, increased the operating return of state capital, and preserved and enhanced the value of state capital.

2. Finance authorities of Anhui Province solidly promoted the work related to PPP

According to the news released by the Finance Department of Anhui Province on September 6, Anhui has been effectively promoting PPP in a well-regulated and orderly way since 2014. By the end of June 2017, 140 projects in Anhui are included in the MOF's PPP information platform, 35 projects

are listed as the national demonstration projects, the number of implemented PPP projects in Anhui is the third biggest in China, and 3 projects are selected as the exemplary cases of MOF's PPP demonstration projects. First, improve institutional framework to provide institutional guarantee for the well-regulated implementation of PPP projects. Second, enforce strict standards for the development of project pipeline and create a dynamic pipeline management mechanism that allows for the exit of unqualified projects. Third, promote the participation of private capital. Since this year, Anhui has promoted 1035 projects with a total investment of 823.2 billion RMB to hundreds of private enterprises, and recommended 91 projects with a total investment of 80.155 billion RMB through MOF's PPP information platform to private capital. Fourth, establish a coordination mechanism for moving forward PPP. Fifth, step up policy support. Develop and publish Anhui's supportive fiscal policies for moving forward PPP and deploy the fiscal policies and funds to catalyze more resources. Sixth, enhance the disclosure of project information. Make timely publication of the information related to PPP project implementation on the specific section of Anhui Finance Department's portal website so as to enable public supervision and scrutiny.

3. Fujian Province made strides in five aspects of fiscal and tax reform

According to the news released by the Finance

Department of Fujian Province on September 11, Fujian, in following the master plan and roadmap for deepening fiscal and tax reform, has actively advanced fiscal and tax reform and effectively promoted supply-side structural reforms and innovation-driven development through institutional innovation. First, push forward tax reform in an orderly way, advance the reform of VAT and resource tax, improve the preparatory work for environmental tax, and push forward reform of other taxes by providing effective policy guidance and innovation. Second, actively implement the reform of budget management system. Establish open and transparent budget and final accounts system, improve government budget system, and improve approaches to annual budget control. Third, continue to deepen the reform of budget execution. Revive the stock of fiscal funds, innovate the approaches of fiscal spending, and advance the performance-based management of budget. Fourth, steadily reform the fiscal system by following the principle of matching spending obligations with fiscal mandate. Implement the interim plan on the sharing of VAT revenue, advance the reform on the sharing fiscal mandate and spending obligations, improve the province-to-city (county) transfer payment system, and refine the policies on the pilot zones for ecological development. Fifth, constantly improve the streamlining of administration, delegation of power and improvement of government services in the area of public finance. In addition to the tax cut through "business tax to VAT" reform, fully implement other measures of cutting taxes and fees introduced by the central government and provincial party committee

and government, expedite the procedure streamlining and power delegation of a batch of approval items, and develop innovative regulatory approaches and improve government services by upholding the principle of "easy entry and strict supervision" and "those make approval should exercise regulation".

4. Qinghai Province advanced the integration of agriculture-related funds to boost the efforts of poverty reduction

According to the news released by the Finance Department of Qinghai Province on September 14, all levels of finance authorities in Qinghai have innovated the mechanisms for making fiscal input in recent years, and have focused on four aspects to intensify the efforts of fund integration and to enhance fund management. First, promote fund integration at the source. Make comprehensive stocktaking, sort out the funds, and strictly define the coverage of integration. Second, promote fund integration in the stage of fund allocation. Pay greater attention to the coordination and collaboration within finance authorities and with other authorities, and give full play to the role of the leading group on poverty alleviation. Third, promote fund integration in the stage of fund utilization. Improve the programming of integration, strengthen relevant platforms, provide guidance for the integration of agriculture-related funds, and improve plans for the overall arrangement of funds. Fourth, enhance the effects of fund

utilization by promoting well-regulated management. Improve relevant system, regulate budget execution, and strengthen supervision. In the past 2 years, the integration of agriculture-related funds in Qinghai has amounted to 28.8 billion RMB, which effectively ensured the implementation of major pro-agriculture policies of the central government, provincial party committee and government and supported the use of integrated funds to reduce poverty in Qinghai.

5. The Finance Bureau of Chengdu City, Sichuan Province has made progress in fostering a favorable environment of development

According to the news released by the Finance Department of Sichuan Province on September 19, the Finance Bureau of Chengdu City has made progress in fostering a favorable environment of development. First, identify weak links and improve services. Focus on the priority work and determine the benchmark for improvement; find out shortcomings through client inquiry; conduct thematic investigation and improve basic records; and establish a long-term mechanism to deepen basic research. Second, concentrate efforts on industrial upgrading and prioritize industrial development. Fully implement supportive industrial policies, constantly increase industrial investment, and actively innovate the models of fiscal investment. Third, mobilize all positive forces to foster a favorable environment of development.

Study, adjust and refine the finance system below the city level, reasonably determine the sharing of the revenues, and promote the equalization of basic public services. Establish and improve discipline mechanism, better management the intra-regional migration of enterprises, facilitate the free movement of production factors, and promote the reasonable allocation and integrated development of industrial projects.

6. Yunnan Province has actively supported the healthy development of elderly service industry

According to the news released by the Finance Department of Yunnan Province on September 21, Yunnan has actively supported the healthy development of elderly service industry and focused on four aspects to that end. First, mobilize resources from multiple channels, including public finance, lottery public welfare fund and private sector, and increase government's financial input for the development of elderly service industry. Second, establish a new mechanism for the budget management of fiscal funds for elderly service system development, and realize the whole-process performance management targets. Adopt the model featuring "basic subsidies + rewards" and allocate the subsidies for elderly service industry development by using the factor method. Third, encourage private sector to invest in elderly service projects, establish a PPP project pipeline for elderly

service, and fully liberalize the elderly service market. Fourth, allot no less than 10 million RMB per year for the government procurement of elderly service.

7. Financial authorities of Hengyang City, Hunan Province made efforts to integrate the use of agriculture-related funds and further alleviate poverty.

According to the news released on September 26 by the Finance Department of Hunan Province, the Hengyang City carried out a pilot program to make integrated use of agricultural-related funds, and accomplished the task of tackling poverty. First, a leading group was established for the pilot program. The leading group has specified duties for various levels of agencies, and ensured effective implementation of the program. Second, an implementation plan was designed for the integrated use of agriculture-related funds, coordinating the funds and relevant projects of the year. An annual priority poverty alleviation project pool was established, and county-level projects using agricultural-related funds should be selected from the pool. Third, the county-level authorities were given the power to use the funds according to local conditions, the county authorities can take initiative. The integration of the funds was lead by county government, and supported by various agricultural agencies with specified duties. Fourth, innovative supervision and accountability system

and multi-level, all-round regulatory mechanisms were established for poverty alleviation.

8. Nanjing City of the Jiangsu Province implemented five mechanisms to strengthen treasury management

According to the news released on September 27 by the Finance Department of the Jiangsu Province, the Nanjing Municipal Finance Bureau has implemented five measures to improve treasury management. First, a leading team was formed with bureau chief as the team leader, and participated by staff from the treasury, budget and debt management divisions. Second, an assessment mechanism was established combining key performance evaluation and daily monitoring, and making treasury management a key indicator for the district authorities by the municipal authorities. At the same time, the routine evaluation mechanism was established. Third, budget spending was speed-up to reduce the backlog of treasury funds, and was listed as a major performance evaluation target by the municipal government, with regular spending schedules for the municipal and district fiscal authorities. Fourth, the outstanding balance of the budget, carry-over funds over two years and special funds of the year were to be recovered. The excessive carry-over of the government funds were also to be recovered. Fifth, the monitoring and analysis of the operation of the municipal treasury funds was strengthened. The scheduling of funds with districts of strong treasury

positions was suspended.

V. Remarks and Opinions

1. Shi Yaobin: NDB is expected to manage and operate the project preparation fund in a professional way

Recently, Vice Finance Minister Shi Yaobin attended and addressed the signing ceremony of NDB-supported projects. In his speech, Vice Finance Minister Shi said that at the opening ceremony of BRICS Business Forum held on September 3, President Xi Jinping pointed out the establishment of NDB provided financing support for the infrastructure and sustainable development of BRICS countries, and made meaningful exploration for improving global economic governance and building the international financial safety net. The establishment of NDB would not only enhance the voice of BRICS countries in international financial affairs, but more importantly, it will benefit the people of BRICS and developing countries. Two years since the operation of NDB, it has presented a satisfactory performance to BRICS leaders and people through its real action. To this date, NDB has approved 11 projects with a loan commitment of 3 billion USD. Building on the good start of its operation, NDB will soon provide technical assistance for member countries through the project

preparation fund, signifying that NDB has scaled new height in its operation and has made an important step towards being a knowledge bank. Vice Finance Minister Shi hoped that NDB would manage and operate the project preparation fund in a professional, international and well-regulated way, make good use of the fund by focusing on infrastructure connectivity and international industrial capacity cooperation projects, and promote the sharing of development experience among member countries to forge a new era of south-south cooperation.

2. Liu Wei: further improve the work on budget execution and treasury cash management

At a recent video conference on budget execution and treasury cash management, Vice Finance Minister Liu Wei said that the good performance of budget execution and treasury cash management would ensure the full effects of proactive fiscal policy, the stability of macro economy, and the solid implementation of decisions made by the central party committee and the State Council. Since this year, all levels of finance authorities have earnestly implemented proactive fiscal policies, and budget execution has been proceeding well. In the meantime, some problems have also risen from the budget execution and treasury cash management. To resolve these problems, strong measures on the part of all levels of finance authorities are required. Greater emphasis should be put on the following areas in the next stage. First, strengthen treasury cash

management. Further improve the administration of budget execution, and ensure the timely funding of expenditures for poverty reduction, education, health, social security and other priorities. Coordinate the issuance of local government debt with the treasury cash management, and make reasonable arrangement for the time, pace and size of bond issuance. Step up efforts to clean up the surplus funds stemming from centralized treasury payment and prevent those funds from staying in the treasury for too long. Second, avoid the false presentation of fiscal revenue. Deepen the reform of the system for administering revenue collection and payment, make timely transfer of fiscal revenue to treasury in strict accordance with regulations, promote electronic collection and payment of non-tax revenue, and realize the whole-process monitoring of the collection and payment of non-tax revenue. Rectify the illegal shifting of tax source to ensure a level playing field. Enhance the analysis and monitoring of revenue. Third, regulate and clean up local government special fiscal accounts. Accelerate the cleaning up of special fiscal accounts and cancel all those accounts in accordance with requirements. Study the establishment of a catalogue for special fiscal accounts and ban all the accounts that are not listed on the catalogue. Fourth, conduct well-regulated management of local treasury cash. Strictly enforce local treasury cash management regulations and correct the operation and practice that are not consistent with regulations. Undertake treasury cash management in a prudent way on the precondition of ensuring the right progress of budget

execution. Prohibit the linking of treasury cash management to local government bond issuance as such practice may disrupt the market-based pricing of local government bonds. Fifth, strengthen the management of the deposit of funds from finance authorities and budget units and establish a science-based, just and transparent mechanism for managing the deposit of funds.

3. Shi Yaobin: PPP market development should be well-regulated and focus on risk prevention and control

In his recently published speech, Vice Finance Minister Shi Yaobin said that in accordance with the requirements of the Third Plenum of the 18th Central Committee of the CPC on comprehensively deepening reforms, MOF and relevant authorities have pushed forward PPP reform in the area of public service, actively implemented the spirit featuring across-the-board rule of law in state governance, decisive role of market in the allocation of resources and better role of government, and made concrete and active efforts in exploring how to properly handle the relationship between government and market. As a result, important outcomes have been achieved, helping enrich the global experience of PPP development. At the just concluded BRICS Leaders' Summit, PPP, as an important part of BRICS financial cooperation, was included in the Xiamen Declaration. Vice Minister Shi pointed out that the priority of current PPP

market development is promoting well-regulated development, preventing and controlling risks, and advancing sustainable development. First, further align the thoughts and awareness, accurately understand the meaning of PPP reform, avoid using PPP as a new way of government financing, and prioritize the transformation and upgrading of economic development, improvement of growth quality, and risk prevention and control. Second, intensify efforts to handle illegal projects and publicize the wrongdoings, preserve the market order, foster a favorable market environment, and stabilize the expectation of private investment. Third, improve the work on key links such as the compilation of implementation plan, value-for-money assessment, financial sustainability study, fair procurement, contract management, and performance-based payment, and take concrete measures to prevent PPP from getting generalized or going awry. Fourth, enhance the publication of information, make detailed publication, and ensure projects operate in a transparent way and be subject to public scrutiny.

4. Zhu Guangyao: the Belt and Road Initiative promotes peace and global development

In his recent remarks at the second China-Australia "Belt and Road" Financial and Investment Cooperation Roundtable, Vice Finance Minister Zhu Guangyao said that enormous achievements

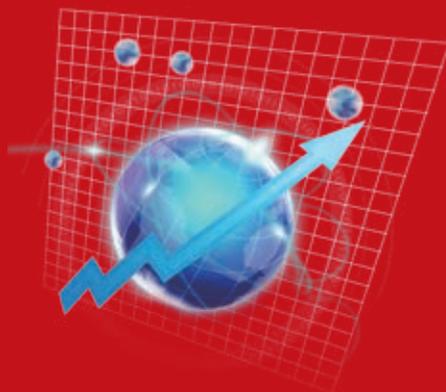
of the BRI launched by President Xi Jinping four years ago have proven the great success of this initiative to China and the world. In May 2017, China convened the first "Belt and Road Forum for International Cooperation", which produced 270 outcomes, covering a wide range of areas from policy to infrastructure, and from trade to financial integration, the most important of which is to promote people-to-people understanding and common aspiration - to establish a community of shared future for mankind, and achieve peace and development. Why the BRI can achieve such success in four years? First of all, the BRI fully reflects the world trends of peace, development, and win-win cooperation. In China, under the strong leadership of the Party Central Committee with Comrade Xi Jinping as the core, the Chinese government and people are striving to achieve prosperity, democracy, civilization and harmony. Those fully reflect the aspirations and beliefs of

the Chinese people. Under the strong leadership of President Xi Jinping, China will achieve the two great centenary goals, and realize the great Chinese dream. Therefore, the BRI not only reflects the international mainstream wishes, but also reflects the aspirations of the Chinese people. All participants in the BRI can share in the fruits, as it connects the development strategies of multiple countries and regions. Policy coordination, infrastructure interconnection, trade links, financial cooperation, and cultural exchange have been effectively promoted over the past four years. The 270 outcomes achieved in the "Belt and Road Forum for International Cooperation" in May this year are attributable to the joint efforts of the countries along the BRI. Two years later when China holds the next Forum, there will be more fruits to promote deeper and broader global cooperation, promote peace and development, and build a community of shared future for mankind.

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