

# CHINA FINANCE

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### HIGHLIGHTS

- Finance Minister Liu Kun met with World Bank President Jim Yong Kim and IMF Managing Director Lagarde on the margins of the G20 Finance Ministers and Central Bank Governors Meeting in Buenos Aires, Argentina
- Liu Shangxi: fiscal policy should inject certainty into the deepening of reforms
- The Central Committee of the Communist Party of China and the State Council published the Guiding Opinions on Improving the Management of State-Owned Financial Capital
- MOF published the Opinions on Expanding Imports to Promote Balanced Development of Foreign Trade
- Final public budget revenue of China in 2017 was 17.259277 trillion RMB

# Brief Introduction to IEFI

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

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

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

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## I. Policy Update

### 1. MOF published the *Guiding Opinions on Accelerating the Development of Security Industry*

On July 2, MOF published the *Guiding Opinions on Accelerating the Development of Security Industry*, which provided the following. First, make breakthroughs on a number of cutting edge and generic technologies. Focus on the security needs of key industrial sectors, prioritize the research of digital, networked and intelligent security technologies and equipment, implement the centrally funded science and technology plan (including special funds and fund) to support the R&D of key technologies such as disaster prevention, forecast and early warning, surveillance and monitoring, personal protection, emergency rescue, safe processes and equipment, and security services. Second, strengthen the transfer and adoption of security technology. Support the adoption of a number of advanced and applicable security technologies and products through channels such as venture capital funds. Encourage local governments to improve the incentive system for the adoption

of scientific and technological findings, improve the assessment and market pricing mechanisms of scientific and technological findings, and improve the efficiency of scientific and technological innovation and adoption.

### 2. The State Council published the *Three-Year Action Plan to Win the Battle for Blue Sky*

On July 4, the State Council published the *Three-Year Action Plan to Win the Battle for Blue Sky*, which provided the following. First, intensify the phase-out of backward production capacity and reduction of excess capacity. In 2020, Hebei Province's steel production capacity will be controlled within 200 million tons; steel enterprises listed in the capacity-reduction plan will need to phase out the sintering equipment, coke ovens and blast furnaces. Second, effectively promote clean heating in the northern region. Before the heating season in 2020, under the condition of ensuring energy supply, the Beijing-Tianjin-Hebei region and the surrounding areas as well as the Fenwei Plain area will basically complete the installation of clean heating; clean coal will be actively promoted for the mountainous areas that do not have the conditions for the adoption of clean energy. Third, starting from January 1, 2019, vehicle gasoline and diesel that meet the national VI standard will be supplied nationwide, sales of gasoline and diesel below the national standard will be suspended, and uniform standard will be introduced for the vehicle diesel, ordinary diesel and ship diesel.

### 3. MOF published a circular on clarifying the taxation basis for tobacco leaves

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On July 4, MOF published a circular on clarifying the taxation basis for tobacco leaves, which provided the following. The total payment made by taxpayer for the purchase of tobacco leaves includes the tobacco purchase price and the extra-price subsidy paid by the taxpayer to the tobacco production and sales units and individuals. Among them, the extra-price subsidy is calculated on the basis of 10% of the purchase price of tobacco leaves.

### 4. The State Council decided on the measures to further increase the autonomy of science and technology personnel

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On July 4, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, reform the scientific research management model. Project application documents already available in the National Science and Technology Information Management System shall not be required to be provided repeatedly. Reduce all types of inspections, assessments and audits, and procedural inspections will not be conducted for free-exploration basic research and projects with an implementation cycle of less than three years. Second, the equipment and consumables that are urgently needed for scientific research can be specially handled and

not subject to tendering and bidding. Researchers may independently adjust the technical research route on the premise that the research direction and goals are unchanged. Except for the equipment fees, other direct project expenses will be at the disposal of the project implementing agency. Third, increase the salary incentives for scientific research personnel who undertake key technical tasks in key areas, implement an annual salary system for full-time team leaders and high-end talents, and correspondingly increase the total amount of performance-based wages in the current year.

### 5. The Central Committee of the Communist Party of China and the State Council published the *Guiding Opinions on Improving the Management of State-Owned Financial Capital*

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On July 9, the Central Committee of the Communist Party of China and the State Council published the *Guiding Opinions on Improving the Management of State-Owned Financial Capital*, which provided the following. First, improve the basic management system of state-owned financial capital. Establish and improve the basic management system of state-owned financial capital with full process and full coverage, improve the management system of the registration, evaluation, and transfer of property rights, and improve the verification of state-owned financial capital, the definition of capital ownership and statistical analysis. Second, implement the

state-owned financial capital operating budget management system. Rationalize the distributional relationship between the state and the state-owned financial institutions, comprehensively and fully reflect the operating income of state-owned financial capital, reasonably determine the proportion of profits handed over by state-owned financial institutions, and strike a balance between dividend allocation and capital replenishment. Third, deepen the reform of corporate and joint-stock system. Intensify the reform of the corporate system of state-owned financial institutions and promote the overall restructuring and public listing of eligible state-owned financial institutions.

## 6. MOF published a circular on intensifying efforts to promote comprehensive reform of agricultural water prices

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On July 10, MOF published a circular on intensifying efforts to promote comprehensive reform of agricultural water prices, which provided the following. First, strictly implement the 2018 reform plan. All localities should implement plans that are detailed to specific cities, counties and irrigation districts as soon as possible. The performance of implementation will be an important part of the 2018 annual reform performance evaluation. Second, pay close attention to key areas of reform. The 20 million mu of high-efficiency and water-saving irrigation project areas newly added during the “13th

Five-Year Plan” period as well as the National Modern Agricultural Industrial Park approved in the previous year should all be included in the annual reform implementation plan and take the precedence in reform. Third, design reform plan based on local conditions. In terms of fundraising, it is necessary to mobilize funds through multiple channels and in multiple ways. In particular, it is important to strengthen the consolidation and overall use of existing fiscal subsidies and project funds, and encourage the inclusion of reward funds in the government budget.

## 7. MOF published the *Opinions on Expanding Imports to Promote Balanced Development of Foreign Trade*

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On July 11, MOF published the *Opinions on Expanding Imports to Promote Balanced Development of Foreign Trade*, which provided the following. First, support the import of products related to people’s livelihood. Support the import of daily consumer goods, medicines, and rehabilitation and old-age care equipments closely related to people’s life, implement measures to reduce the import tariff rate of certain goods, reduce intermediate circulation links, clamp down on unreasonable price markup, improve the duty-free shop policy, and expand the import of duty-free goods. Second, increase the import of technological equipments that contribute to the economic transformation and development. Third, increase the import of agricultural products and

resource products. Appropriately increase the import of agricultural products that are in short supply in China and agricultural machinery products that are conducive to enhancing agricultural competitiveness. Fourth, continue to implement the commitment to grant zero-tariff treatment to 97% of goods imported from least-developed countries.

## **8. MOF published a circular on further expanding the scope of preferential income tax policies for small-scale and low-profit enterprises**

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On July 13, MOF published a circular on further expanding the scope of preferential income tax policies for small-scale and low-profit enterprises, which provided the following. From January 1, 2018 to December 31, 2020, the upper limit of the annual taxable income of small-scale and low-profit enterprises will be raised from 500,000 RMB to 1 million RMB. For small-scale and low-profit enterprises whose annual taxable income is or less than 1 million RMB, 50% of its income will be taxable at the rate of 20%.

## **9. MOF published a circular on extending the loss carry-forward period for high-tech enterprises and technology SMEs**

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On July 13, MOF published a circular on extending

the loss carry-forward period for high-tech enterprises and technology SMEs, which provided the following. First, starting from January 1, 2018, enterprises that acquired the qualification as the high-tech enterprises or technology SMEs would be allowed to carry forward their loss incurred 5 years ago with the maximum carry-forward period extended from 5 years to 10 years. Second, this circular is effective from January 1, 2018.

## **10. The State Council published the *Opinions on Further Strengthening the Management of Urban Rail Transit Planning and Construction***

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On July 18, the State Council published the *Opinions on Further Strengthening the Management of Urban Rail Transit Planning and Construction*, which provided the following. First, strengthen the coordination of planning to improve the quality of construction planning. Reasonably formulate the urban rail transit network plan, determine the urban rail transit lines for construction, and reserve land along the planned route of urban rail transit. Second, strengthen project construction and operational funding. Establish a transparent and standard long-term financing mechanism to ensure the timely and full disbursement of funds for the construction of urban rail transit projects. Third, strictly control the local government debt risks. Further increase financial constraints, avoid the increase of local government debt risks due to urban rail transit construction by following the

requirements of strictly curbing debt increments and orderly bringing down the debt stock, and strictly prohibit illegal borrowing through use of financing platforms or in the name of PPP.

### 11. The State Council planned measures to continue to improve business environment

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On July 18, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, further abolish 17 administrative approval items, including license for establishing elderly-care institutions, declaration of the invalidation of business licenses, approval of foreign investment in road transport, and license for the employment of Taiwan, Hong Kong and Macao people in Mainland China. Among them, 6 will be abolished after the amendment of law. Second, fully integrate the customs and the inspection & quarantine procedures before the end of the year, and unify the declaration documents and on-site law enforcement. Simplify the consigner registration for import and export of goods and enable the customs authorities to directly use the data offered by market supervision and commerce authorities to make registration. Third, optimize the tax services and significantly reduce the time for enterprises to pay taxes. The time for handling real estate registration and mortgage registration will be cut to 15 and 7 working days respectively before the end of the year.

### 12. MOF published a circular on the implementation of the supplementary provisions and coordinating regulations of the *Government Accounting System-Accounting Items and Statements of Government-sponsored Institutions* by the state-owned forest farms and seedling nurseries

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On July 19, MOF published a circular on the implementation of the supplementary provisions and coordinating regulations of the *Government Accounting System-Accounting Items and Statements of Government-sponsored Institutions* by the state-owned forest farms and seedling nurseries, which provided the following. First, the forest farms should add “1614 forest management project” and “1841 forest assets” to their first-level items. Second, the forest farms should add the “forest asset” item between the “net value of affordable housing” and “long-term deferred expenses” on the balance sheet. Third, starting from January 1, 2019, the forest farms should conduct accounting and compile financial statements and budget accounting statements in strict accordance with the new system and supplementary regulations.

### 13. MOF published the *Measures for the Management of Funds for Forest Ecological Protection and Restoration*

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On July 19, MOF published the *Measures for the Management of Funds for Forest Ecological*

*Protection and Restoration*, which provided the following. First, the funds for forest ecological protection and restoration are allocated by the factor method. Second, the social security subsidies for the Tianbao project are allocated according to the number of staff of the implementing agencies, the contribution baseline and the contribution ratio. The number of staff is verified on a yearly basis. The contribution baseline is 80% of the average wage of urban employees in the relevant province where the implementing agencies of the Tianbao project are located as set out in the *Implementation Plan*, and the contribution ratio is 30%. Third, the policy-based and social expenditure subsidies for the Tianbao project are allocated according to the number of staff of the implementing agencies and the related subsidy standards. The number of staff is verified on a yearly basis, and the subsidy standards are determined according to the *Implementation Plan* and are adjusted according to the price and economic development level.

#### **14. MOF published a circular on organizing the application for the third batch of pilot projects for the ecological protection and restoration of landscape, forest, farmland, lake and grassland**

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On July 23, MOF published a circular on organizing the application for the third batch of pilot projects for the ecological protection and restoration of landscape, forest, farmland, lake

and grassland, which provided the following. First, the central government mainly supports the environmental protection and restoration of the core areas affecting the national ecological security, the areas crucial for the sustainable development of the Chinese nation, and the key areas where the ecosystem is seriously damaged and the restoration is the most urgent. Relevant provinces may select a project for application on merit basis. If an application has been made in the first two batches, a renewed application may be allowed subject to the improvement of the project. Second, the provinces that apply for pilot projects should guarantee their own source of funding, clarify the financing channels and financing amount, and avoid the buildup of implicit debts of local governments. Third, the pilot project preparation should be scientific, feasible, quantifiable and assessable, and should highlight the holistic protection, systemic restoration, and comprehensive management.

#### **15. The State Council planned measures to give better play to the role of fiscal and financial policies**

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On July 23, Premier Li Keqiang presided over an executive meeting of the State Council, which provided the following. First, the fiscal policy should be more proactive. The policy of 75% super deduction of company's R&D expenses will be expanded from technology SMEs to all enterprises. The 113 billion RMB of VAT refund for businesses

in advanced manufacturing and modern service industries will be basically completed by the end of September. The issuance and use of 1.35 trillion RMB of local government special bonds will be accelerated this year to promote early effects of ongoing infrastructure projects. Second, the sound monetary policy would stay at an appropriate level. Financial institutions will be guided to use the funds freed up from the RRR cut to support small and micro enterprises, market-oriented debt-to-equity swaps, etc.. Third, the capital payment to the National Financing Guarantee Fund will be sped up to strive to achieve the goal of newly supporting 150,000 small and micro enterprises and extending 140 billion RMB of loans each year.

## 16. The State Council published a circular on the several measures for optimizing scientific research management to improve scientific research performance

On July 25, the State Council published a circular on the several measures for optimizing scientific research management to improve scientific research performance, which provided the following. First, simplify the research project application processes. Accelerate the improvement of the national science and technology information management system, and include all the science and technology projects supported by the central government (special funds, funds, etc.) by the end of 2018. Second, merge financial acceptance with technical

acceptance. The professional project management agencies will conduct one-time comprehensive performance evaluation at the end of the project implementation period in strict accordance with the project charter, and financial acceptance and technical acceptance will be merged rather than be carried out separately. Third, implement the “one-time submission of materials”. Integrate all the procedures and processes to bring about a multi-purpose form. Fourth, give scientific research institutes the autonomy of using the funds for scientific research projects. Except for the equipment fees in the direct expenses, the authority for using all other funds will be delegated to the project implementing agencies.

## II. Facts & Figures

### 1. The total profits of industrial enterprises above designated size in China totaled 2.72983 trillion RMB from January to May

The data published by the National Bureau of Statistics (NBS) on June 27 showed that from January to May, the profits of industrial enterprises above designated size in China totaled 2.72983 trillion RMB, up by 16.5% year on year. By types of ownership, the figure stood at 810.35 billion RMB for state-controlled ones, up by 28.7% year

on year; 9.31 billion RMB for collectively owned ones, up by 4.4%; 1.91198 trillion RMB for joint-stock ones, up by 20.6%; 673.91 billion RMB for foreign and Hong Kong, Macau and Taiwan invested ones, up by 6.9%; and 746.62 billion RMB for private ones, up by 10.6%. By sectors, the figure stood at 233.36 billion RMB for the mining sector, up by 41.6% year on year; 2.31501 trillion RMB for the manufacturing sector, up by 13.8%; 181.46 billion RMB for the electricity, heating, gas and water production and supply sector, up by 26.1%.

## 2. China's PMI in June was 51.5%

The data published by NBS on June 30 showed that China's PMI in June was 51.5%, down by 0.4 percentage point month on month. In breakdown of enterprises, PMI was 52.9% for large-sized ones, down by 0.2 percentage point month on month; 49.9% for medium-sized ones, down by 1.1 percentage points month on month; and 49.8% for small-sized ones, up by 0.2 percentage point month on month. In specific terms, the production index was 53.6%, down by 0.5 percentage point month on month; the new order index was 53.2%, down by 0.6 percentage point month on month; the raw material inventory index was 48.8%, down by 0.8 percentage point month on month; the employee index was 49.0%, down by 0.1 percentage point month on month; and the supplier delivery time index was 50.2%, up by 0.1 percentage point month on month.

## 3. China's CPI rose by 1.9% year on year in June

The data released by NBS on July 10 showed that China's CPI rose by 1.9% year on year in June, and down by 0.1% month on month, among which, CPI rose by 1.8% year on year in urban areas, and stayed flat month on month, and rose by 1.9% year on year in rural areas, and down by 0.1% month on month. CPI went up by 0.3% year on year for food and down by 0.8% month on month; went up by 2.2% year on year for non-food and up by 0.1% month on month; increased by 1.5% year on year for consumer goods and went down by 0.2% month on month; increased by 2.4% year on year for services, and up by 0.2% month on month.

## 4. China's PPI rose by 4.7% year on year in June

The data released by NBS on July 10 showed that China's PPI in June rose by 4.7% year on year, and up by 0.3% month on month. The price of the means of production jumped by 6.1% year on year, and up by 0.4% month on month; specifically, the figure surged by 11.5% year on year in the extractive industry, and up by 1.3% month on month; rose by 8.8% year on year in the raw material industry, and up by 0.6% month on month; went up by 4.6% year on year in the processing industry, and up by 0.3% month on month. The price of the means of consumption rose by 0.4% year on year, and stayed flat month on month; specifically, the figure rose by 0.7% year on year for

food, and up by 0.1% month on month; increased by 0.3% year on year for apparel, and down by 0.1% month on month; rose by 1.1% year on year for daily necessities, and stayed flat month on month; and fell down by 0.5% for durable consumer goods, and stayed flat month on month.

## 5. Final public budget revenue of China in 2017 was 17.259277 trillion RMB

The data released by MOF on July 12 showed that the final public budget revenue of China in 2017 was 17.259277 trillion RMB, or 102.3% of the budgeted figure. Among them, the final tax revenue was 14.436987 trillion RMB, or 106.5% of the budgeted figure; the final non-tax revenue was 2.82229 trillion RMB, or 85.3% of the budgeted figure. The final public budget expenditure was 20.308549 trillion RMB, or 104.2% of the budgeted figure. Among them, the final public service expenditure was 1.651036 trillion RMB, or 111.4% of the budgeted figure; the diplomatic expenditure was 11.14 billion RMB, or 95.2% of the budgeted figure.

## 6. China's retail sales of consumer goods went up by 9.0% in June

The data published by NBS on July 16 showed that retail sales of consumer goods in June totaled 3.0842 trillion RMB, up by 9.0% year on year in nominal terms. The retail sales of urban areas totaled 2.6375

trillion RMB, up by 8.8% year on year; and the retail sales of rural areas amounted to 446.7 billion RMB, up by 10.4%. In addition, catering revenues amounted to 340.1 billion RMB, up by 10.1% year on year; and retail sales of goods reached 2.7441 trillion RMB, up by 8.9% year on year.

## 7. The value-added of industrial enterprises above the designated size went up by 6.0% year on year in June

The data published by NBS on July 16 showed that the value-added of industrial enterprises above the designated size went up by 6.0% year on year and 0.36% month on month in June. Specifically, there was an increase of 2.7% year on year in the mining sector, an upswing of 6.0% in the manufacturing sector, and an upsurge of 9.2% in the electricity, thermal, gas and water sector. By enterprises of different ownership, there was an increase of 6.1% year on year in state-controlled enterprises, a decrease of 1.9% in collectively owned enterprises, an increase of 6.1% in joint-stock enterprises, and an upsurge of 5.4% in foreign-invested and Hong Kong, Macau and Taiwan enterprises.

## 8. China's fixed asset investment (excluding rural households) increased by 6% from January to June

The data published by NBS on July 16 showed that China's fixed asset investment (excluding rural

households) totaled 29.7316 trillion RMB in the first 6 months of 2018, up by 6% year on year. By industries, the primary industry investment was 987.2 billion RMB, up by 13.5% year on year; the secondary industry investment was 10.9878 trillion RMB, up by 3.8% year on year; and the tertiary industry investment was 17.7566 trillion RMB, up by 6.8% year on year. By regions, the eastern region's investment rose by 5.5% year on year; the central region's investment rose by 9.1% year on year; the western region's investment rose by 3.4% year on year; and the northeastern region's investment increased by 6.3% year on year. By types of registered enterprises, the investment of domestic firms was up by 6.4% year on year; the investment of Hong Kong, Macau and Taiwan firms went down by 5.1% year on year; and the investment of foreign firms was up by 2.3% year on year.

## 9. China's real estate development investment increased by 9.7% year on year in nominal terms from January to June

The data published by NBS on July 16 showed that China's real estate development investment reached 5.5531 trillion RMB, an increase of 9.7% year on year in nominal terms in the first 6 months of 2018. By regions, the real estate development investment was 3.0194 trillion RMB in the eastern region, up by 10.8% year on year; 1.1839 trillion RMB in the central region,

up by 11.4% year on year; 1.1454 trillion RMB in the western region, up by 4.2% year on year; and 204.4 billion RMB in the northeastern region, up by 17.7% year on year. The real estate development companies' available funding reached 7.9287 trillion RMB, up by 4.6% year on year; among which, the domestic loans were 1.2292 trillion RMB, down by 7.9% year on year; foreign capital was 2.8 billion RMB, down by 73.1% year on year; self-funding was 2.5541 trillion RMB, up by 9.7% year on year; advance payment was 2.6123 trillion RMB, up by 12.5% year on year; and personal mortgage loans were 1.1524 trillion RMB, down by 4.0% year on year.

## 10. Revenue under China's general public budget totaled 1.768 trillion RMB in June

The data released by MOF on July 17 showed that revenue under China's general public budget totaled 1.768 trillion RMB in June, up by 3.5% year on year, among which, revenue at the central government level was 801.1 billion RMB, up by 5.8% year on year; revenue at the local government level was 966.9 billion RMB, up by 1.6% year on year. Expenditure under China's general public budget was 2.8897 trillion RMB, up by 7% year on year, among which, expenditure at the central government level was 342.6 billion RMB, up by 13.1% year on year; expenditure at the local government level was 2.5471 trillion RMB, up by 6.2% year on year.

## 11. China's GDP in the second quarter grew by 6.7% year on year

The data published by NBS on July 17 showed that China's absolute GDP in the second quarter was 22.0178 trillion RMB, a year-on-year increase of 6.7%. Among them, the figure of the primary industry was 1.3183 trillion RMB, up by 3.2% year on year; the figure of the second industry was 9.1847 trillion RMB, up by 6.0% year on year; the figure of the tertiary industry was 11.5148 trillion RMB, up by 7.8% year on year. China's absolute GDP in the first half of the year was 41.8961 trillion RMB, a year-on-year increase of 6.8%. Among them, the figure of the primary industry was 2.2087 trillion RMB, up by 3.2% year on year; the figure of the secondary industry was 16.9299 trillion RMB, up by 6.1% year on year; the figure of the tertiary industry was 22.7576 trillion RMB, up by 7.6% year on year.

## 12. China issued 534.3 billion RMB of local government bonds in June

The data published by MOF on July 18 showed that 534.3 billion RMB of local government bonds were issued in June, among which, 443.4 billion RMB were general bonds and 90.9 billion RMB were special bonds. From January to June, local government cumulatively issued 1.4109 trillion RMB of bonds, among which, 1.0436 trillion RMB were general bonds and 367.3 billion RMB were special bonds. As of the end of June 2018, nationwide outstanding local government debts

amounted to 16.7997 trillion RMB, a figure within the limit imposed by the National People's Congress, among which, general debts were 10.5904 trillion RMB, and special debts were 6.2093 trillion RMB; government bonds were 15.9948 trillion RMB, and the stock of government debts that are not in the form of government bond amounted to 804.9 billion RMB.

## 13. Final departmental revenues of MOF in 2017 were 14.813944 billion RMB

The data published by MOF on July 20 showed that the final departmental revenues of MOF in 2017 were 14.813944 billion RMB. Among them, fiscal allocation incomes were 13.6152561 billion RMB; the business incomes were 1.0223862 billion RMB; the operating incomes were 27.7972 million RMB; and other incomes were 148.5045 million RMB. The final departmental expenditures of MOF in 2017 were 14.482497 billion RMB. Among them, the general public service expenditures were 1.7907354 billion RMB; the diplomatic expenditures were 11.4839404 billion RMB; the education expenditures were 812.2605 million RMB; the science and technology expenditures were 75.8006 million RMB; the culture, sports and media expenditures were 101.1013 million RMB; the social security and employment expenditures were 124.8297 million RMB, the housing security expenditures were 78.1408 million RMB, and expenditures of agriculture, forestry and water were 15.6883 million RMB.

#### 14. The operating incomes of SOEs increased by 10.2% from January to June

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The data published by MOF on July 24 showed that the operating incomes of SOEs totaled 27.75886 trillion RMB from January to June, up by 10.2% year on year, among which, the figure for central SOEs was 16.13077 trillion RMB, up by 9.9% year on year, and the figure for local SOEs was 11.62809 trillion RMB, up by 10.6% year on year. The operating costs of SOEs totaled 26.67314 trillion RMB, up by 9.5% year on year, among which, the figure for central SOEs was 15.29677 trillion RMB, up by 9.2% year on year, and the figure for local SOEs was 11.37637 trillion RMB, up by 9.9% year on year. The profits of SOEs totaled 1.71763 trillion RMB, up by 21.1% year on year, among which, the figure for central SOEs was 1.11341 trillion RMB, up by 18.6% year on year, and the figure for local SOEs was 604.22 billion RMB, up by 26.0% year on year.

#### 15. China's lottery sales totaled 58.629 billion RMB in June

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The data released by MOF on July 25 showed that nationwide lottery sales in June were 58.629 billion RMB, up by 73.2% year on year. The welfare lottery sales were 19.081 billion RMB, up by 7.1% year on year. The sports lottery sales were 39.548 billion RMB, up by 146.9% year on

year. By type, the lotto lottery sales were 23.469 billion RMB, up by 8.5% year on year; the toto lottery sales were 29.486 billion RMB, up by 364.7% year on year; the instant lottery sales were 1.885 billion RMB, down by 9.0% year on year; the video lottery sales were 3.779 billion RMB, down by 0.1% year on year; and the keno lottery sales were 10 million RMB, down by 42.3% year on year.

#### 16. The total profits of industrial enterprises above designated size in China increased by 17.2% year on year from January to June

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The data published by NBS on July 27 showed that from January to June, the profits of industrial enterprises above designated size in China totaled 3.38821 trillion RMB, up by 17.2% year on year. By types of ownership, the figure stood at 1.02487 trillion RMB for state-controlled ones, up by 31.5% year on year; 10.97 billion RMB for collectively owned ones, up by 4.6%; 2.40599 trillion RMB for joint-stock ones, up by 21%; 819.76 billion RMB for foreign and Hong Kong, Macau and Taiwan invested ones, up by 8.7%; and 888.91 billion RMB for private ones, up by 10%. By sectors, the figure stood at 285.39 billion RMB for the mining sector, up by 47.9% year on year; 2.88005 trillion RMB for the manufacturing sector, up by 14.3%; 222.77 billion RMB for the electricity, heating, gas and water production and supply sector, up by 25.3%.

### III .MOF Events

1. On July 2, Vice Finance Minister Zou Jiayi met with Carranza, the President of the Development Bank of Latin America.

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2. On July 5, Assistant Finance Minister Xu Hongcai met with Simon Zerpa, the Venezuelan Minister of Economy and Finance.

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3. On July 8, Finance Minister Liu Kun met with Scholz, the German Vice Chancellor and Finance Minister, during the 5th round of China-Germany Inter-governmental Consultation in Berlin, Germany.

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4. On July 13, Vice Finance Minister Zou Jiayi met with Chang Junhong, Director of the ASEAN+3 Macroeconomic Research Office (AMRO).

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5. From July 18 to 20, on the margins of the G20 Finance and Central Bank Deputies Meeting in Buenos Aires, Argentina, Vice Finance Minister Zou Jiayi met with the Vice Finance Ministers of Argentina, Japan, France and Russia as well as CEO of the World Bank.

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6. From July 20 to 22, on the margins of the G20 Finance Ministers and Central Bank Governors Meeting in Buenos Aires, Argentina, Finance

Minister Liu Kun met with Argentine Finance Minister Dujovne, South African Finance Minister Nene, Turkish Finance Minister Albayrak, Canadian Finance Minister Morneau, Italian Finance Minister Tria, South Korean Finance Minister Kim Dong-yeon, European Commissioner for Economic and Financial Affairs Moscovici, the World Bank President Jim Yong Kim, and IMF Managing Director Lagarde.

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7. On July 21, Finance Minister Liu Kun attended the Second BRICS Finance Ministers and Central Bank Governors Meeting in 2018.

### IV .Local Finance

#### 1. Finance authorities of Yunnan Province deployed social security policies to advance the targeted poverty reduction

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According to the news released by the Finance Department of Yunnan Province on June 29, to ensure the basic livelihood of poor people, finance authorities of Yunnan Province have implemented various poverty reduction policies so as to alleviate poverty through healthcare, employment and social security services. First, improve institutional coordination, and provide targeted assistance and poverty alleviation. (1) Coordinate the development of social assistance system and raise funds for

providing living allowances for poor urban and rural residents. (2) Further improve the effective link between minimum-living allowance and poverty alleviation policies, and strengthen the link between the rural minimum living allowance system and poverty alleviation policies in terms of standards, subjects and management. (3) Strengthen the construction of the economic information platform for households and effectively enhance the supervision of funds. Second, strengthen the healthcare network for poverty alleviation. (1) Ensure the universal coverage of basic medical insurance, and offer full government subsidies for the participation of documented poor people in the health insurance scheme. (2) Cover all the documented poor people in the health assistance scheme and remove the payment bottom line for the health assistance of documented poor people. (3) County-level governments would provide backstop funds for the eligible poor people and the provincial finance authorities would offer 60 RMB per person per year of subsidies for the documented poor people. (4) Achieve 100% coverage of the family doctor signing services for the documented poor people. Third, build synergy to promote poverty alleviation through employment. (1) Ensure the implementation of policies to alleviate poverty and boost incomes through job creation and business startup. (2) Introduce specific measures to increase the employability of rural poor workforce. (3) Improve the performance of funds for employment promotion, and enhance policy and financial support to solve the mismatch between the training and the skill demands of rural labor force.

## 2. Jiangmen City of Guangdong Province focused on five areas to enhance performance-based budget management

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According to the news released by the Finance Department of Guangdong Province on July 3, finance authorities of Jiangmen City focused on five areas to enhance performance-based budget management and build a whole-process performance-based budget management system featuring targets for budget preparation, monitoring over budget execution, assessment after budget completion, feedbacks for assessment results and application of feedback results. First, focus on comprehensiveness and strengthen the management of performance targets. (1) Quantify the performance targets and strictly control the performance target review process. (2) Continuously deepen the ex-ante, interim and ex-post review model to ensure that the performance targets are reasonable and scientific. (3) Effectively optimize the performance management system and enforce systemic management of “application-review-approval” for performance targets. Second, enhance relevance and develop innovative performance monitoring models. (1) Conduct regular and real-time monitoring to avoid the deviation of expenditure from performance targets. (2) Conduct multi-level monitoring, improve the quality of expenditure, and give play to the role of third-party review experts. Third, improve the performance assessment model and make it more systemic. (1) Conduct performance self-

assessment review and strengthen the performance management by making comparison and analyzing the gap. (2) Intensify the assessment of key funds and strengthen the performance assessment of the use of major special funds in the city. Fourth, focus on objectivity and improve the feedback mechanism of assessment results. (1) The assessment results are fed back to the assessed units. In case of matters of differing views, the supporting materials will be submitted by the budget units and then studied and revised by the review experts. (2) The assessment results are fed back to the relevant competent departments whose opinions will be considered to make the assessment results more scientific. Fifth, focus on effectiveness and strengthen the use of assessment results. (1) Link the results of performance assessment to the application and allocation of fiscal funds, and allocate the funds according to the effects of fund use. (2) Link the results of performance assessment to the performance inquiry of the municipal people's congress or higher-level supervisory department, and the results of key performance assessment attached to the final accounts will be submitted to the municipal people's congress for review.

### **3. Finance Bureau of Huangshi City, Hubei Province took five measures to advance and regulate the state-owned asset management**

According to the news released by the Finance

Department of Hubei Province on July 9, the Finance Bureau of Huangshi City further strengthened and regulated the management of state-owned assets, and took practical measures to advance asset management. First, strengthen training and publicity and strive to enhance asset awareness. (1) Strengthen information publicity and publish research findings and good practices in asset management; (2) Strengthen training publicity and convene an asset management training meeting for explanation; (3) Strengthen policy publicity and issue relevant documents for explanation. Second, establish a framework of rules, consolidate the foundation of asset management, assess, revamp and improve the existing asset management system of administrative institutions, reorganize and improve the supporting management methods and asset allocation standards for asset allocation, use and disposal. Third, strengthen the evaluation incentives, step up efforts to improve management effectiveness, and establish a working evaluation mechanism for state-owned asset management. Fourth, highlight inspection and rectification, comprehensively regulate asset management, include the asset management inspection of the city's administrative institutions into the fiscal supervision and inspection plan, and carry out special inspection on problems such as inaccurate accounting. Fifth, improve the management system to ensure full coverage of asset management. (1) Improve the pilot work of government asset reporting, establish a working mechanism for joint meetings, and conduct special research projects. (2) Complete the verification and

registration of the assets of governmental debt-invested projects, and organize verification and registration work for various problems of project. (3) Improve the working mechanism of state-owned asset management reporting, strengthen the reporting system for state-owned assets, and comprehensively reflect the status of state-owned asset management.

#### **4. Finance Bureau of Wenzhou City, Zhejiang Province took three measures to promote high-quality growth of Wenzhou**

According to the news released by the Finance Department of Zhejiang Province on July 10, the Finance Bureau of Wenzhou City adhered to the principle of making progress while maintaining stability and focused efforts on three fronts to effectively improve the performance of funds and give full play to its fiscal functions. First, raise funds and mobilize resources. (1) Improve the quality of income, optimize the income structure, and consolidate the income base. (2) Strengthen forecast and analysis, establish mechanisms for tax data sharing and joint analysis, and improve the coordination mechanism of the finance authorities. (3) Cultivate high-quality financial resources, stimulate the vitality of market players, and improve the quality of economic development. Second, strengthen the consolidation of financial resources. (1) Make overall use of fiscal funds, enhance the coordination of government-managed

fund budget and state-owned capital operating budget, reduce general expenditures, and strictly control the "three public" expenses. (2) Deploy coordinated supportive policies, set up industry transformation and upgrading fund and technology innovation venture capital fund, consolidate special funds, and ensure the effective implementation of new policies. Third, make effective use of financial resources. (1) Improve the budget preparation and include the government investment project budget and special funds into the departmental budget for comprehensive budget performance management. (2) Improve the budget implementation, strengthen the remote payment services, and expand the scope of authorized payment. (3) Improve budget disclosure and publicize the departmental budget of all departments at the city level.

#### **5. Finance authorities of Ankang City, Shaanxi Province focused on four fronts to provide funding for poverty alleviation**

According to the news released by the Finance Department of Shaanxi Province on July 12, Finance Bureau of Ankang City has improved its working mechanism, consolidated funds, enhanced fund management, and made every effort to provide funding for poverty reduction. First, enhance organization and lay the groundwork for funding guarantee. Formulate and improve the *Implementation Plan for the Poverty Alleviation Work of the Finance Bureau of Ankang*

City, set up a coordination and leading group for poverty alleviation and funding support, coordinate important agendas, and form a coordinated working mechanism for funding support. Second, take into account different operational responsibilities, break down the poverty alleviation and funding support work in a granular way, require different tasks to be implemented by different departments, hold the bureau heads accountable for the implementation of tasks, ask the relevant bureaus departments to specifically undertake the tasks, and include the task completion status in the annual departmental target. Third, increase spending to ensure sufficient funding for poverty alleviation. Provide sufficient government funding for poverty alleviation, mobilize and crowd in private and financial funds, disburse special funds for agriculture in tranches, and fully decentralize the approval authority for capital projects. Actively guide the counties and districts to establish an integrated and coordinated management mechanism, formulate annual fund consolidation plan, unify fund management methods, establish accounts and files of funds, and establish a coordination and leading group. Fourth, improve the management of funds and promote the regulated use of special funds for poverty alleviation. Formulate and implement the *Measures for the Management of Special Fiscal Funds for Poverty Alleviation*, establish accounts of poverty alleviation funds, implement a joint conference system, and convene meetings on poverty alleviation projects and fund management. Implement a joint supervision

mechanism for projects, and focus on inspecting the implementation progress of projects, fund expenditure and alleviation work.

## 6. Finance authorities of Guangxi Zhuang Autonomous Region improved six mechanisms to enhance performance-based budget management

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According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on July 13, the Finance Department of Guangxi, in accordance with the strategic plan for capacity building, has closely followed the requirement of “setting targets for budget compilation” and improved the working mechanism on the division of responsibilities, institutional building, review and imposition of constraints. First, establish a clear division of responsibilities, introduce measures for administering budget performance target at the provincial level and the operational rules at the department level, clearly define the division of responsibilities in all links and the accountability of the target management entities at the provincial level, and further rationalize the division of responsibilities among the units at the department level. Second, establish an institutional mechanism for standardized management, institutionalize effective experiences and practices, promulgate the *Measures for Administering the Budget Performance Targets of the Autonomous Region*, and

standardize the management target setting, review, and approval. Third, establish a coordination mechanism synchronized with budget preparation, and require the budget performance targets to be prepared, reviewed, and approved at the same pace with departmental budgeting. Fourth, establish a layer-by-layer review mechanism, optimize the review method for budget performance targets, and replace the mode of expert review with a mode that combines department review with expert review. Fifth, establish a hard constraint mechanism, establish an evaluation mechanism for performance target setting, and incorporate the “integrity” of performance target setting into the scope of performance evaluation of departments. Sixth, basically establish a budget performance management information system, and set up a performance expert roster covering multiple sectors and an intermediary roster covering intermediaries in advanced regions.

## **7. The Finance Department of Xinjiang Uygur Autonomous Region further increased the special fiscal funds for poverty alleviation to provide solid financial guarantee for poverty alleviation**

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According to the news released by the Finance Department of Xinjiang Uygur Autonomous Region on July 17, it has further increased the special fiscal funds for poverty alleviation to provide solid financial guarantee for the autonomous region to

fight poverty. First, the allocation of funds will be aligned to the poverty alleviation tasks, the results of poverty alleviation assessment will be the main determinants for the allocation of development funds, and the funds will primarily go to the extremely poor regions for cultivating and strengthening local industries, improving small-scale public facilities, and enhancing the self-development ability and risk-resilience of the poor. Second, the use of funds is closely focused on promoting the development of poor areas and poverty relief of documented poor population. Small and medium-sized infrastructure projects in poor rural areas will be implemented to address the common problems of poverty alleviation in rural areas and to improve the comprehensive infrastructure capacity in poor rural areas. Third, the ethnic minority development funds will be tilted towards extremely poor regions, border villages, ethnic minority areas and poor villages for promoting the development of border areas, ethnic minorities, local villages and local ethnic traditional handicrafts. Fourth, funds will be used for improving the living and production conditions in the poor state-owned farms, forest farms and pastures, and for developing infrastructure and industries with local characteristics.

## **8. The Finance Bureau of Taiyuan City, Shanxi Province took multiple measures to alleviate poverty in 2018**

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According to the news released by the Finance

Department of Shanxi Province on July 23, the Finance Bureau of Taiyuan City has taken multiple measures to alleviate poverty in 2018 in line with the plan of the Taiyuan Municipal Party Committee and the municipal government. First, strengthen organizational leadership and accountability. Timely adjust the leading group for poverty alleviation work according to the needs of the work and the changes of personnel; timely hold a special poverty alleviation work meeting at the beginning of the year, formulate the plan for assisting poor villages, clarify the targets and responsibilities, and draw up detailed work measures; the party leadership of the Bureau assumes the overall responsibility for the assistance work, takes the lead in assisting poverty alleviation in villages and working with local people to solve the practical difficulties they face. Second, strengthen the support team to provide logistics support. Assign officials to stay in villages and ensure all team members and first secretaries stay in villages on a full-time basis; the Bureau will do a good job in logistics support and purchase necessary items for the team; the Office of the Leading Group for Poverty Alleviation in the Bureau will enhance communication and coordination and assist in poverty alleviation research. Third, further improve the supporting measures to ensure the elimination of poverty. Formulate practical and feasible assistance plans, consolidate and allocate resources, vigorously develop industries, enhance publicity work, and ensure that all industrial projects are implemented on time; strengthen guidance, publicity and education, carry out culture-based

poverty alleviation, improve the self-development capacity of assisted villages and poor households, and guide the poor to get out of poverty through their own hard work. Fourth, arrange party members to pair with poor households and actively provide support and assistance. Step up publicity, adopt various methods to publicize the work of targeted poverty alleviation; arrange party members and cadres to pair with rural households to help solve practical difficulties; arrange the party branch of the Bureau and the party branch of the assisted village to form a joint branch to show the demonstration effects.

## V. Remarks & Opinions

### 1. Liu Shangxi: the public risk formation mechanism is the key to the fight against risks and challenges

Liu Shangxi, Director General of the China Academy of Fiscal Science, said that human society has entered a society fraught with risks, but the knowledge system for dealing with uncertainty and its associated risks has not yet been established. The essence of the world is uncertainty, and the fiscal reform is to deal with various uncertainties and resolve public risks. For the government, the primary issue in dealing with risks and challenges is to distinguish between individual and public risks. The nature

of the two is different, the distinction between the two, therefore, is the basis for correctly handling the relationship between government, market and society. With the advent of a new era, the new mission of modern public finance is to solve the problem of uneven and inadequate development, or in essence, to address the public risks faced by the new era. The public risk formation mechanism shows that public risks and individual risks are correlated and may be transformed into each other; public risks are derived from the nonlinear externalization of individual risks; the basic features of public risks are covertness, correlation and indivisibility; public risks in the different fields of economy, society, home country and foreign countries can be transformed and added to each other.

At present, China faces four major risks and challenges. First, the anti-globalization trend led by the United States. Second, economic risks. The primary risk is that the transition from old growth drivers to the new ones is not smooth, and the immediate problem is the prevention of financial risks. Third, social risks. The characteristics include the immobility of class, social exclusion and widening income gap, and the immediate problem is poverty reduction. Fourth, environmental risks, or ecological risks, and the immediate problem is pollution prevention. The current economic risks are crucial, and financial risks are increasingly emerging as the top economic risks. The key to curbing financial risks lies in the handling of creditor-debtor relationship. Government,

businesses, financial sector, and households are all interlinked through balance sheets, resulting in the transmission of risks through balance sheets. Therefore, to curb public risks, we should start with debts, and contain public risks in the economic field by reducing macro leverage ratio and reducing asset-liability ratio.

The basic approach to dealing with risks and challenges is risk ring-fencing, which includes five aspects. First, suppress the externalization of private risks and realize the internalization of risks. Second, prevent spread of public risks in various fields. Third, start with the creditor-debtor relationship to curb the spread of economic risks. Fourth, start with social individual behavioral relationship to curb the spread of social risks. Fifth, accelerate the reform of the public sharing of risk. After the reform and opening up, the public sharing of interests has disappeared, but the public sharing of risk still exists. As long as people take risks to pursue their interests, they will create risks and thus generate public risks. How to truly halt the public sharing of risk has become a crucial issue.

## 2. Liu Shangxi: the choice of macro-policies needs to consider public risks

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Liu Shangxi, Director General of the China Academy of Fiscal Science, recently said that

the domestic and external risks facing China are highly uncertain. In the society fraught with risks, the government is mainly faced with public risks which may determine the formulation, adjustment and change of public policies.

The judgment of public risk includes three dimensions. First, the externality of individual risk. Public risk is largely caused by the externalization of individual risk. If not addressed in time, individual risk will gradually evolve into public risk and potential public crisis. Second, the lag of institutional changes. At present, the financial supervision and financial system are highly subject to government administrative intervention, and it is necessary to reflect on the system and methods of financial supervision. Third, external risk transmission. The global economic and political landscape have been continuously reshaping, in particular, the anti-globalization policy measures of U.S. have dramatically amplified the global uncertainty and risk.

At present, China is faced with three major public risks. First, the risk of anti-market trend in financial system. The use of administrative means to achieve financial deleveraging will have serious negative impacts and even generate new risks. The market-oriented reform of the financial system has been lagging, resulting in a dual-track financial system, and at the same time, there is still a lack of supervision. How to improve the regulatory capacity, change the regulatory system, and really transition to macro-prudential supervision

is of crucial importance. Second, the risk of falling productivity. In the case of unsatisfactory institutional reforms, the government's excessive dependence on investment to maintain economic growth will lead to overcapacity, high leverage, and will also curb consumption. Third, the risk of vulnerability brought by high leverage. The correlation of balance sheets between the government, the business sector and the financial sector is constantly deepening. In the case of high level of debt, risks will spread through the balance sheet, bringing public risks.

The prevention and control of public risks have four dimensions. First, change the way of thinking about dealing with risks. All kinds of risks are intertwined and mutable, and should be dealt with in a dialectical way. Second, have a sense of big picture in preventing public risks. It is necessary to ensure that the policy objectives are reasonably sequenced and basically stable to avoid frequent changes in macroeconomic policies, and at the same time, consistency in implementation and coordination in policies should be maintained. Third, the risk mitigation principle should be used to deal with risks, and instead of detonating risks, there is a need for transitional policy arrangements. Both deleveraging and overcapacity reduction require transitional policy arrangements as opposed to an abrupt stop. Fourth, accelerate the pace of supply-side structural reforms. Through the structural change of the supply side, the market-based reform of factors will improve the total factor productivity.

### 3. Liu Shangxi: fiscal policy should inject certainty into the deepening of reforms

Liu Shangxi, Director General of the China Academy of Fiscal Science, recently said that in the current context of increasing uncertainties, fiscal policy should play a stabilizing role and continue to inject certainty into the economic and social development and the deepening of reforms.

The Central Economic Work Conference laid out the requirement that “the fiscal policy should be more proactive and effective”, a statement that implies the need to improve the effectiveness of state governance. The so-called “proactive” means that we should take the initiative to enable public finance to play the role as the foundation and important pillar in state governance, and make fiscal policies more forward-looking and preemptive, rather than passive and defensive. The so-called “effective” means that we should focus on the key links and key issues and take targeted and accurate measures to maximize the effects. Given the increase of uncertainties, fiscal policy should continue to inject certainty into the economic and social development and the deepening of reforms, promote supply-side structural reforms, and help deliver the tasks of stabilizing growth, advancing reforms, adjusting economic structure, benefiting people and preventing risks. To develop new approaches to proactive fiscal policies and better serve the

supply-side structural reforms, it is necessary to work on the following three aspects.

First, shift from quantity-based policy to structural policy. The current problems are not about quantity, but about the structural problems and contradictions. Therefore, the fiscal policy should shift from the quantity-based policy to the structural policy. The structural policy is to adjust China’s economic structure, industrial structure, regional structure, urban and rural structure, and distributional structure. The fiscal policy must be brought into full play in these areas. The structure is holistic rather than atomistic; and it is economic, social and institutional at the same time. Given the current circumstance, China must promote the optimization of economic structure, social structure as well as institutional structure. This is crucial for reform and innovation.

Second, fiscal policy has shifted from a single focus or focus on the economy to a comprehensive focus. Fiscal policy is not only economic policy but also social policy. In addition to the traditional economic field, it also needs to play its role in areas related to people’s livelihood, for example, the equalization of basic public services in education, health, elderly care, and social protection as well as the promotion of social equity. Through the provision of basic public services, the accumulation of human capital and the overall development of people is promoted, fiscal policy, thus, is shifting towards greater focus on people.

Furthermore, it is shifting from the macro-control in the past to the public risk management. The world is uncertain, and more and more uncertain events will bring a variety of immediate and short-term risks as well as long-term and overall risks. The essence of macro-control is a short-term opportunistic choice with a focus on the prevention and resolution of short-term risks. How to focus on long-term risks is crucial for China's development. Therefore, fiscal policy should focus on the prevention and resolution of short-term risks, and more importantly, it needs to turn to the long-term and strategic level to resolve risks. This requires public risk management, so that fiscal policies can be effective both in the short-term and long-term, without causing risks in the longer run or resulting in the build-up of risks.

#### **4. Wang Yi: the *Guiding Opinions on Improving the Management of State-owned Financial Capital* is the bedrock for improving the management of state-owned financial capital**

Wang Yi, Director General of the Finance Department of MOF, recently said that the *Guiding Opinions on Improving the Management of State-owned Financial Capital* (hereinafter referred to as the Guiding Opinions) published by the Central Committee of the Communist Party of China and the State Council is a top-level design and a critical plan made by the Party Central Committee and the

State Council on the management of state-owned financial capital, and is thus of epoch-making significance.

Improving the management of state-owned financial capital is a major measure to implement the spirit of the 19th National Congress of CPC and the National Financial Work Conference. General Secretary Xi Jinping clearly pointed out in the report of the 19th National Congress of CPC that it is necessary to improve the systems for managing different types of state assets, reform the system of authorized operation of state capital, work to see that state assets maintain and increase their value, and prevent the loss of state assets; at the National Financial Work Conference, it was emphasized that we must optimize the financial institution system, improve the modern financial enterprise system, and improve the management of state-owned financial capital. Premier Li Keqiang pointed out that it is important to promote the reform of the financial supervision system, promptly revise and improve the basic financial laws, and promote the legislation of state-owned financial capital management. The National Financial Work Conference has also put forward clear requirements for improving the management of state-owned financial capital. The promulgation of the Guiding Opinions will certainly facilitate the scientific management of state-owned financial capital and advance the implementation of the requirements of the 19th National Congress of CPC and the National Financial Work Conference.

Improving the management of state-owned financial capital is imperative for promoting the modernization of the financial governance system and governance capacity. In recent years, the scale of China's state-owned financial capital has been rising steadily, its strength has grown, its management system has been continuously improved, the reform of state-owned financial institutions has continued to advance, and its operational efficiency has improved significantly. However, it should be noted that the current state-owned financial capital management still has problems that need to be resolved, such as fragmented duties, unclear powers

and responsibilities, unclear authorization, unsatisfactory distribution, inefficient allocation, and legal framework that needs to be improved. As the Guiding Opinions is target-oriented and problem-oriented, focused on the institutional barriers that restrict the management of state-owned financial capital, make plans in a holistic way, and aim to improve the management of state-owned financial capital, they will certainly promote the modernization of the financial governance system and governance capacity, improve the operating efficiency of state-owned capital, and enhance the vitality, dominance and competitiveness of state-owned financial institutions.

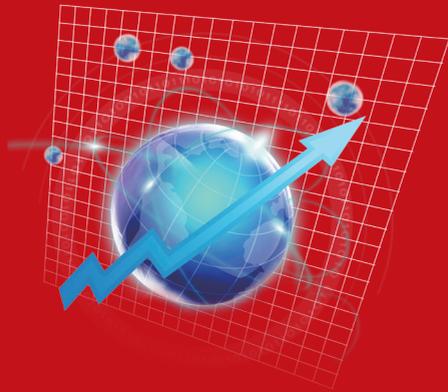
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