

# CHINA FINANCE

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### HIGHLIGHT

- Finance Minister Liu Kun: BRICS countries should strengthen macroeconomic policy coordination and collaboration under the multilateral framework
- Finance Minister Liu Kun attended the BRICS Finance Ministers and Central Bank Governors' Meeting via video link
- Six ministries jointly published the Measures for the *Administration of Subsidy Funds for Promoting Rural Revitalization with Central Fiscal Resources*
- Three ministries published a circular on the tax policy related to imports for supporting scientific and technological innovation during the 14th Five-Year Plan period
- China's general public budget revenue in the first quarter was 5.7115 trillion RMB

## 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.

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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. State Council planned measures to cut taxes and fees and to implement and optimize the tax cut policies for micro and small enterprises and self-employed individuals**

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At the State Council executive meeting presided over by Premier Li Keqiang on March 31, measures were deployed to further promote tax and fee cuts, with continued efforts to implement and optimize the tax cut policies for micro and small enterprises and self-employed individuals. First, the meeting decided to step up tax breaks for micro and small enterprises and make self-employed individuals eligible for preferential tax policies. From January 1, 2021 to the end of 2022, the government will halve the tax levied on their annual taxable income below 1 million RMB while keeping all the preferential policies already in force, in order to further reduce the tax burden. Second, from April 1, 2021, to the end of 2022, the VAT threshold for small-scale taxpayers, such as micro and small enterprises and self-employed individuals, will be raised from current monthly sales of 100,000 RMB to 150,000 RMB. Third, starting from April 1, 2021, manufacturers of transportation equipment, electrical machinery, instruments and apparatus, medicines, chemical fiber, etc. will be eligible for excess VAT refund policies targeting advanced manufacturing enterprises and be entitled to claim full refund for excess VAT on a monthly basis.

### **2. Six ministries jointly published the *Measures for the Administration of Subsidy Funds for Promoting Rural Revitalization with Central Fiscal Resources***

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On March 31, MOF, the National Administration for Rural Revitalization, the National Development and Reform Commission, the National Ethnic Affairs Commission, the Ministry of Agriculture and Rural Affairs, and the State Forestry and Grassland Administration jointly published the *Measures for the Administration of Subsidy Funds for Promoting Rural Revitalization with Central Fiscal Resources*, which provided the following. First, the funds are intended to support efforts of provinces in aligning the consolidation and expansion of poverty alleviation achievement with rural revitalization, with specific focus on supporting the consolidation and expansion of poverty alleviation achievement, supporting rural revitalization, and supporting the

alignment between the consolidation and expansion of poverty alleviation achievement and rural revitalization. Second, the funds should be used in a coordinated manner to build up synergy. The size and distribution of poverty-stricken counties should be comprehensively considered to allow for classified and tiered support and allocate funds according to the factor method. Third, the finance authorities at all levels are responsible for making budget arrangement, reviewing fund allocation proposals and disbursing funds, and should provide guidance for authorities in charge of rural revitalization, development and reform and other sectors as well as local governments to strengthen fund supervision and performance management.

### **3. MOF and the National Cultural Heritage Administration jointly published a circular on the *Interim Measures for the Management of State-owned Cultural Heritage Resources and Assets***

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On March 31, MOF and the National Cultural Heritage Administration jointly published a circular on the *Interim Measures for the Management of State-owned Cultural Heritage Resources and Assets*, which provided the following. First, the cultural heritage resources and assets come from cultural heritage census, archaeological investigation, exploration and excavation, solicitation, purchase, allocation, donation, law-based replacement, law-based acceptance, designated safe-keeping, etc. Second, finance authorities, cultural heritage administrative authorities, and other competent authorities at all levels should undertake the registration, accounting, preservation and protection of cultural heritage resources and assets in accordance with the division of responsibilities. Third, the finance authorities at all levels are responsible for the registration, accounting, preservation and protection, display and utilization, IT-based management, asset reporting, supervision and inspection of cultural heritage and assets. Fourth, the collection and management units are responsible for the specific management, preservation, protection and accounting of cultural heritage resources and assets in accordance with the regulations of the finance authorities and the cultural heritage administrative authorities.

### **4. MOF and the Ministry of Transport jointly published the *Interim Measures for***

### ***the Management of Highway Assets***

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On March 31, MOF and the Ministry of Transport jointly published the *Interim Measures for the Management of Highway Assets*, which provided the following. First, highway assets include highway land, highways and structures, as well as transportation engineering projects and facilities along the route that form an indispensable part of the normal use of highways. Second, the Measures are applicable to the management activities of highway assets conducted by various administrative institutions at all levels that are responsible for management and maintenance of highways, including basic management and IT-based management. Third, the finance authorities are responsible for formulating a comprehensive highway asset management system and a management reporting system, and for organizing implementation, supervision and inspection.

### **5. Ministry of Agriculture and Rural Affairs and MOF published the *Guidelines on the Implementation of Agricultural Machinery Purchase Subsidies for 2021-2023***

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On April 4, the Ministry of Agriculture and Rural Affairs and MOF published the *Guidelines on the Implementation of Agricultural Machinery Purchase Subsidies for 2021-2023*, which provided the following. First, the subsidies target individuals engaged in agricultural production as well as agricultural production and operation organizations, and the latter includes rural collective economic organizations, farmers' professional cooperative economic organizations, agricultural enterprises and other organizations engaged in agricultural production and operation. Second, agricultural machinery purchase subsidies are mainly used to support the purchase of advanced and applicable agricultural machinery, as well as to carry out relevant pilot programs and the scrapping and updating of agricultural machinery. Third, the subsidies will prioritize the efforts to stabilize production and supply, with a focus on supporting independent innovation in agricultural machinery technology, allowing the subsidy standards to both rise and fall where appropriate, and improving the effectiveness of supervision in policy implementation.

## **6. MOF and the State Administration of Taxation published an announcement on further improving the pre-tax deduction policy for R&D expenses**

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On April 7, MOF and the State Administration of Taxation published an announcement on further improving the pre-tax deduction policy for R&D expenses, which provided the following. First, manufacturing enterprises refer to the enterprises with manufacturing business as their main business and whose main business income entitled to preferential treatment in the current year account for more than 50% of the total income. Second, for the R&D expenses actually incurred by manufacturing enterprises during R&D activities, if intangible assets have not been formed and included in the current profits and losses, 100% of the actual amount of expenses will be deducted before tax on top of the previous deduction starting from January 1, 2021; if intangible assets have been formed, 200% of the cost of intangible assets will be amortized before tax starting from January 1, 2021.

## **7. MOF and the General Administration of Customs published a circular on the tax policies supporting the import of aviation equipments for civil aircraft repair and maintenance from 2021 to 2030**

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On April 7, MOF and the General Administration of Customs published a circular on the tax policies supporting the import of aviation equipments for civil aircraft repair and maintenance from 2021 to 2030, which provided the following. First, civil aircraft design and manufacturing enterprises, domestic airlines, repair and maintenance units, and aviation equipment distributors respectively refer to enterprises engaged in the design and manufacturing of civil aircrafts and their affiliated units with the relevant models of their products approved by the Civil Aviation Administration of China, domestic airlines approved by the Civil Aviation Administration of China, repair and maintenance units licensed to provide repair and maintenance services for civil aircraft in China, and aviation equipment distributors that meet the management requirements of the Civil Aviation Administration of China. Second, from January 1, 2021 to December 31, 2030, the import of aviation equipments for aircraft repair and maintenance that cannot be produced domestically or whose performance cannot meet the needs by civil aircraft design and manufacturing enterprises, domestic airlines,

repair and maintenance units, and aviation equipment distributors will be exempted from import duties.

## **8. Eleven ministries jointly published a circular on continuing to support the consolidation and use of agriculture-related fiscal funds in counties just lifted out of poverty**

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On April 12, MOF, the National Development and Reform Commission, the National Ethnic Affairs Commission, the Ministry of Ecology and Environment, the Ministry of Housing and Urban-Rural Development, the Ministry of Transportation, the Ministry of Water Resources, the Ministry of Agriculture and Rural Affairs, the Ministry of Culture and Tourism, the National Forestry and Grassland Administration and the National Administration for Rural Revitalization jointly published a circular on continuing to support the consolidation and use of agriculture-related fiscal funds in counties just lifted out of poverty, which provided the following. First, continue with the pilot policies for consolidation and use of agriculture-related fiscal funds in counties just lifted out of poverty from 2021 to 2023; and narrow the scope of pilot policies down to key counties identified by the central government for rural revitalization from 2024 to 2025. The applicable funds include those allocated by the finance authorities at all levels for agricultural production and development and rural infrastructure construction. Second, the consolidated funds are mainly used for agricultural production, livestock breeding, water conservancy development, forestry reform and development, farmland development, comprehensive rural reform, agricultural resources and ecological protection, rural tourism and other agricultural production and development and rural infrastructure projects. Third, the central budgetary investment will increase support for counties just lifted out of poverty on the basis of full consideration of the overall plan, tasks and local needs. Fourth, efforts will be made to encourage the use of consolidated funds for projects that are conducive to consolidating and expanding the outcomes of poverty alleviation and completing the tasks of industrial development, and to actively accept supervision from all parties.

## **9. Ministry of Water Resources and MOF jointly published a circular on the**

## **implementation of pilot program for rural river system connectivity and development of villages with beautiful watershed landscapes in 2021**

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On April 12, the Ministry of Water Resources and MOF jointly published a circular on the implementation of pilot program for rural river system connectivity and development of villages with beautiful watershed landscapes in 2021, which provided the following. First, pilot program will be carried out in 30 provinces, autonomous regions and municipalities in 2021, with each province having no more than one pilot county under the pilot program. Second, pilot counties that enjoy preferential investment policies for central and western regions will be entitled to receive 120 million RMB of central fiscal subsidies for each county; pilot counties in other regions will be entitled to receive 80 million RMB of central fiscal subsidies for each county. Third, the pilot period is 2 years. In 2021, part of the central government's water conservancy development funds will be first earmarked to support the launch of the second batch of pilot counties. The remaining subsidy funds will be allocated in different batches based on the implementation of the pilot program and the final evaluation.

## **10. State Council published the guidelines on further deepening the reform of the budget management system**

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On April 13, the State Council published the guidelines on further deepening the reform of the budget management system, which provided the following. First, greater efforts should be made to enhance coordination of budgetary revenues, standardize government revenue budget management, strengthen coordination and management of governmental resources, intensify the overall management of departmental revenues, and revitalize various types of existing resources to increase fiscal funding capacity. Second, all departments and local governments concerned should standardize budget expenditure management, strengthen financial support for major plans and tasks, reasonably determine the scale of expenditure budget, vigorously optimize the structure of fiscal expenditure, improve the mechanism for directly allocating fiscal funds, advance the development of expenditure standard system, and promote the standardization of fiscal expenditure. Third, efforts should be made to

strictly administer budget preparation, improve government budget preparation, strengthen cross-year budget balance, enhance departmental budget management, improve the government financial reporting system, and enhance the integrity of fiscal budget. Fourth, all government departments concerned should strengthen budget implementation and performance management, enhance budget control over implementation, improve quality and efficiency of budget performance management, optimize centralized receipt and payment management of treasury, expand policy functions of government procurement, and enhance binding force of budget. Fifth, efforts should be made to strengthen risk prevention and control, improve the local government's appropriate borrowing mechanism in accordance with the law, prevent and resolve hidden debt risks of local governments, prevent and resolve hidden risks in fiscal operation, and enhance fiscal sustainability. Sixth, all central and local departments concerned should enhance fiscal transparency, improve the disclosure of budgets and final accounts, give play to the synergistic effect of multiple supervision methods, realize the information connectivity between the central and local fiscal systems, promote the interconnectivity and sharing of budget information between different departments, and improve the level of IT-based budget management.

#### **11. Ministry of Human Resources and Social Security and MOF jointly published a circular on the adjustment of the basic pension for retirees in 2021**

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On April 19, the Ministry of Human Resources and Social Security and MOF jointly published a circular on the adjustment of the basic pension for retirees in 2021, which provided the following. First, on the scope of adjustment, the adjustment is applicable for retirees who have completed the retirement procedures before December 31, 2020, and are presently receiving pensions on a monthly basis. Second, on the adjustment level, the national overall adjustment is determined at 4.5% of the monthly average basic pension for each retiree in 2020; each province may use the national overall adjustment ratio as the upper limit to determine the adjustment ratio and level in their province. Third, on the adjustment method, a combination of fixed-sum adjustment and linkage adjustment with appropriate tilt will be adopted to achieve unified adjustment for retirees in enterprises, government agencies and public institutions. Fourth, on the funding required for the adjustment of basic pensions, those who

participate in the basic pension insurance for enterprise employees will have their pension funded by the basic pension insurance fund of enterprises, and those who participate in the basic pension insurance for employees of government agencies and public institutions will have their pension funded by the basic pension insurance fund of government agencies and public institutions; those in the central and western regions, old industrial base areas, Xinjiang Production and Construction Corps, and central-level national agencies and affiliated institutions in Beijing will have their pension appropriately subsidized by the central government; and for those who have not participated in the basic pension insurance for employees, the funding required for adjustment will be raised through the original channels.

### **12. Three ministries published a circular on the tax policy related to imports for supporting scientific and technological innovation during the 14th Five-Year Plan period**

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On April 20, MOF, the General Administration of Customs, and the State Administration of Taxation jointly published a circular on the tax policy related to imports for supporting scientific and technological innovation during the 14th Five-Year Plan period, which provided the following. First, the items imported by scientific research institutions, technological development institutions, schools, Party schools, and libraries for scientific research, technological development and teaching that cannot be produced domestically or whose performance cannot meet the demand will be exempted from import duties, import VAT, and consumption taxes. Second, books and materials imported by scientific research institutions, schools, Party schools, and libraries for scientific research and teaching will be exempted from import VAT. Third, scientific research institutions, technological development institutions, schools, Party schools, and libraries may use the imported and tax-free items for scientific research, technological development and teaching in the scientific research, technological development and teaching activities of other units.

### **13. Twenty-one ministries jointly published the National Basic Public Service Standards (2021 Edition)**

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On April 21, twenty-one ministries, including the National Development and Reform Commission, the Publicity Department of the Chinese Communist Party Central Committee, the Ministry of Education, the Ministry of Civil Affairs, the Ministry of Justice, MOF, and the Ministry of Human Resources and Social Security jointly published the National Basic Public Service Standards (2021 Edition), which provided the following. First, work expeditiously to formulate implementation standards and fully align them with the criteria of national standards and industry standards, and conduct financial affordability assessment to ensure full coverage of population, adequate funding, and sustainable services and see that there are no missing items and no excessive standards. Second, strictly define the scope, further refine and substantiate the relevant service standards and service procedures in the locality, and ensure that the national standards be fully implemented. Third, expenditure responsibilities should be implemented effectively, with the central fiscal mandate to be funded by the central government; the local fiscal mandate should, in principle, be funded by the local government through its own financial resources, and the related shortfall is principally made up for by the general transfer payments from the higher-level government except for some capital expenditures that are funded through the issuance of local government bonds in accordance with the law; the funding of joint fiscal mandate between the central and local governments should be mainly shared by the central and local governments according to a certain ratio. Fourth, strengthen the supply capacity, reasonably plan the construction of various basic public service facilities, and ensure that relevant funds are allocated in full. Fifth, comprehensively promote information sharing and disclose all basic public service standards in a timely manner.

#### **14. State Council planned the further implementation of a regular mechanism for direct allocation of fiscal funds**

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On April 21, Li Keqiang presided over an executive meeting of the State Council to plan the further implementation of a regular mechanism for direct allocation of fiscal funds, which provided the following. First, the meeting highlighted the priorities in using the directly allocated funds, with a focus on promoting economic stability and growth, and decided to use the directly allocated funds as part of the important

measures to offset the impact of the withdrawal of some temporary policies in a bid to continue to support employment, protect people's livelihood, and keep market entities afloat. Second, the meeting urged local governments to do a good job in the distribution and use of the remaining directly allocated funds and see that relevant policies take effect in a timely manner, and encouraged them to consider local conditions and expand the scope of the directly allocated funds of local government on the basis of the directly allocated funds of central government. Third, the meeting stressed the importance to strictly supervise the directly allocated funds, and required finance, audit and related departments to strengthen supervision and dynamically track the distribution, appropriation and use of funds.

## II. Facts & Figures

### **1. Total operating income of SOEs in China from January to February reached 10.19292 trillion RMB**

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The data published by MOF on March 29 showed that total operating income of SOEs in China from January to February reached 10.19292 trillion RMB, a year-on-year increase of 33.7%. Among them, operating income of central-level SOEs was 5.99873 trillion RMB, a year-on-year increase of 25.5%; operating income of local-level SOEs was 4.19419 trillion RMB, a year-on-year increase of 47.5%.

### **2. Total profit of SOEs in China from January to February reached 548.94 billion RMB**

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The data published by MOF on March 29 showed that the total profit of SOEs in China from January to February reached 548.94 billion RMB, a year-on-year increase of 1.5 times. Among them, profit of central-level SOEs was 407.70 billion RMB, a year-on-year increase of 96.9%; profit of local-level SOEs was 141.24 billion RMB, a year-on-year increase of 9.6 times.

### **3. China issued 55.7 billion RMB of local government bonds in February**

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The data published by MOF on March 31 showed that China issued 55.7 billion RMB of local government bonds in February. Among them, 29.5 billion RMB were general bonds, and 26.2 billion RMB were special bonds; and all were refinancing bonds by purpose. The average maturity of local government bonds was 8.9 years, including 9.0 years for general bonds and 8.8 years for special bonds; the average interest rate was 3.45%, including 3.45% for general bonds and 3.45% for special bonds.

### **4. Cumulative debt balance of China's local governments was 26.0166 trillion RMB**

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The data published by MOF on March 31 showed that cumulative debt balance of China's local governments was 26.0166 trillion RMB as of the end of February 2021. Among them, general debt was 12.9499 trillion RMB, and special debt was 13.0667 trillion RMB. The average remaining maturity of local government bonds was 6.7 years, including 6.1 years for general bonds and 7.3 years for special bonds. The average interest rate was 3.51%, including 3.51% for general bonds and 3.50% for special bonds.

### **5. China's CPI in March rose by 0.4% year on year and fell by 0.5% month on month**

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The data published by the National Bureau of Statistics on April 9 showed that China's CPI in March rose by 0.4% year on year. Among them, prices in urban areas rose by 0.5%, and prices in rural areas rose by 0.4%; food prices fell by 0.7%, and non-food prices rose by 0.7%; consumer goods prices rose by 0.6%, and services prices rose by 0.2%. China's CPI in March fell by 0.5% month on month. Among them, prices in urban areas fell by 0.5%, and prices in rural areas fell by 0.6%; food prices fell by 3.6%, and non-food prices rose by 0.2%; consumer goods prices fell by 0.8%, and services prices fell by 0.1%.

### **6. China's PPI in March increased by 4.4% year on year**

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The data published by the National Bureau of Statistics on April 9 showed that China's PPI in March increased by 4.4% year on year. Among them, prices of extractive industries rose by 12.3% year on year, prices of raw materials industries rose by 10.1% year on year, and prices of processing industries rose by 3.4% year on year. Prices of daily necessities rose by 0.1% year on year, among them, food prices rose by 2.0%, apparel prices fell by 0.8%, prices of general consumer goods remained flat, and prices of durable consumer goods fell by 1.4%.

## **7. Value added of major industrial enterprises in China in March increased by 14.1% year on year**

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The data published by the National Bureau of Statistics on April 16 showed that value added of major industrial enterprises in China in March increased by 14.1% year on year and 0.6% month on month. In terms of the three categories, value added of the mining industries increased by 2.9% year on year; value added of the manufacturing industries increased by 15.2%; and value added of the electricity, heating, gas and water production and supply industries increased by 13.9%. In terms of ownership types, value added of state-owned and controlled enterprises increased by 10.9% year on year; value added of joint-stock enterprises increased by 13.4%, value added of foreign, Hong Kong, Macao and Taiwan-invested enterprises increased by 17.4%; and value added of private enterprises increased by 16.8%.

## **8. China's GDP in the first quarter of 2021 grew by 18.3% year on year**

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The data published by the National Bureau of Statistics on April 16 showed that China's GDP in the first quarter of 2021 reached 24.931 trillion RMB, up by 18.3% year on year and 0.6% month on month. The figure was an increase of 10.3% over the first quarter of 2019, registering an average increase of 5.0% over the two years. In terms of industries, value added of the primary industry was 1.1332 trillion RMB, a year-on-year increase of 8.1%, and an average increase of 2.3% over the two years; value added of the secondary industry was 9.2623 trillion RMB, a year-on-year increase of 24.4%, and an average increase of 6.0% over the two years; value added of the tertiary industry was 14.5355 trillion RMB, an increase of 15.6% year on year, and an average increase of 4.7% over the two years.

## **9. China issued 477.1 billion RMB of local government bonds in March**

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The data published by MOF on April 20 showed that China issued 477.1 billion RMB of local government bonds in March, among them, 278.8 billion RMB were general

bonds and 198.3 billion RMB were special bonds. The average maturity of local government bonds was 7.7 years, including 7.0 years for general bonds and 8.7 years for special bonds; the average interest rate was 3.44%, including 3.41% for general bonds and 3.47% for special bonds.

#### **10. China's general public budget revenue in the first quarter was 5.7115 trillion RMB**

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The data published by MOF on April 21 showed that China's general public budget revenue in the first quarter was 5.7115 trillion RMB, a year-on-year increase of 24.2%. Among them, the central general public budget revenue was 2.6902 trillion RMB, a year-on-year increase of 27.2%; the local general public budget revenue was 3.0213 trillion RMB, a year-on-year increase of 21.7%. Tax revenue was 4.8723 trillion RMB, a year-on-year increase of 24.8%; non-tax revenue was 839.2 billion RMB, a year-on-year increase of 20.7%.

#### **11. China's general public budget expenditure in the first quarter was 5.8703 trillion RMB**

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According to the news released by MOF on April 21, China's general public budget expenditure in the first quarter was 5.8703 trillion RMB, an increase of 6.2% year on year. Among them, the central general public budget expenditure was 667.6 billion RMB, down by 6.9% year on year; the local general public budget expenditure was 5.2027 trillion RMB, up by 8.1% year on year.

### III. MOF Events

1. On March 29, Finance Minister Liu Kun attended, via video link, the Meeting of Heads of State and Government on the International Debt Architecture and Liquidity: Financing for Development in the Era of COVID-19 and Beyond Initiative jointly convened by UN Secretary General António Guterres, Prime Minister Justin Trudeau of Canada, and Prime Minister Andrew Holness of Jamaica. The virtual meeting focused on issues such as addressing debt and liquidity and strengthening development cooperation.

2. On March 30, Finance Minister Liu Kun attended the 6th Annual Meeting of the Board of Governors of the New Development Bank (NDB) via video link and delivered an opening speech. The meeting discussed topics such as the membership expansion of NDB, the formulation of the General Strategy of 2022-2026, and the establishment of the BRICS digital platform for infrastructure.

3. On March 31, Finance Minister Liu Kun met with Angel Gurría, Secretary General of OECD, via video link. The two sides exchanged views on the macroeconomic situation and the enhanced cooperation between MOF and OECD. Vice Finance Minister Zou Jiayi also attended the meeting.

4. On April 6, Finance Minister Liu Kun attended the BRICS Finance Ministers and Central Bank Governors' Meeting via video link and participated in the discussion. The meeting focused on issues related to global economic situation and COVID-19 response, New Development Bank activities, infrastructure investment, customs cooperation, IMF reforms, financial services cooperation, information security cooperation, and the BRICS bond fund.

5. On April 7, Finance Minister Liu Kun attended and addressed the G20 Finance Ministers and Central Bank Governors' Meeting via video link. The virtual meeting

discussed the global economic situation and risks, the update of the *G20 Action Plan*, support for the most vulnerable economies, international taxation, green recovery, financial regulation and other topics. A joint communiqué was published after the meeting, and Vice Finance Minister Zou Jiayi participated in the communiqué drafting session of the finance deputies before the FMCBGs meeting.

## IV. Local Finance

### **1. Shanxi Finance: strengthening management of directly allocated funds in an expeditious, stringent and practical manner**

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According to the news released by the Finance Department of Shanxi Province on March 31, Lvliang City has managed new fiscal funds in a faster and more stringent and practical way to comprehensively strengthen management of directly allocated funds. First, quickly established a leading group for monitoring directly allocated funds, quickly mobilized finance bureaus in counties and its departments to participate in the virtual training workshop organized by MOF and the Shanxi Provincial Finance Department, and quickly convened a meeting on advancing the management of directly allocated funds. Second, enforced stringent working standards, scientifically formulated fund allocation plans, strictly implemented policy standards, and made timely allocation and payment of funds directly allocated from the central government to ensure the safe and effective use of funds. Third, took a practical approach, strengthened accountability, and strictly supervised the channeling of directly allocated funds to projects.

### **2. Hunan Finance: advancing innovation on five fronts to provide solid support for economic and social development**

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According to the news released by the Finance Department of Hunan Province on April 1, the Finance Bureau of Xiangtan City has earnestly undertaken the historical mission entrusted by the Party and the people in proactively shouldering fiscal responsibilities and providing solid financial support for the high-quality development of Xiangtan. First, strengthened the role of finance authorities as political organs, provided political guidance for public finance, and gradually enhanced the awareness of allocating fiscal resources in line with the new development philosophy and the need for high-quality development. Second, deepened the zero-based budget reform and improve the cross-year budget balance mechanism; gradually incorporate the income obtained by deploying administrative power and state-owned resources and assets into budget management, and strengthened the unified management of public

resources. Third, comprehensively strengthened the development of “electronic public finance”, accelerated the integration of budget management, and promote the digital and intelligent innovation of financial services. Fourth, expanded the breadth and depth of the financial audit, and accelerated the integration of budget management, performance evaluation, and audit oversight. Fifth, strengthened efforts to nurture and develop talents and to comprehensively improve the professionalism of cadres in public finance system.

### **3. Chongqing Finance: accelerating the construction of an integrated system for budget management**

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According to the news released by the Finance Bureau of Chongqing Municipality on April 7, the finance authorities of Chongqing have achieved current outcomes on the construction of an integrated system for fiscal and budget management, laying solid foundation for the high-standard and comprehensive completion of the municipality’s integrated budget management tasks. First, they strengthened organizational support, with one plan, one set of rules and concerted efforts to advance work in a coordinated manner. Second, they conducted overall planning and step-by-step implementation; enforced unified standards and took a fact-based approach; they built a robust system to underpin business development; and made constant innovations to solidly advance related work and effectively made the integrated budget management system more forward-looking and adaptable. Third, they implemented comprehensive government budget management, highlighted the need to fund key expenditures, and further improved the efficiency of fund use and asset allocation. Fourth, they have achieved seamless connection of public finance at all levels and established a “full life-cycle” project management mechanism.

### **4. Ningxia Finance: forging ahead to make new ground in fiscal management in order to support the economic and social development of Ningxia**

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According to the news released by the Finance Department of Ningxia Hui Autonomous Region on April 8, finance authorities of Ningxia have given play to the counter-cyclical role of fiscal policies to fully promote the healthy development of

Ningxia's economy and society. First, they took a coordinated approach to ensure healthy operation of fiscal revenues and expenditures, mobilized fiscal revenues in a scientific way, and established the awareness of tightening the belt. Second, they fully supported the development of the pilot area for Yellow River Basin ecological protection and high-quality development, innovatively established a diversified funding mechanism, and made every effort to promote the enforcement of policies and the implementation of the "ten major projects". Third, they fully supported the development of the nine key industries, innovated fiscal policy measures, stepped up investment in science and technology, and went all out to promote supply-side structural reforms. Fourth, they continued to protect and improve people's livelihood, and vigorously supported the launch of the project to boost the prosperity of millions of immigrants, the action to increase the income of urban and rural residents, and the comprehensive implementation of the rural revitalization strategy, in order to speed up efforts in strengthening areas of weakness related to people's livelihood.

#### **5. Zhejiang Finance: concentrate efforts on five fronts to move forward the development of talents for modern fiscal management**

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According to the news released by the Finance Department of Zhejiang Province on April 12, Finance Bureau of Jiaxing City has concentrated efforts on five fronts to move forward the development of talents for fiscal management. First, enhance political guidance. Second, strengthen leadership. Third, advance talent development. Fourth, move forward reforms by setting up special task forces on digitalized fiscal management, budget implementation, budget expenditure standards, asset management, and investment and financing models for major projects. Fifth, improve working conduct, provide better services, tighten institutional constraints, overhaul fiscal mechanisms, and improve the institutional arrangements for capital, asset and resource management.

#### **6. Guangxi Finance: make efforts to advance reform and innovate fiscal management in order to enhance the quality and efficiency of overall fiscal work in 2021**

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According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on April 15, finance authorities in Guangxi have steadily advanced the forecast and analysis of fiscal and economic situation, continued to optimize the income distribution policies, and vigorously deepened the reform of government purchase of services, in order to make new ground in overall fiscal work. First, carry out forecast and analysis of fiscal and economic situation on hot spot issues, and explore the establishment of a mechanism for forecast and analysis of fiscal and economic situation with fiscal characteristics. Second, improve the quality and efficiency of income distribution policies, and explore the income distribution policies that expand middle-income groups and increase the income of urban and rural residents to optimize the income distribution structure. Third, protect people's livelihood and improve their well-being, optimize the efficiency of housing and land management, vigorously promote the renovation of old urban communities, and continue to support public rental housing and renovation of urban rundown areas. Fourth, deepen and expand the reform of government purchase of services by rolling out pilot programs across the region. Fifth, promote the healthy and orderly development of lottery market with enhanced supervision.

## **7. Guizhou Finance: exploring a “1+3+7” system to promote all-round budget performance management reform**

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According to the news released by the Finance Department of Guizhou Province on April 20, Finance Bureau of Liupanshui City has established a performance target index system by industry, field and level in a timely manner, and set up an evidence-based and rule-based “1+3+7” budget performance management mechanism. First, improve the budget system, and strengthen accountability, in-process assessment and effectiveness evaluation, in order to build a robust fund management chain. Second, improve the budget review system, set pre-conditions, conduct double review, evaluate budgetary arrangement, and improve the efficiency of budget implementation. Third, improve the budget-oriented system, set development goals, enhance accountability, improve management system, clarify the power and responsibility relationship of each budgetary unit in budget performance management, and define the power and responsibility relationship between the finance department

and the budget department.

## **8. Shaanxi Finance: stepping up efforts to enhance the quality and efficiency of spending on ecological protection of the Yellow River Basin**

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According to the news released by the Finance Department of Shaanxi Province on April 22, finance authorities in Shaanxi have actively formulated plans to mobilize funds, work on policies, and strengthen management, so as to help promote high-level protection of the ecological environment of the Yellow River Basin and enhance the quality and efficiency of spending on ecological protection of the Yellow River Basin. First, strengthen top-level design, connect with the national master plan on the major project for protection and restoration of major ecological system, highlight comprehensive, systemic and source-based governance, and effectively mobilize and coordinate provincial fiscal funds. Second, prioritize key projects, maintain necessary scale of funding, advance project in a gradual way, and address both the symptoms and the root causes to ensure notable outcomes of the Yellow River ecological management work. Third, accurately study and assess the outstanding problems in different regions and different cities and counties, take a targeted approach to address the problems, use the funds meticulously, and spend the funds in a more accurate and precise way. Fourth, strengthen institutional building, regulate fund management, promote integrated budget performance management, and effectively maximize the benefits of the use of fiscal funds for eco-environmental protection.

## V. Remarks and Opinions

### **1. Gao Peiyong: indirect taxes account for about 70% of the total taxes and increasing the proportion of direct taxes may help boost consumption**

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On March 20, Gao Peiyong, Vice President of the Chinese Academy of Social Sciences, stated at the 2021 Economic Summit of the China Development Forum that China may unlock new consumption potential by increasing the proportion of direct taxes in the disposable income of residents. Gao Peiyong pointed out that unlocking new consumption potential through tax measures seeks not to reduce taxes but to induce structural changes. China's current tax system is dominated by indirect taxes, which account for about 70% of the total taxes. Regressive taxes are detrimental to the expansion of consumption. If the direct tax system could be improved, the proportion of direct taxes be increased, and the effect of regressive taxes be eliminated, then the effects of redistribution would increase accordingly, which will help increase residents' disposable income and boost consumption.

### **2. Liu Kun: strengthening experience exchange for pandemic response and promoting cooperation in the vaccine purchase will contribute to the early victory over the pandemic and economic recovery**

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On March 30, Finance Minister Liu Kun attended the 6th Annual Meeting of the Board of Governors of New Development Bank (NDB) via video link and addressed the opening session, Vice Finance Minister Zou Jiayi also attended the meeting. The meeting discussed topics such as membership expansion, the formulation of the General Strategy of 2022-2026, and the establishment of the BRICS digital platform for infrastructure.

Liu Kun stated that the continued spread of COVID-19 has posed greater challenges for the emerging economies and developing countries in achieving sustainable

development goals. Committed to building a community with shared future for mankind, China will work with NDB, other BRICS countries and the rest of international community to strengthen cooperation in the exchange of pandemic response experience and the vaccine purchase, in order to make positive contribution to the early victory over the pandemic and economic recovery.

Liu Kun commended the progress made by NDB in its business operation and expected NDB to continue its active support for member countries in fighting the pandemic and achieving economic recovery, speed up the first round of membership expansion, continuously improve innovation capabilities, with greater efforts to promote the infrastructure and sustainable development of member countries. Liu Kun said that China, as a shareholder and the host country of NDB, will continue to provide strong support and good services for NDB. He hoped that NDB will formally move to its permanent headquarters building within the year and will take its development to a new height.

### **3. Liu Kun: BRICS countries should strengthen macroeconomic policy coordination and collaboration under the multilateral framework**

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On April 6, Finance Minister Liu Kun attended the BRICS Finance Ministers and Central Bank Governors' Meeting via video link and participated in the discussion. The meeting focused on issues related to global economic situation and COVID-19 response, New Development Bank activities, infrastructure investment, customs cooperation, IMF reforms, financial services cooperation, information security cooperation, and the BRICS bond fund.

Liu Kun stated that the global economy is recovering, but the growth outlook is still uneven and unstable. The BRICS countries should strengthen macroeconomic policy coordination and collaboration under the multilateral framework, deepen pragmatic cooperation in pandemic response and financial areas, contribute to global pandemic

response actions, promote world economic recovery and sustainable growth, and enhance the voice of BRICS countries in the global economic governance system.

Liu Kun pointed out that in the next five years, the New Development Bank will enter a new stage of development. BRICS countries should make continued efforts to expedite its first round of membership expansion for an early conclusion within the year, and strengthen political support and policy guidance for the New Development Bank. The New Development Bank should adhere to its mandate and mission, build comparative advantages, move forward with more innovation, better serve the development needs of member countries, increase its international influence, and strive to become a platform for unity and cooperation among emerging economies.

Liu Kun emphasized that social infrastructure is of great significance for ensuring people's livelihood, enhancing equity, and promoting inclusive and sustainable economic growth. During the 14th Five-Year Plan period, China will further advance the construction of a modern infrastructure system, develop innovative financing models for social infrastructure, and strengthen the application of digital technology in the field of social infrastructure. China is willing to share relevant experience and explore cooperation opportunities with other BRICS countries to jointly promote social infrastructure development in BRICS countries.

#### **4. Liu Kun: strengthening macroeconomic policy coordination to jointly promote the strong, sustainable, balanced and inclusive growth of the global economy**

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On April 7, Finance Minister Liu Kun attended and addressed the G20 Finance Ministers and Central Bank Governors' Meeting, and Vice Finance Minister Zou Jiayi participated in the communiqué drafting session of G20 finance deputies. The meeting discussed the global economic situation and risks, the update of the *G20 Action Plan*, support for the most vulnerable economies, international taxation, green recovery, financial regulation and other topics. A joint communiqué was published after the

meeting.

Liu Kun stated that presently global economy continues to recover, but the recovery remains uneven and uncertain. China supports the endorsement of the updated *G20 Action Plan*, and is willing to strengthen macroeconomic policy coordination with all parties to jointly promote the strong, sustainable, balanced and inclusive growth of the global economy. To this end, first, we need to ensure that financing for pandemic preparedness and response is fair, equitable, diverse and inclusive. It is important to respect the leadership role of the World Health Organization and encourage multilateral institutions such as the World Bank to provide more financial support. All parties should do their best within their capacity, mobilize resources through multiple channels, and respect the independent choice of countries in raising and using relevant funds. Second, we need to provide support to vulnerable countries in accordance with the principle of collective action and fair burden sharing. China supports the extension of DSSI for all eligible countries through the end of 2021, and is willing to work with relevant parties to launch the first case-by-case debt treatment under the *Common Framework*. Third, China supports the efforts to reach a multilateral consensus-based solution for taxation of digital economy by mid-2021. Fourth, we need to join hands to tackle climate challenges. China will actively follow through on the goals announced by President Xi Jinping on carbon emission peak and carbon neutrality, and will to work with other G20 parties on the implementation of the *Paris Agreement* on the basis of the principles of fairness, common but differentiated responsibilities and respective capabilities, in order to promote the green and low-carbon development of the world.

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