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HIGHLIGHT

- Finance Minister Liu Kun: fiscal work in 2020 has yielded notable results
- Vice Finance Minister Zou Jiayi held a virtual meeting with Gilbert F. Hounbo, President of the International Fund for Agricultural Development (IFAD)
- MOF and the Ministry of Industry and Information Technology jointly published the *Administrative Measures for Government Procurement in Support of the Development of SMEs*
- Customs Tariff Commission of the State Council announced the release of the *Import and Export Tariff Rules of the People's Republic of China (2021)*
- China issued 183.6 billion RMB of local government bonds in December 2020

Brief Introduction to IEFI

Founded in 2007, the International Economics and Finance Institute (IEFI) is affiliated to the Ministry of Finance of China, specializing in international economic and financial studies. Its main functions include macroeconomic research on advanced economies such as U.S., Europe and Japan, and on emerging economies such as BRICS countries; research on global and regional economic and financial cooperation, global governance reform and international development cooperation; participation in bilateral and multilateral financial dialogues; and exchanges with think tanks and government agencies around the world.

Contents

-  I .Policy Update
-  II .Facts & Figures
-  III.MOF Events
-  IV.Local Finance
-  V .Remarks & Opinions

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

Acronyms

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
AMRO	ASEAN+3 Macroeconomic Research Office
APEC	Asia-Pacific Economic Cooperation
ASEAN+3	Association of Southeast Asian Nations, China, Korea and Japan
BEPS	Base Erosion and Profit Shifting
BRI	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CAAC	Civil Aviation Administration, China
CAC	Cyberspace Administration, China
CAFS	Chinese Academy of Fiscal Sciences
CAREC	Central Asia Regional Economic Cooperation
CASS	Chinese Academy of Social Sciences
CBIRC	China Banking and Insurance Regulatory Commission
CEPA	Closer Economic Partnership Arrangement
CMIM	Chiang Mai Initiative Multilateralization
CPA	Certified Public Accountant
CPC	Communist Party of China
CPI	Consumer Price Index
CPPCC	Chinese People's Political Consultative Conference
CSRC	China Securities Regulatory Commission
FDA	Food and Drug Administration
GAC	General Administration of Customs, China
GAMS	General Administration of Market Supervision, China
GAS	General Administration of Sport, China
GDP	Gross Domestic Product
IEFI	International Economics and Finance Institute, Ministry of Finance, China
IMF	International Monetary Fund
IPI	Industrial Production Index
IPR	Intellectual Property Rights
LICs	Low-Income Countries
MCA	Ministry of Civil Affairs, China
MCT	Ministry of Culture and Tourism, China
MEE	Ministry of Ecology and Environment, China
MIIT	Ministry of Industry and Information Technology, China
MNR	Ministry of Natural Resources, China
MOA	Ministry of Agriculture and Rural Affairs, China
MOE	Ministry of Education, China
MOF	Ministry of Finance, China
MOFCOM	Ministry of Commerce, China

MOHRSS	Ministry of Human Resources and Social Security, China
MOHURD	Ministry of Housing and Urban-Rural Development, China
MPS	Ministry of Public Security, China
MOST	Ministry of Science and Technology, China
MOT	Ministry of Transport, China
MVA	Ministry of Veteran Affairs, China
MWR	Ministry of Water Resource, China
NAO	National Audit Office, China
NBS	National Bureau of Statistics, China
NCP	New coronavirus pneumonia
NDB	New Development Bank
NDRC	National Development and Reform Commission, China
NEA	National Energy Administration, China
NFGA	National Forestry and Grassland Administration, China
NFSRA	National Food and Strategic Reserves Administration, China
NHC	National Health Commission of the People's Republic of China
NHSA	National Healthcare Security Administration, China
NMPA	National Medical Products Administration, China
NPC	National People's Congress, China
NRTA	National Radio and Television Administration, China
OECD	Organization for Economic Co-operation and Development
PBoC	People's Bank of China
PMI	Purchasing Managers' Index
PPI	Producer Price Index
PPP	Public-Private Partnership
QE	Quantitative Easing
QQE	Qualitative and Quantitative Ease
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
SAFE	State Administration of Foreign Exchange, China
SAMR	State Administration of Market Regulation, China
SASAC	State-owned Assets Supervision and Administration Commission of the State Council, China
SAT	State Administration of Taxation, China
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
VAT	Value-added Tax
WTO	World Trade Organization

I. Policy Update

1. MOF and the Ministry of Industry and Information Technology jointly published the *Administrative Measures for Government Procurement in Support of the Development of SMEs*

On December 29, 2020, MOF and the Ministry of Industry and Information Technology jointly published the *Administrative Measures for Government Procurement in Support of the Development of SMEs*, which provided the following. First, SMEs refer to micro, small and medium-size enterprises that are legally established in China in accordance with the SME classification standards approved by the State Council, except those with the same person in charge of a large enterprise or those that have direct shareholding or management relationship with a large enterprise. Second, the procurement activities, which are eligible for benefits from SME supporting policies, include goods manufactured, engineering projects undertaken and services provided by SMEs. Third, the finance authorities should implement full-process performance management for budget involving the procurement of goods and services from SMEs, reasonably set performance targets and indicators, enforce relevant policy requirements to support SMEs, conduct regular performance monitoring and evaluation, and strengthen the application of performance evaluation results.

2. MOF published the *Measures for the Administration of Confiscated Property*

On December 30, 2020, MOF published the *Measures for the Administration of Confiscated Property*, which provided the following. First, confiscated property refers to the fines, penalties, illegal gains, illegal property, confiscated security deposits, personal property, etc. resulting from the administrative punishment decisions made by law enforcement agencies on natural persons, legal persons and unincorporated organizations, confiscation and recovery decisions, or court rulings and judgments, and may include cash, valuable notes, securities, movable property, real estate and other property rights. Second, the full process includes the transfer, custody, disposal,

revenue handover and budget management of confiscated property. Third, MOF is responsible for putting in place a national system for the management of confiscated property, and for guiding and overseeing the management of confiscated property by various regions and departments.

3. Customs Tariff Commission of the State Council announced the release of the *Import and Export Tariff Rules of the People's Republic of China (2021)*

On December 31, 2020, the Customs Tariff Commission of the State Council announced the release of the *Import and Export Tariff Rules of the People's Republic of China (2021)*, which provided the following. First, the Import and Export Tariff Rules of the People's Republic of China are an integral part of the Import and Export Tariff Regulations, and include import and export tariff items, tariff rates and classification rules. Second, the Import and Export Tariff Rules of the People's Republic of China (2021) has made some adjustment to import and export tariff items, most-favored-nation tariff rates, temporary import tariff rates and agreed tax rates. Third, it is important to continue to keep tariff policy adjustments standardized and transparent to provide more convenience to the public; and continue to optimize the business environment to promote high-quality trade development.

4. Four ministries published a circular on further improving the fiscal subsidy policy for the promotion and application of new energy vehicles

On December 31, 2020, MOF, the Ministry of Industry and Information Technology, the Ministry of Science and Technology, and the National Development and Reform Commission published a circular on further improving the fiscal subsidy policy for the promotion and application of new energy vehicles, which provided the following. First, adhere to the direction of gradual subsidy reduction, and keep the technical indicator system framework and the threshold requirements for the current purchase subsidies unchanged in 2021. Second, ensure smooth transition between the old and new standards. Third, promote the establishment of a cross-departmental information sharing and supervision mechanism, strengthen the full-process supervision over the production, sales, operation and scrapping of new energy vehicles, and improve the

market-oriented long-term mechanism. Fourth, effectively prevent redundant construction, step up the exit of zombie companies, and encourage the merger and reorganization by superior companies to promote industrial concentration.

5. MOF published the *Measures for Performance Evaluation of Commercial Banks*

On January 4, MOF published the *Measures for Performance Evaluation of Commercial Banks*, which provided the following. First, commercial banks refer to large state-owned commercial banks, national joint-stock commercial banks, urban commercial banks, rural commercial banks, rural cooperative banks and rural credit cooperatives that need to obtain banking business licenses to operate. Second, the four categories of profitability, operating growth, asset quality and solvency under the performance evaluation indicator system of commercial banks are modified to the four categories of serving national development goals and the real economy, development quality, risk prevention and control, and operating efficiency, with the weight of each category being set at 25%. The weight of each individual indicator is determined based on their importance and function, and may be adjusted dynamically in accordance with national macro policies when appropriate. Third, the finance authorities will establish an evaluation indicator system based on the functional features of commercial banks, and use appropriate evaluation methods and standards to comprehensively assess their response to national macro policies, their performance in serving the real economy, preventing and controlling financial risks, as well as their development quality and operating efficiency in a given accounting year.

6. MOF and the Ministry of Transport jointly published a circular on further strengthening the government accounting of public infrastructure of highways and waterways

On January 5, MOF and the Ministry of Transport jointly published a circular on further strengthening the government accounting of public infrastructure of highways and waterways, which provided the following. First, public infrastructure of highways

and waterways refer to the roads, transportation stations, waterways, ports, ferries and supporting facilities, and other tangible assets under the control of all levels of transportation authorities to meet the needs of public transportation. Second, the public infrastructure of highways and waterways include public infrastructure of highways, public infrastructure of automobile passenger stations, and public infrastructure of waterways. Third, the finance authorities should study and formulate detailed accounting rules for public infrastructure of local highways and waterways, strengthen guidance for lower-level administrative institutions in carrying out accounting work over public infrastructure of local highways and waterways, encourage the exploration and establishment of a sound government accounting evaluation mechanism, and promote the application of evaluation results.

7. MOF and the Ministry of Agriculture and Rural Affairs jointly published a circular on strengthening the administration of the selection of policy-based agricultural insurance agencies

On January 13, MOF and the Ministry of Agriculture and Rural Affairs jointly published a circular on strengthening the administration of the selection of policy-based agricultural insurance agencies, which provided the following. First, policy-based agricultural insurance refers to agricultural insurance of which premium subsidies are provided by governments at all levels. Insurance agencies refer to insurance companies and agricultural mutual insurance organizations that are legally established for carrying out agricultural insurance business. Second, the basic conditions for selection include a complete agricultural insurance catastrophe risk dispersion mechanism, a complete grassroots service network, IT infrastructure that meets business management requirements, connection with the agreed reinsurance business information system of China Agricultural Reinsurance Corporation as required, and participation in the pilot reform of the agricultural insurance and reinsurance system. Third, the relevant finance authorities are responsible for the organization and implementation of the selection of insurance agencies. Central entities that are included in the scope of the central government's premium subsidies may independently select insurance agencies in accordance with the law.

8. MOF published a circular on further improving the work related to over-the-counter local bond issuance

On January 14, MOF published a circular on further improving the work related to over-the-counter local bond issuance, which provided the following. First, scientifically and reasonably determine the varieties, maturity, frequency and scale of the over-the-counter local bond issuance on the basis of the yield of local bond projects, the investment characteristics of individuals and small and medium-sized institutions, and the over-the-counter market demand. Second, give preference to bonds with local characteristics and high yield, especially those with maturities of less than 5 years (including 5 years). Third, carry out bond issuance by regions and in batches, taking into account of bond market situation, and inform the local finance authorities of the issuance arrangement in a timely manner.

9. The State Council deployed measures to meet the basic living needs of people affected by pandemic and disasters, especially those in difficulties and the recipients of subsistence allowances, during the “two festivals” period

On January 18, Premier Li Keqiang presided over an executive meeting of the State Council to deploy measures to meet the basic living needs of people affected by pandemic and disasters, especially those in difficulties and the recipients of subsistence allowances, during the “two festivals” period. First, efforts should be made to maintain adequate market supply and keep prices stable, launch the mechanism linking social assistance and benefit standards with price increases when appropriate, and promptly provide relevant subsidies to such groups of people as recipients of subsistence allowances to meet their basic living needs. Second, departments concerned should watch closely the people who have been lifted out of poverty and those who are close to poverty to ensure that there are no omissions in the provision of social assistance. Third, all localities and relevant departments are urged to make relevant arrangements to meet the basic needs of migrant workers and students who choose not to return to their home towns, and strengthen care services for left-behind children and the elderly in rural areas. Fourth, relevant departments should conduct detailed survey and help orphans, disabled people, mentally ill people,

and other people with special difficulties to address their difficulties in life, and provide targeted assistance to people in temporary difficulties. Fifth, efforts should be made to ensure the basic livelihood of flood victims, especially those temporarily resettled. Sixth, to safeguard people's livelihood, the 100 billion RMB of relief funds allocated by the central government in advance should be put into good use and be distributed in full and in time to the people in need of assistance.

10. MOF and the Ministry of Education published the *Circular on Issuing the Interim Measures for the Performance Management of the Plan for Building High-level Higher Vocational Schools and Their Majors with Chinese Characteristics*

On January 18, MOF and the Ministry of Education published the *Circular on Issuing the Interim Measures for the Performance Management of the Plan for Building High-level Higher Vocational Schools and Their Majors with Chinese Characteristics*, which provided the following. First, the "Double High Plan" performance management refers to the process of conducting performance evaluation and strengthening the application of the evaluation results by schools under the "Double High Plan", the central and provincial education authorities and finance authorities in accordance with the agreed performance targets. Second, the finance authorities are responsible for the performance management of local schools, guiding schools to scientifically set project (including annual) performance targets; and for strengthening audits, approving performance targets, and reviewing the self-evaluation results of schools. Third, mid-term and post-implementation performance evaluation will be carried out based on school's self-evaluation. The evaluation results are used as an important basis for improving relevant policies, adjusting the central fiscal rewards and subsidies, the acceptance of projects in this cycle, and the selection of projects for the next cycle.

11. The State Council published a circular on further protecting the basic livelihood of people in need

On January 25, the State Council published a circular on further protecting the basic

livelihood of people in need, which provided the following. The first is to ensure the supply and stabilize the prices of important commodities, and strengthen price monitoring and market regulation. The second is to provide assistance and care services for the needy people during the Spring Festival, offer relief funds such as subsistence allowances and special poverty support on time and in full, and grant holiday subsidies or temporary living allowances to the needy people such as the recipients of subsistence allowances. The third is to accelerate the central government's disbursement of temporary living allowances in winter and spring to ensure that the allowances are fully distributed to the disaster-hit victims before the Spring Festival. The fourth is to improve the early warning mechanism and emergency response plan to enhance safety awareness and risk prevention capabilities. The fifth is to conscientiously implement the policies and measures issued by the Party Central Committee and the State Council to protect the livelihood of the needy people during the pandemic prevention and control period, and strive to reduce the impact of the pandemic on the lives of the needy people. The sixth is that finance departments at all levels must give priority to protecting the basic livelihood of the needy people, and appropriate adequate funds for protecting their basic livelihood.

12. MOF and the Ministry of Ecology and Environment published a circular on reducing the additional subsidy funds on the renewable energy electricity price of agricultural and forestry biomass power generation projects in the case of environmental law violations

On January 26, MOF and the Ministry of Ecology and Environment published a circular on reducing the additional subsidy funds on the renewable energy electricity price of agricultural and forestry biomass power generation projects in the case of environmental law violations, which provided the following. First, agricultural and forestry biomass power generation projects should apply for pollutant discharge permit in accordance with laws and regulations, complete the construction of environmental protection facilities for desulfurization, denitrification and dust removal, and file records with local ecological environment authorities before they can be included in the subsidy list. Second, for agricultural and forestry biomass power generation projects that are included in the scope of subsidies, sulfur dioxide,

nitrogen oxides and particulate emissions should meet national and local air pollutant emission limits. Third, for agricultural and forestry biomass power generation projects that are identified as unqualified in the national renewable energy power generation project verification program organized by the relevant national authorities, power grid companies should remove them from the list of renewable energy power generation subsidies starting from the date when the verification results are made public. Fourth, power grid companies shall reduce or suspend the allocation of subsidy funds in accordance with regulations, and make settlements with agricultural and forestry biomass power generation projects.

13. MOF published a circular on carrying out special cleanup of the directory and qualification of alternative suppliers for government procurement

On January 27, MOF published a circular on carrying out special cleanup of the directory and qualification of alternative suppliers for government procurement, which provided the following. First, except for contracted supply and fixed-point purchase applicable to small-amount and sporadic procurement, special cleanup of the directory and qualification of alternative suppliers shall be carried out for procurement projects above the government procurement limit or within the centralized procurement catalogue. Second, self-examination of the purchasing units and the special inspection by the finance authorities will be adopted for the special cleanup, with a long-term mechanism put in place for this purpose. Third, the local finance authorities must effectively implement various cleanup measures. All provincial-level finance departments must submit their cleanup work report to MOF in a timely manner, and monitor the whole process by setting up whistle-blowing mailboxes and telephone hotlines.

14. MOF and the State Administration for Market Regulation published a circular on the *Interim Measures for the Administration of Subsidy Funds for Anti-monopoly Work*

On January 29, MOF and the State Administration for Market Regulation published a circular on the *Interim Measures for the Administration of Subsidy Funds for*

Anti-monopoly Work, which provided the following. First, the subsidy funds for anti-monopoly work refer to the subsidy funds arranged by the central government through transfer payment to support the market regulatory authorities of the governments of provinces, autonomous regions and municipalities to carry out anti-monopoly law enforcement under the authorization of the State Administration for Market Regulation. Second, the subsidies should mainly be used for expenditures directly related to the anti-monopoly law enforcement authorized by the State Administration for Market Regulation, including office expenses, printing fees, conference fees, labor service fees, and expenses for the purchase of necessary law enforcement equipments. Third, the allocation of subsidies is based on business factors, uses performance factors as adjustment coefficients, and adopts the factor method. Fourth, MOF is responsible for reviewing the subsidy allocation proposal, preparing and releasing subsidy budgets, and directing and supervising the management of subsidies.

II. Facts & Figures

1. Lottery sales in China totaled 36.042 billion RMB in November

The data published by MOF on December 31, 2020 showed that lottery sales in China totaled 36.042 billion RMB in November, a year-on-year decrease of 1.723 billion RMB or 4.6%. Among them, welfare lottery sales were 15.017 billion RMB, a year-on-year decrease of 1.683 billion RMB or 10.1%; sports lottery sales were 21.025 billion RMB, a year-on-year decrease of 40 million RMB or 0.2%. Cumulative lottery sales in China reached 297.439 billion RMB from January to November 2020, a year-on-year decrease of 83.687 billion RMB or 22.0%. Among them, welfare lottery sales were 129.218 billion RMB, a year-on-year decrease of 43.262 billion RMB or 25.1%; sports lottery sales were 168.221 billion RMB, a year-on-year decrease of 40.425 billion RMB or 19.4%.

2. China's CPI in December 2020 rose by 0.2% year on year

The data published by the National Bureau of Statistics on January 11 showed that China's CPI in December 2020 rose by 0.2% year on year. Among them, prices in urban areas rose by 0.2% and prices in rural areas by 0.2%; food prices rose by 1.2%, and non-food prices remained flat; consumer goods prices rose by 0.2% and services prices rose by 0.3%. CPI rose by 0.7% month on month. Among them, prices in urban areas rose by 0.7%, and prices in rural areas rose by 0.9%; food prices rose by 2.8%, and non-food prices rose by 0.1%; consumer goods prices rose by 1.2%, and services prices remained flat.

3. China's PPI in December 2020 fell by 0.4% year on year

The data published by the National Bureau of Statistics on January 11 showed that China's PPI in December 2020 fell by 0.4% year on year and rose by 1.1% month on month; IPI remained flat year on year and rose by 1.5% month on month. China's PPI in 2020 fell by 1.8% year on year, and IPI dropped by 2.3%.

4. Per capita disposable income of Chinese residents in 2020 was 32,189 RMB

The data published by the National Bureau of Statistics on January 18 showed that per capita disposable income of Chinese residents in 2020 was 32,189 RMB, a year-on-year increase of 4.7%. After adjusting for price factors, the real increase stood at 2.1%. Among them, the per capita disposable income of urban residents was 43,834 RMB, a year-on-year increase of 3.5%, or a real increase of 1.2% after adjusting price factors; the per capita disposable income of rural residents was 17,131 RMB, an increase of 6.9%, or a real increase of 3.8% after adjusting for price factors.

5. Per capita consumption expenditure of Chinese residents in 2020 was 21,210 RMB

The data published by the National Bureau of Statistics on January 18 showed that per capita consumption expenditure of Chinese residents in 2020 was 21,210 RMB, a year-on-year decrease of 1.6%. After adjusting for price factors, the real decrease stood at 4.0%. Among them, the per capita consumption expenditure of urban residents was 27,007 RMB, a decrease of 3.8%, or a real decrease was 6.0% after adjusting for price factors; the per capita consumption expenditure of rural residents was 13,713 RMB, an increase of 2.9%, or a real decrease of 0.1% after adjusting for price factors.

6. Lottery sales in China totaled 36.512 billion RMB in December 2020

The data published by MOF on January 25 showed that lottery sales in China totaled 36.512 billion RMB in December 2020, a year-on-year decrease of 4.416 billion RMB or 10.8%. Among them, welfare lottery sales were 15.269 billion RMB, a year-on-year decrease of 3.488 billion RMB or 18.6%; sports lottery sales were 21.242 billion RMB, a year-on-year decrease of 927 million RMB, or 4.2%. Cumulative lottery sales from January to December 2020 amounted to 333.951 billion RMB, a year-on-year decrease of 88.103 billion RMB or 20.9%. Among them, welfare lottery sales were 144.488 billion RMB, a year-on-year decrease of 46.75 billion RMB or 24.4%; sports lottery sales were 189.463 billion RMB, a year-on-year

decrease of 41.352 billion RMB or 17.9%.

7. China issued 183.6 billion RMB of local government bonds in December 2020

The data published by MOF on January 26 showed that China issued 183.6 billion RMB of local government bonds in December 2020. Among them, 72.8 billion RMB were general bonds and 110.8 billion RMB were special bonds; by purposes of issuance, 58 billion RMB were new bonds and 125.6 billion RMB were refinancing bonds. The average maturity of local government bonds was 8.2 years, including 6.6 years for general bonds and 9.2 years for special bonds; the average interest rate was 3.46%, including 3.40% for general bonds and 3.50% for special bonds.

8. Total operating income of state-owned enterprises (SOEs) in December 2020 increased by 14.1% year on year

The data published by MOF on January 27 showed that total operating income of state-owned enterprises (SOEs) in December 2020 increased by 14.1% year on year; from January to December, the total operating income of SOEs was 63.28677 trillion RMB, a year-on-year increase of 2.1%, among them, operating income of central SOEs was 35.32856 trillion RMB, a year-on-year decrease of 1.9%, and operating income of local SOEs was 27.95821 trillion RMB, a year-on-year increase of 7.5%.

III. MOF Events

1. On December 22, 2020, Vice Finance Minister Zou Jiayi held a virtual meeting with Gilbert F. Hounbo, President of the International Fund for Agricultural Development (IFAD). The two sides exchanged views on the graduation policy, IFAD12 consultation and future cooperation between China and IFAD.

IV. Local Finance

1. Yunnan Finance: work actively to provide strong fiscal support for education funding

According to the news released by the Finance Department of Yunnan Province on December 30, 2020, finance authorities in Yunnan have increased spending on education and improved funding performance to ensure that decisions are effectively implemented. First, improve input mechanisms and implement relevant policies, enhance funding performance, and strengthen funding management to ensure steady increase of spending on education. Second, strictly implement the national wage subsidy policy, increase fiscal transfer payments, provide full living allowances for rural teachers in concentrated and contiguous poor areas, urge all localities in the province to ensure wage payment for compulsory education teachers, and to clear the arrears of unpaid wages for compulsory education teachers.

2. Shandong Finance: take on responsibility and make bold steps to advance fiscal reform and development in a new era

According to the news released by the Finance Department of Shandong Province on January 5, finance authorities in Shandong have made scientific planning for fiscal reform and development during the 14th Five-Year Plan period, which is important for giving full play to fiscal functions, promoting high-quality economic and social development, and making new ground in economic and social development. First, the 13th Five-Year Plan period has been fruitful, as evidenced by the continuous strengthening of comprehensive fiscal strength, further deepening of the fiscal and tax reform, notable improvement in the effectiveness of fiscal management, and continuous enhancement of fiscal capacity. Second, the 14th Five-Year Plan period will embark on a new journey, which will deliver more policy dividends and lead to greater effects of reform, tilt more toward the quality and efficacy of targeted fiscal policies, seek to address the areas of weakness to make public services more equitable, and strive to keep the operation of public finance more stable.

3. Hunan Finance: overcoming difficulties and forging ahead to ensure success in fiscal work in 2021

According to the news released by the Finance Department of Hunan Province on January 12, Yiyang City has worked to ensure stability on six fronts and security in six areas with a focus on the “three high and four new” strategy. First, optimize the structure of fiscal expenditures and coordinate fiscal funds to support the development of advanced manufacturing and technological innovation and provide various social insurance benefits such as the social insurance subsidies for municipal state-owned enterprises. Second, increase spending on the equalization of basic public health services, medical insurance subsidies for urban and rural residents, reform of urban public hospitals, urban and rural medical assistance and major public health emergency response, and continue to implement policies to protect people’s livelihood. Third, effectively strengthen debt risk management and control, and work to resolve hidden debt risks of local governments. Fourth, implement tax and fee cut policies, strengthen fiscal and tax revenue collection and administration in accordance with law, tighten budget constraints, and strengthen budget implementation.

4. Jiangsu Finance: enhancing the synergy of fiscal and financial policy measures to support agriculture

According to the news released by the Finance Department of Jiangsu Province on January 14, Nantong City has coordinated the use of special funds for rural revitalization and took the lead in introducing a series of fiscal and financial policy measures to support agriculture in a synergistic manner, covering the entire process of credit for new agribusinesses and helping to address the difficulties faced by them in accessing affordable financing. First, they strengthened policy guidance and build cooperation platforms to halve agricultural financing loan guarantee fees. Second, they adhered to the principle of providing emergency support at low rate in a market-oriented way and strengthen supervision and risk control to respond to grassroots concerns and ease financing pressure. Third, they clarified the recipients of loan subsidies and loan interest subsidy standards, simplified procedures for getting loan subsidies, highlight support for agriculture, and effectively reduced costs to

ensure that agricultural financing guarantee loan subsidies deliver concrete benefit to farmers.

5. Tianjin Finance: continuing to deepen the reform of the fiscal system and mechanisms to promote high-quality development with performance management

According to the news released by the Finance Bureau of Tianjin Municipality on January 20, finance authorities of Tianjin have consolidated responsibilities, optimized management chain, and actively built a comprehensive, full-process and full-coverage management system to better serve the high-quality development of Tianjin. First, Tianjin has established a “1+N” system consisting of the implementation plan of Tianjin Municipal Party Committee and Municipal Government and the supporting measures, in order to evaluate the budget performance management of municipal departments through multiple dimensions, urge the rectifications of identified problems, and combine performance management with the priorities of budget and final accounts review. Second, the City has built a solid budget performance management chain, enabling itself to carry out assessment for major decisions, set up targets for budget preparation, monitor implementation process, and conduct evaluation after the completion of budget. Third, Tianjin will made further efforts to upgrade and expand performance management, implement full life-cycle performance management for some major policies and projects, and build a comprehensive budget performance management system.

6. Guangdong Finance: playing an effective supervising role to facilitate the efficient pass through of funds directly allocated from the central government

According to the news released by the Finance Department of Guangdong Province on January 21, finance authorities of Guangdong has stepped up efforts to implement the mechanism of directly-distributed funds as an important lever to carry out proactive fiscal policy, in order to effectively serve the overall goals of economic and social development. First, the Finance Department has taken a top-down approach to strengthen project planning, and arrange more than 80% of directly-distributed funds

to support key programs such as stabilizing corporate jobs, assisting key groups of people, responding to pandemic, and relieving enterprises of their difficulties, so as to effectively enhance the sense of gains for enterprises and people. Second, efforts have also been made to establish a special track mechanism and a 24-hour system operation and maintenance service mechanism, and open green channels for project initiation, environmental assessment and other project approval procedures to speed up the pace of project approval; the distribution of funds should be completed on the day when the fund allocation plan is approved by MOF; and direct engagement with the counterpart departments of MOF has been strengthened and seamless connection with relevant provincial departments established, and guidance has been provided to the grassroots units for speeding up expenditures. Third, the Finance Department has also been committed to doing a good job in daily monitoring and analysis, correcting problems in a timely manner, and expanding and optimizing methods of monitoring and supervision.

7. Hubei Finance: eight initiatives of government procurement adopted to deliver concrete benefits to enterprises

According to the news released by the Finance Department of Hubei Province on January 27, Wuhan City has made active explorations in streamlining processes, improving efficiency and providing excellent services, and has introduced a series of policies and initiatives that would benefit enterprises to effectively enhance the sense of gains among government procurement market entities. First, promote the construction of electronic trading platforms to reduce supplier bidding costs and improve procurement efficiency. Second, promote the disclosure of procurement intentions in an all-round way, so that suppliers can obtain information of procurement projects in advance and make bidding preparations in advance. Third, promote fair competition in government procurement, strictly implement the fair competition review system, and prohibit differentiated or discriminatory treatment to suppliers with unreasonable conditions. Fourth, standardize the method for collecting bidding documents, require all municipal procurement units and procurement agencies to provide government procurement documents in a variety of ways such as online collection, on-site collection and delivery by mail, and allow suppliers to

choose the way of collecting documents according to their needs. Fifth, rationally streamline the requirement on certification materials and effectively reduce the hidden burden of suppliers. Sixth, alleviate the financial pressure of suppliers, reduce suppliers' market transaction costs, and lighten the burden on enterprises. Seventh, support SMEs in carrying out online financing and alleviate the difficulties of SMEs in accessing affordable financing. Eighth, facilitate timely payment of contract funds and establish an advance payment system.

8. Beijing Finance: “13th Five-Year Plan” in support of the high-quality economic and social development of the capital

According to the news released by the Finance Bureau of Beijing Municipality on January 28, the finance authorities of Beijing Municipality have given full play to fiscal functions, further deepened the reform of fiscal and tax system, and leveraged proactive fiscal policies to provide strong policy and financial support for the capital's sustained and healthy economic and social development. First, fully implement the large-scale tax and fee cut policy to deliver real benefits to enterprises and individuals. Second, use a mix of fiscal policy tools such as financial incentives and loan interest subsidies to crowd in private capital to participate in the construction of the capital. Third, strictly control the increase in expenditures and government operating costs, make overall plans to revitalize the stock of funds, and continuously optimize the expenditure structure. Fourth, give full play to the role of government bonds in “stabilizing investment, expanding domestic demand and making up for shortcomings”, and channel the funds to major programs such as relief of non-capital functions, environmental rehabilitation, transportation infrastructure, and other key tasks of the municipality. Fifth, take scientific and technological innovation as the engine to support the high-quality development of the capital's economy. Sixth, highlight the public nature of fiscal funds to improve people's living standards.

V. Remarks & Opinions

1. Liu Kun: providing strong and solid fiscal support for winning the fight against poverty

On December 31, 2020, in his interview with Xinhua News Agency, Finance Minister Liu Kun pointed out that it is crucial to provide strong and solid fiscal support for winning the fight against poverty.

I. Making sustained efforts to provide solid and strong fiscal support

Since the 18th CPC National Congress, MOF has taken the fight against poverty as a political task of utmost importance that bears on the livelihood of people, and made sustained efforts to scale up fiscal support for expenditures on poverty alleviation. The fight against poverty has reached the final and the most crucial stage. The remaining pockets of poverty must be fully eradicated according to the planned timeline, with firm assurance of sufficient fiscal input. Liu Kun said that we should focus on improving the efficacy of the use of poverty alleviation funds, further speed up the pace of allocation and expenditure, and support localities to tackle shortcomings and weaknesses to achieve effective poverty alleviation.

II. Building a holistic poverty alleviation mechanism by leveraging resources from multiple channels

While increasing input under general public budgets, finance authorities have in recent years also deployed a number of fiscal and tax policy tools in a coordinated manner to foster a multi-channel and diversified mechanism for mobilizing poverty alleviation funds. (1) Our first account has amounted to 1.5 trillion RMB, with a pilot program of consolidating agriculture-related funds in poor counties, i.e., delegate the authority over the consolidation of agriculture-related funds with similar purposes to poor counties that are at the front-line of poverty eradication, in order to turn “scattered resources” into a “big pool” and then into a “large fund”. (2) Our second

account has mobilized close to 200 billion RMB through the mechanism that allows the surplus quotas produced by linking newly-added cropland quotas with the amount of land used for construction to be adjusted inter-provincially, and all the funds were used for poverty alleviation and rural revitalization. (3) Our third account was the arrangement of nearly 400 billion RMB of government debt to support key poverty eradication projects, with a focus on the deeply impoverished areas such as the “three regions and three prefectures”. (4) Our fourth account was the adoption of supportive financial policies such as credit guarantee and insurance subsidies to reduce the agricultural production risks of poor households and support the businesses run by poor households.

Liu Kun indicated that MOF had deployed policy tools, such as tax and fee incentives, governmental investment fund and agricultural credit guarantees, to guide more financial and private capital to support production, employment and business startup of poor households.

III. Strengthening supervision to ensure that funds are well spent and on target

Fiscal funds for poverty alleviation are hard-earned, and we must strengthen the supervision of poverty alleviation funds throughout the entire process of poverty alleviation. MOF has always made it a top priority to strengthen the supervision of poverty alleviation funds, and strived to enforce rigorous rules in the allocation and accountability of funds.

Liu Kun said that on the one hand, we should ensure that the funds are accurately spent on the key areas. Adhering to the poverty eradication goals and standards set by the central government, the finance authorities have implemented the basic strategy of targeted poverty alleviation aimed at the documented poor population to ensure that they have adequate food and clothing, and have access to compulsory education, basic medical services and safe housing, and have also scaled up support for such deeply impoverished regions as “three regions and three prefectures”. On the other hand, we should ensure that the funds are well spent on the areas that count the most. By improving the management and supervision mechanism of poverty alleviation funds,

the finance authorities have carried out performance management for poverty alleviation projects, explored the establishment of a dynamic monitoring platform for poverty alleviation funds, and strictly enforced public disclosure of poverty alleviation funds and projects. At the same time, illegal acts and irregularities in the management and use of funds must be strictly investigated, and resolutely punish the embezzlement of poverty alleviation funds.

Liu Kun pointed out that with the continuous improvement of the system for management of poverty alleviation funds in recent years, cases of illegal acts and irregularities have significantly reduced, resulting in more secure and regulated use of poverty alleviation funds.

IV. Making unrelenting efforts to consolidate the outcomes of poverty alleviation and promote rural revitalization

The 14th Five-Year Plan covers an important period for consolidating the outcomes of poverty alleviation and implementing the rural revitalization strategy. MOF will go all out to support the endeavor of consolidating and expanding the outcomes of poverty alleviation in tandem with rural revitalization.

Liu Kun pointed out that the direction of fiscal policies under the 14th Five-Year Plan would have the following three aspects: The first is to stabilize. During the transition period, fiscal policies will remain generally stable. On this basis, in light of the needs for consolidating and expanding the outcomes of poverty alleviation in tandem with rural revitalization and considering the conditions of financial resources, we will properly determine the scale of fiscal input, optimize the expenditure structure, and provide solid fiscal support for this endeavor. The second is to consolidate. We will give priority to support the regions facing difficulties in poverty alleviation and weak capability for rural revitalization, with a focus on supporting western regions in retaining the outcomes of poverty alleviation and the nationally designated counties in achieving rural revitalization. The third is to improve. In the next step, we will gradually increase the proportion of agriculture-related funds invested in agro-businesses, and promote the enhancement of quality and efficiency of industries

with local features in poor regions, in order to boost and motivate the self-development capacity of poor regions and local farmers.

Liu Kun said that the finance authorities will make earnest and unrelenting efforts to give better play to the role of public finance and implement targeted policies, with a view to promoting new progress in rural revitalization and enabling hundreds of millions of people to live a better life.

2. Liu Kun: efforts should be focused on ten priority areas in 2021

On December 31, 2020, the virtual National Fiscal Work Conference was held in Beijing. In his report to the conference, Finance Minister Liu Kun pointed out that in 2021, it is important to actively give play to the role of public finance, concentrate on the central task of supply-side structural reform, and pay close attention to demand-side management, in order to make new ground in building a new development paradigm. Efforts should be focused on the following ten priority areas. First, accurately and effectively implement proactive fiscal policies to keep economic operation within a reasonable range. Further improve and implement the mechanism for administering the funds directly allocated from the central government, and expand the scope and further improve the management of such funds. Continue to advance tax and fee cut and maintain policy continuity. Make good use of local government special bonds to improve the effectiveness of the use of funds raised from bonds. Second, strengthen fiscal and tax policy support and guidance, and firmly implement the strategy of expanding domestic demand. Optimize investment structure and actively expand investment space. Intensify efforts to leverage taxation, social insurance, transfer payment and other means to boost household consumption. Implement major regional strategies of the nation. Promote a new type of urbanization centered on people. Third, promote innovation-driven development and industrial upgrading to improve economic quality, efficiency and core competitiveness. Continue to prioritize science and technology in fiscal expenditure, support the battle for securing key core technologies, and move faster to achieve scientific and technological self-reliance. Carry out the campaign for remaking industrial base and promote the optimization and upgrading of the industrial and supply chain. Give full play to the role of government financing guarantee institutions to stimulate the

innovation drive of enterprises. Fourth, make best possible efforts to strengthen the protection of people's basic livelihood. Implement the employment-first policy, promote the high-quality development of education, steadily raise the level of social security benefits, improve the management of social security funds, move forward the Healthy China initiative, and support the development of cultural undertakings. Fifth, improve the fiscal policies to support agriculture and rural revitalization. Ensure national food security, improve agricultural quality and efficiency, and support the efforts of consolidating and expanding the outcomes of poverty alleviation in tandem with rural revitalization. Sixth, align fund allocation with the tasks of pollution prevention and control and vigorously promote green development. Strengthen pollution prevention and control, promote ecological protection and restoration of key regions, actively support the response to climate change, and strive to achieve significant improvement in ecological environment. Seventh, do a good job in preventing and resolving risks in key areas to ensure stable and sustainable fiscal and economic operations. Work to resolve hidden debt risks of local governments. Continue to highlight the "three protections" as priority in fiscal expenditures and resolutely prevent the risks of the "three protections" at the grassroots level. Eighth, take an integrated, systemic, coordinated and cost-effective approach to accelerate the establishment of a modern fiscal and tax system. Improve the local tax system, study and improve the personal income tax system that combines comprehensive and classified taxation in a timely manner, promote the reform of the division of fiscal powers and expenditure responsibilities between central and local governments in areas such as intellectual property protection and pension insurance, deepen the reform of budget management system, and solidly move forward the reform of state-owned assets and enterprises. Ninth, improve systems and mechanisms to further strengthen fiscal management and supervision. Strengthen administration over budget implementation, accelerate the integrated budget management, improve the financial and accounting oversight systems and mechanisms, give better play to the role of MOF's local regulatory bureaus, and improve the performance of the use of fiscal funds. Tenth, deepen practical international economic and financial cooperation to expand new space for international cooperation. Deeply involve ourselves in the reform of global economic governance system and promote trade and investment liberalization and facilitation to better serve the overall purpose of reform and

development.

3. Liu Kun: fiscal work in 2020 has yielded notable results

At the National Fiscal Work Conference on December 31, 2020, Finance Minister Liu Kun pointed out in his speech that 2020 is an extraordinary year in the history of New China. Over the past year, we have made great efforts on the following areas:

(1) Always bearing in mind to put the protection of human life above everything else, we have made an all-out effort to support the fight against the COVID-19 pandemic. In face of the severe pandemic, the finance authorities across the nation moved swiftly, taking pandemic prevention and control as the most important and urgent task. The “two guarantees” were clearly put forward in no time. In accordance with the principle of “special approach for special matters and fast track for urgent affairs”, the finance authorities gave priority to making funds available for pandemic prevention and control and sped up the allocation and use of funds, in order to ensure that people were not deterred from seeking medical treatment because of concern over medical costs and that medical treatment and pandemic prevention and control in localities were not affected by funding difficulties. As of the end of November 2020, fiscal expenditures on pandemic prevention and control at all levels exceeded 400 billion RMB, providing solid support for relevant work. Fiscal and tax policy support for pandemic response have been strengthened. A series of targeted fiscal and tax policies were introduced and implemented, in a bid to reduce the burden of patient treatment costs, improve the benefits for pandemic prevention and control personnel, ensure the supply of medical supplies for pandemic prevention and control, and strengthen scientific research, especially the research and development of drugs and vaccines. We vigorously supported the construction of a pandemic prevention, control and treatment system and emergency material supply system, and worked to improve the level of public health and medical infrastructure capabilities. We strengthened international cooperation in the fight against the pandemic. At the same time, we

increased policy interpretation and publicity efforts, as we organized a series of press conferences, compiled and released Q&A on fiscal support for pandemic prevention and control, Q&A on the fiscal policies for “six guarantees”, and reports on the implementation of China’s fiscal policies, in order to enhance the confidence of all sectors of society.

(2) Efforts have been made to step up policy response to promote economic stabilization and recovery. We strengthened analysis on economic and financial operation and macro policy planning, and explored and developed new ways of macro-regulation in the context of sudden shocks, which effectively helped us respond to the impact of the pandemic. We promptly introduced large-scale relief policies for enterprises to hedge against the impact of the pandemic with reasonable and appropriate policy efforts. We raised the deficit ratio to over 3.6%, issued 1 trillion RMB of special treasury bonds for combating COVID-19, increased local government special bonds by 1.6 trillion RMB, and actively expanded effective investment. We intensified the phased policies for tax and fee cut, with a focus on reducing the tax burden of micro, small and medium-sized enterprises, the self-employed, and enterprises in struggling industries. It is estimated that the additional burden reduction would exceed 2.5 trillion RMB per year. Hunan, Jiangsu and other provinces strengthened policy publicity and guidance, stepped up effect evaluation, and meticulously implemented the policy of tax and fee cut to good results. The mechanism for funds allocated from the central government to directly reach grassroots government was creatively set up and helped greatly improve the policy efficiency. By setting up the mechanism for funds allocated from the central government to directly reach grassroots government and establishing a monitoring system to enable fast and targeted allocation of funds, the provincial finance authorities effectively played a supervising role for funds, lending strong support for protecting employment, people’s livelihood, and viability of market entities. With the joint efforts of localities and various departments, 90% of the funds directly allocated from the central government were distributed to the grassroots-level units of cities and

counties in only 20 days. The average time for the distribution from provincial finance authorities was only one week, which was an unprecedented speed. Guangdong, Xinjiang, Hubei, Sichuan and other provinces set up innovative working mechanisms and explored effective practices to ensure the safe, accurate and efficient distribution of directly allocated funds.

(3) MOF has targeted its efforts to achieve decisive victory in the three critical battles. We strengthened funding support to ensure success in the “last mile” of building a moderately prosperous society in all respects. We supported the endeavor of winning the fight against poverty on schedule. We implemented various assistance measures targeting the remaining poor counties and poor people. In 2020, despite the contradiction between revenue and expenditure, the funds used for poverty alleviation continued to increase significantly, tilting towards areas heavily affected by the pandemic and areas designated for poverty eradication. We increased support for industry-driven poverty alleviation and employment-driven poverty alleviation, and focused on resolving outstanding problems concerning people’s basic living needs such as the “brackish water problem”. Shandong, Yunnan and other provinces did a solid job in the consolidation of agriculture-related funds. We promoted the notable improvement of the ecological environment. We supported the fight for the critical battle against pollution, and implemented pilot projects for ecological protection and restoration of landscapes, forests, fields, lakes and grassland. We guided the entire Yellow River basin to carry out trials of a horizontal ecological compensation mechanism. We promoted the registration and operation of the National Green Development Fund. Fujian, Jiangxi and other provinces promoted the construction of national ecological civilization experimental zones. Positive results were achieved in preventing and resolving risks. Hidden debt risks were further mitigated. We arranged 200 billion RMB from the special debt quota to support local governments in resolving the risks of small and medium-size banks.

(4) MOF has prioritized its work on protecting people’s livelihood, with a focus on maintaining jobs and addressing people’s needs. Considering the impact of the

pandemic on employment and low-income groups, we increased efforts to protect basic livelihood and resolutely maintained the bottom line of the “six guarantees”. Efforts were also made to support enterprises and ensure employment. We implemented policies such as reducing or exempting small-scale taxpayers’ value-added tax and gradually reducing or exempting social insurance premiums, and raised refund of unemployment insurance premiums to retain jobs, so as to stabilize and expand employment by protecting market entities. At the same time, we broadened the funding channels for employment and improved the supportive policy system for employment and business startup. It is estimated that over 11 million new jobs were created in urban areas throughout the year. Henan, Guangxi, Guizhou and other provinces introduced new policies and measures with their own characteristics to effectively stabilize employment. We did a solid job of “three guarantees” at the grassroots level. We allocated financial resources to the grassroots level to the extent possible, substantially increased transfer payments from the central government to local governments, gradually raised the proportion of locally retained fiscal funds, strengthened treasury funds scheduling, and prevented payment risks. As a result, the “three guarantees” at the grassroots level were better ensured. We steadily improved the level of people’s basic livelihood, and unified the national benchmark quota of public expenditures for compulsory education students. We increased the central adjustment of the basic pension insurance fund for enterprise employees, and further raised the pensions for retirees. We expanded the scope of subsistence allowances and temporary assistance, and improved the long-term mechanism for the supervision of fiscal subsidies to benefit people and farmers. We completed the transfer of approximately 1.68 trillion RMB of state-owned capital from 93 central enterprises and financial institutions to social security funds. We supported the renovation of 39,000 old residential communities in cities and towns. Gansu, Ningxia and other provinces did a solid job of ensuring people’s livelihood, such as education and elderly care.

(5) The role of innovation-driven development has been strengthened to consolidate

the foundation of real economic development. We deepened the supply-side structural reforms to enhance the innovation capabilities and competitiveness of the real economy. We strongly supported technological innovation. Zhejiang, Anhui, Shenzhen and other localities also strengthened policy funding support for improving technological innovation capabilities. We sped up the transformation and upgrading of the manufacturing industry. We extended the implementation period of the new energy vehicle purchase subsidy policy. Tianjin, Dalian, Qingdao and other cities developed strategic emerging industries and accelerated the transition of new growth drivers. We supported the relief of micro and small-size enterprises. We implemented policies for micro and small-size enterprises to enjoy reduction and exemption of taxes and fees. We intensified support for interest subsidies on secured business-startup loans. We guided government financing guarantee institutions to support agriculture and small businesses and reduce guarantee rates. Shanghai, Ningbo and other cities supported the development of financial inclusion to ease the financing difficulties of micro and small-size enterprises. We strengthened food and energy security. We supported the development of 80 million *mu* of high-standard farmland and the conservation farming of 40 million *mu* of black soil in the Northeast. We increased incentives for major grain-producing counties. We encouraged the exploitation and utilization of unconventional natural gas, and improved the subsidy policy for renewable energy power generation. Heilongjiang, Jilin, Liaoning, Inner Mongolia and other provinces made great efforts to conserve and protect black soil, making contribution to national food security.

(6) Reform and opening-up has been deepened to improve fiscal governance. While pressing ahead with fiscal and tax reform and fiscal management, we intensified international economic and financial cooperation to build up the synergy for advancing the central fiscal work. The reform of the fiscal and tax system advanced steadily. The revised regulations for implementation of budget law were promulgated and implemented, and the deed tax law and urban maintenance and construction tax law were smoothly introduced. The reform plan for the division of central and local

fiscal powers and expenditure responsibilities in the areas of ecological environment, emergency rescue, natural resources and public culture was issued and implemented. International economic and financial cooperation continued to deepen. We promoted the conclusion and steady implementation of China-U.S. Economic and Trade Agreement as well as the signing of RCEP. We completed the establishment of the Multilateral Cooperation Center for Development Finance and supported the Asian Infrastructure Investment Bank for expanding its membership to 103. We successfully held the fifth “1+6” Roundtable Dialogue. The foundation of fiscal management was further consolidated. We formulated and promulgated nationally unified operational norms and technical standards for integrated budget management, and initially established a “system + technology” management mechanism under the conditions of modern information technology. We further improved the system for government purchase of services. We standardized and promoted PPP work. We carried out a special program to improve the audit quality of accounting firms. We strengthened accounting and audit oversight and severely cracked down on financial fraud. We strengthened the training and qualification evaluation of accounting talents, strengthened the regulation of certified public accountants and asset evaluation industry, and supported the National Accounting Institutes, fiscal research and development of economic and financial think tanks. Hainan, Shaanxi and other provinces conducted integrated budget management following high standards. Beijing, Hebei, Tibet, Xiamen and other localities steadily moved forward performance management, zero-based budgeting and other related work. Shanxi, Jiangsu, Chongqing and other provinces strictly controlled expenditures and strived to optimize the structure of fiscal expenditures. The Xinjiang Production and Construction Corps continued to strengthen the development of the fiscal system. The transformation of the local regulatory bureaus of MOF achieved tangible results. All local regulatory bureaus were fully integrated into the main business of MOF, continued to improve their ability to perform their duties, and worked to enhance the supervision of directly allocated funds and poverty alleviation funds, the verification

of local government debts, and the budget review of the central-level units in localities, producing notable outcomes as a number of problems were discovered and resolved.

2020 is the final year of the 13th Five-Year Plan. In the past five years, we have gone through an extraordinary journey of struggle, and made new and major achievements in fiscal reform and development. First, the fiscal strength was further enhanced, providing solid material foundation for sustained and healthy economic and social development. With the implementation of large-scale tax and fee cut policies, the total revenue over the past five years reached 88.6 trillion RMB, an increase of 38% over the previous 5 years, registering an increase achieved from a high base. Second, we maintained relatively high level of fiscal expenditures, effectively meeting the development needs of the Party and the country. We insisted on increasing revenues and reducing expenditures, revitalizing the stock of funds, and making good use of the new resources. The cumulative expenditures over the past five years reached 109.8 trillion RMB, an increase of 56% over the previous five years, providing effective support for the expenditures in key areas. Third, we launched unprecedented tax and fee cut to effectively promote the development of market players and the real economy. We took a long-term perspective and shouldered political responsibilities in continuously implementing large-scale tax and fee cut policies. During the “13th Five-Year Plan” period, the cumulative tax and fee cut reached around 7.6 trillion RMB, playing a critical role in reducing the burden on enterprises, stimulating innovation, boosting consumption and expanding employment. Fourth, spending on areas related to people’s livelihood kept increasing, equitably delivering more benefits of reform and development to people. Despite fiscal difficulties, we resolutely ensured spending on areas related to people’s livelihood. In the past five years, the central government’s special poverty alleviation funds increased by an average annual rate of 25.9%. National fiscal expenditures on education as a share of GDP have been no less than 4% every year. The level of basic pensions, basic medical care, and urban and rural subsistence allowances increased year by year. The size of the National

Social Security Fund steadily expanded. Fifth, strong support was provided for the implementation of China's major strategies, continuously enhancing the quality and efficiency of economic development. We vigorously supported major regional strategies such as the construction of the Xiong'an New Area and the comprehensive deepening of reform and opening up of Hainan. The implementation of the innovation-driven development strategy resulted in an average annual growth of 10.9% in national fiscal spending on science and technology. The rural revitalization strategy was implemented, and the lives of farmers and the environment of the rural areas underwent tremendous changes. Sixth, the reform of the fiscal and tax system advanced in depth, basically putting in place a framework of modern fiscal system. Budget management became more scientific and standardized, and performance management reform was fully implemented. Significant progress was made in the reform of value-added tax and personal income tax. Reform plans for the division of fiscal powers and expenditure responsibilities between the central and local governments in different areas were introduced successively. The responsibilities of state-owned financial capital contributors were clarified, and the state-owned assets management system was continuously improved. Seventh, participation in global economic governance was increased, further enhancing the voice and influence in the international economic and financial field. The overall tariff level dropped from 9.8% to 7.5%. We supported the establishment and operation of the Asian Infrastructure Investment Bank and the New Development Bank, and succeeded in significantly raising China's global ranking in the Doing Business. We effectively managed multilateral and bilateral economic and financial relations, enabling a comprehensive and multi-faceted international economic and financial cooperation system to take shape.

In the past five years, in the great cause of securing decisive victory in building a moderately prosperous society in all respects and winning the battle against poverty, we persisted in advancing with the times, upheld the spirit of integrity and innovation, further improved the concepts, ideas and methods of fiscal work, and deepened our understanding of the laws of fiscal work. First, place more emphasis on guiding

“finance” with “politics”, keep to the right direction of fiscal work, and earnestly manage the fiscal work assigned by the Party Central Committee. We conscientiously implemented the Party Central Committee’s policies and decisions related to fiscal work, systematically planned and proposed recommendations for budgetary arrangement, optimized fiscal policy design, and strengthened fiscal budget management, providing strong guarantee for the development of the Party and the nation. Second, place more emphasis on stimulating market vitality, improve fiscal macro-regulation, and strengthen cross-cyclical design and counter-cyclical adjustment. We refrained from flooding the market with strong stimulus, flexibly adjusted the deficit ratio and debt scale according to changes in the circumstances, integrated various fiscal and tax policy tools, actively guided and improved market expectations, effectively supported market entities, and promoted high-quality development. Third, place more emphasis on precision and effectiveness, improve the fiscal and tax policy system, and focus on addressing the shortcomings. In light of the problem of imbalanced and inadequate development, especially the weaknesses in building a moderately prosperous society in an all respects, we clarified the direction of efforts and concentrated policies and funds to deliver the goal. Fourth, place more emphasis on saving resources to the benefit of people, adjust and optimize the expenditure structure, and spend money on the areas that count. We tightened the belt, vigorously reduced general expenditures, and resolutely opposed extravagance and wastefulness. We optimized the structure and method of fund use, and further highlighted the priority areas to be supported. Fifth, place more emphasis on tapping potential, improve the effectiveness of fiscal governance, and coordinate fiscal and tax reform with fiscal management. We steadily deepened the reform of the fiscal and tax system, strengthened basic work such as budget implementation, management, supervision, performance evaluation, review and informatization, and continuously worked to make fiscal work more scientific, standardized and law-based. Sixth, place more emphasis on internal and external coordination, deepen international economic and financial exchanges and cooperation, and promote a higher level of opening up. We strengthened the major-country thinking and global perspective, and deepened exchanges and cooperation with major economies and international economic organizations in order to create a favorable external environment for development.

4. Liu Shangxi: the thinking of risk prevention must be embedded in fiscal policies of 2021

On January 23, Liu Shangxi, President of Chinese Academy of Fiscal Sciences, pointed out that the fiscal policies of 2021 need to embed risk-based thinking and be guided by public risk prevention in order to effectively apply the new development philosophy, achieve quality enhancement and more sustainable growth, facilitate the smooth functioning of the dual circulations, and build a new development paradigm.

From a domestic perspective, due to the base effect, economic growth is expected to reach the level of between 7% and 8%, but the foundation for economic recovery is not solid. In particular, private investment is weak, consumption is sluggish, difficulties of recruiting people and finding jobs still coexist, business expectations are unstable, and there are new uncertainties due to the pandemic, the risks of China's economic and social development, therefore, need to be fully assessed. Added with the constraints such as local debt, ecological environment and aging of population, 2021 will not be an easy year. From a macro angle, the public risk level will remain high. We must be confident on the one hand, and stay fully prepared on the other hand.

The construction of this risk management framework is mainly manifested in three dimensions. First, the attention will be shifted from the short-term effects of policies to the construction of long-term mechanisms. Second, the focus of work will be shifted from the resolution of short-term risks to the prevention of medium and long-term risks. Third, the efforts will be shifted from building the ability of tackling local and sectoral risks to increasing the ability of hedging against the overall systemic risks. Under this risk management framework, fiscal policies need to focus more on public risk hedging, and seek to build an operating mechanism that is compatible with the new development stage, the new development philosophy, and the new development paradigm. On the basis of the assessment of short, medium and long-term public risks, existing fiscal policy measures should be adjusted and

optimized accordingly. If public risks are declining, fiscal policies should take a few steps back accordingly; if public risks are spreading, fiscal policy must be more expansionary. In general, the uncertainties in 2021 are still large, and the risk challenges are no less than that in 2020, thus requiring fiscal policies to be more proactive under the framework of public risk management.

To make fiscal policies more sustainable with expanded policy space, we must intensify reform efforts. First, actively promote the reform in the division of fiscal powers between the central and local governments. Second, promote the reform of science and technology systems and mechanisms. Third, prevent and defuse local debt risks, which is inseparable from government debt management reform. Fourth, optimize and adjust the structure of fiscal expenditures through reform. Fifth, further improve the methods for adjusting fiscal and tax policies and strengthen cross-period overall planning.

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