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HIGHLIGHTS

- Vice Finance Minister Zou Jiayi: promote the high-quality reform and development of PPP
- Finance Minister Liu Kun met with Le Maire, Minister of Economy and Finance of France at MOF
- MOF published a circular on the issuance of the *Administrative Measures for the Registration of State-owned Financial Capital Property Rights (Trial)*
- MOF and SAT jointly published an announcement on clarifying the extra VAT deduction policy for the consumer services industry
- China's CPI rose by 3.0% year on year in September

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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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
CAC	Cyberspace Administration of China
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
GDP	Gross Domestic Product
IEFI	International Economics and Finance Institute
IMF	International Monetary Fund
IPI	Industrial Production Index
IPR	Intellectual Property Rights
LICs	low income countries
MCA	Ministry of Civil Affairs
MCT	Ministry of Culture and Tourism
MEE	Ministry of Ecology and Environment
MIIT	Ministry of Industry and Information Technology
MNR	Ministry of Natural Resources

MOA	Ministry of Agriculture and Rural Affairs
MOFCOM	Ministry of Commerce
MOE	Ministry of Education
MOF	Ministry of Finance
MOHRSS	Ministry of Human Resources and Social Security
MOHURD	Ministry of Housing and Urban-Rural Development
MOST	Ministry of Science and Technology
MVA	Ministry of Veteran Affairs
MWR	Ministry of Water Resources
NBS	National Bureau of Statistics
NDB	New Development Bank
NDRC	National Development and Reform Commission
NEA	National Energy Administration
NFSRA	National Food and Strategic Reserves Administration
NHSA	National Healthcare Security Administration
NMPA	National Medical Products Administration
NPC	National People's Congress
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 Easing
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
SAFE	State Administration of Foreign Exchange
SAMR	State Administration of Market Regulation
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SAT	State Administration of Taxation
SMEs	Small and Medium Enterprises
SOEs	State-owned Enterprises
VAT	Value-added Tax
WTO	World Trade Organization

I . Policy Update

1. MOF and SAT jointly published an announcement on clarifying the extra VAT deduction policy for the consumer services industry

On September 30, MOF and SAT jointly published an announcement on clarifying the extra VAT deduction policy for the consumer services industry, which provided the following. First, from October 1, 2019 to December 31, 2021, the taxpayers of the consumer services industry are allowed an extra 15% deduction of deductible input tax against the amount of tax payable. Second, the taxpayers of consumer services industry mentioned in this announcement refer to the taxpayers whose sales from consumer service provision account for more than 50% of the total sales. The specific scope of consumer services is in line with the *Notes on Sales Services, Intangible Assets and Real Estate*. For taxpayers established before September 30, 2019, if their sales from October 2018 to September 2019 meet the above-mentioned requirements (or the sales of the actual operating period if the operating period is less than 12 months), the extra 15% deduction policy shall apply starting from October 1, 2019. For taxpayers established after October 1, 2019, if the sales of

the three months since the date of establishment meet the above-mentioned requirements, the extra 15% deduction policy shall apply starting from the date of registration as general taxpayers. After the application of the extra 15% deduction policy by taxpayers, the policy shall not be adjusted during the year, and whether the policy is still applicable in the following years will be determined on the basis of the sales of the previous year. Third, the taxpayers of the consumer services industry shall calculate the amount of extra deduction for the current period according to the 15% of the current deductible input tax amount. The input tax that cannot be deducted from the output tax in accordance with the current regulations shall not be calculated for the extra deduction; if the input tax amount has been calculated at the extra 15% and transferred out as input tax amount in accordance with regulations, the amount of extra deduction shall be reduced accordingly during the period of transfer. Fourth, other matters for taxpayers to apply the extra deduction policy shall follow the relevant provisions of the *Announcement on the Policies Related to the Deepening of Value-Added Tax Reform*.

2. MOF published a circular on further increasing the delegation of powers to promote the commercialization of scientific and technological findings

On October 11, MOF published a circular on further increasing the delegation of powers to promote the commercialization of scientific

and technological findings, which provided the following. First, increase the delegation of powers and simplify the administrative procedures. Central-level research and development institutions and institutions of higher learning may independently transfer, license or invest with their scientific and technological findings, and are not required to report to the competent authorities and MOF for approval or filing except for those involving state secrets, national security and key core technologies; matters related to the transfer, free transfer or overseas investment of state-owned shares formed through the investment with the scientific and technological findings administered by the authorized central-level research and development institutions and institutions of higher learning are not required to report to MOF for approval or filing; matters related to the registration of the property rights of state-owned assets formed through enterprises established with the investment with the scientific and technological findings administered by the authorized central-level research and development institutions and institutions of higher learning are not required to report to MOF for approval or filing. Second, optimize the evaluation management and clarify the attribution of income. Central-level research and development institutions and institutions of higher learning may independently decide whether to conduct asset evaluation when they transfer, license or invest with scientific and technological findings; the income from the commercialization of scientific and technological findings by central-level research and development institutions and institutions of higher learning shall be retained by

themselves, incorporated into their departmental budget, and not to be turned over to the state treasury. Third, enhance accountability and strengthen supervision and management. Central-level research and development institutions and institutions of higher learning should strengthen the management of scientific and technological findings and regulate the procedures for the commercialization of scientific and technological findings; the competent authorities of central-level research and development institutions and institutions of higher learning should take the main responsibility for the management of state-owned assets related to the commercialization of scientific and technological findings, and strengthen the management of state-owned equities formed through investment with scientific and technological findings; the finance authorities shall strengthen supervision over the management of state-owned assets related to the commercialization of scientific and technological findings. Fourth, encourage local exploration and support reform and innovation. Local finance authorities should take supporting the transfer and commercialization of scientific and technological findings and promoting scientific and technological innovation as an important responsibility; encourage local innovation and exploration of management models that conform to the characteristics of scientific and technological findings as state-owned assets, give full play to the supporting role of state-owned assets in the commercialization of scientific and technological findings, and support local efforts in the commercialization of scientific and technological findings.

3. MOF, MOA, CBIRC, and the State Administration for Forestry and Grassland jointly published a circular on the issuance of the *Guiding Opinions on Accelerating the Quality Development of Agricultural Insurance*

On October 12, MOF, MOA, CBIRC, and the State Administration for Forestry and Grassland jointly published a circular on the issuance of the *Guiding Opinions on Accelerating the Quality Development of Agricultural Insurance*, which provided the following. First, the overall requirements. Guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and consistent with the basic principles of government guidance, market operation, voluntary participation and coordinated promotion, the main goal is to build a well-functioning and sound multi-level agricultural insurance system that is compatible with the development stage, meets the farmers' risk protection needs, and features the central and local division of labor by 2022. By 2030, agricultural insurance will continue to improve its quality and efficiency, get upgraded, and basically reach the international advanced level, resulting in multi-win outcomes with efficient subsidies, sound industry safeguards, concrete benefits for farmers and sustainable institutional development. Second, improve the service ability of agricultural insurance. Expand the coverage of agricultural insurance, improve the level of agricultural insurance protection, broaden the scope of agricultural insurance services, and implement measures to deliver real benefits to

people. Third, optimize the operation mechanism of agricultural insurance. Clarify the boundary between government and market, improve the disaster risk dispersion mechanism, clean up and regulate the agricultural insurance market, and encourage the exploration and development of "agricultural insurance+". Fourth, strengthen the construction of agricultural insurance infrastructure. Improve insurance clauses and rate formulation mechanism, strengthen the sharing of agricultural insurance information, optimize the layout of insurance institutions, and improve the risk prevention mechanism. Fifth, improve organization and implementation. Strengthen synergy and coordination, increase policy support, and foster a sound market environment.

4. MOF and MOST jointly published a circular on the issuance of the *Measures for the Administration of the Central Funds for Guiding the Local Scientific and Technological Development*

On October 14, MOF and MOST jointly published a circular on the issuance of the *Measures for the Administration of the Central Funds for Guiding the Local Scientific and Technological Development*, which provided the following. To regulate the administration of central funds for guiding the local scientific and technological development, improve the effectiveness of the use of guiding funds, and promote scientific and technological innovation, these Measures are

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formulated in accordance with relevant state regulations. The term “guiding funds” as mentioned in these Measures refers to the transfer payment funds from the central government to support and guide local government in implementing national innovation-driven development strategies and policies on scientific and technological reform and development, optimize regional environment for scientific and technological innovation, and enhance regional capability for scientific and technological innovation. The guiding funds are jointly managed by MOF and MOST. MOST is responsible for reviewing related local materials and data, providing basic data needed for fund measurement, and proposing funding demand measurement plans and allocation recommendations. MOF, in accordance with the relevant provisions of budget management, will work with MOST to study and determine the amount of guiding funds for each province. The management of guiding funds follows the principle of “central guidance, provincial coordination, streamlining administration, delegating power, stimulating vitality, focusing on key points and highlighting performance”. The guiding funds are to support basic research in free exploration, construction of science and technology innovation bases, and development of the system for commercialization of scientific and technological findings and regional innovation. Local government is encouraged to use direct subsidies, post-subsidies, awards and other means to complement the guiding funds.

5. MOF and MOE jointly published a circular on the issuance of the *Measures for the Administration of Subsidy Funds for Urban and Rural Compulsory Education*

On October 15, MOF and MOE jointly published a circular on the issuance of the *Measures for the Administration of Subsidy Funds for Urban and Rural Compulsory Education*, which provided the following. To strengthen the management of urban and rural compulsory education subsidies, improve the efficiency of fund use, and promote the balanced development of compulsory education, these Measures are formulated. The term “subsidy funds for urban and rural compulsory education” as mentioned in these Measures refers to the transfer payment funds used by the central government to support the development of compulsory education in urban and rural areas. The management of subsidy funds follows the principle of “unified approach for urban and rural areas, emphasis on rural areas, coordinated arrangement, highlighting of key points, being objective and fair, being standardized and transparent, focus on performance and strong supervision”. At this stage, the subsidies are to mainly support: implementing the funding guarantee mechanism for urban and rural compulsory education; implementing the special post program for school teachers in rural compulsory education, providing wage subsidies to the special-post teachers, and settling the subsidy funds according to the regulations; and implementing the nutrition improvement plan for rural compulsory education students. MOF

and MOE shall, in accordance with the relevant decisions and arrangements of the Party Central Committee and the State Council and in view of the reform and development of compulsory education and the adequacy of financial resources, may adjust the relevant subsidy standards, distribution factors and calculation formulas in a timely manner, and report to the State Council for approval before implementation. The provincial finance and education authorities shall submit the application materials for the subsidies of the current year to MOF and MOE before the end of February each year.

6. MOF and the four other ministries jointly published a circular on the issuance of the measures for the administration of five subsidy funds for basic public health services

On October 16, MOF, NHC, NHSA, and NATCM jointly published a circular on the issuance of the measures for the administration of five subsidy funds for basic public health services, which provided the following. To regulate and strengthen the central government's transfer payment funds to local government and improve the effectiveness of fund use, in line with the regulations and policy requirements of the *Budget Law of the People's Republic of China* and the *Circular of the General Office of the State Council on Printing and Distributing the Reform Plan for the Division of Central and Local Fiscal Powers and Expenditure Responsibilities in the Area of*

Healthcare, as well as the MOF regulations on budget management of transfer payment funds, the *Measures for the Administration of Subsidy Funds for Basic Public Health Service*, the *Measures for the Administration of Medical Service and Support Capacity Enhancement Funds*, the *Measures for the Administration of Basic Drug System Subsidy Funds*, the *Measures for the Administration of Family Planning Transfer Payment Funds*, and the *Measures for the Administration of Subsidy Funds for Major Infectious Disease Prevention and Control* are now revised.

7. MOF published a circular on the 2019 subsidy budget for central special lottery public welfare fund to support the pilot reform of home and community-based elderly care services

On October 18, MOF published a circular on the 2019 subsidy budget for central special lottery public welfare fund to support the pilot reform of home and community-based elderly care services, which provided the following. The central fiscal subsidy funds released this time are used to support the expenditures on the development of home and community-based elderly care services by the pilot areas in accordance with the requirements of the *Circular of the Ministry of Civil Affairs and the Ministry of Finance on Supporting the Pilot Reform of Home and Community-based Elderly Care Services with Central Public Finance*. The finance authorities of the pilot areas should work closely with the civil affairs authorities to ensure that the

central government subsidy funds are allocated to the pilot areas in full and on time. In order to further strengthen the performance management of funds and effectively improve the efficiency of the use of fiscal funds, in accordance with the relevant requirements of the *Interim Measures for the Management of the Performance Targets of Central-to-Local Special Transfer Payments*, and with reference to the requirements of the pilot reform work and the amount of subsidy funds, performance targets will be scientifically and reasonably determined, the *Regional Performance Target Form for Central-to-Local Special Transfer Payments* will be filled out, and reports will be submitted to MOF and MCA within 60 days of receiving the subsidy funds and be copied to the local regulatory bureaus of MOF as the basis for performance monitoring and performance evaluation.

8. MOF published a circular on the issuance of the *Administrative Measures for the Registration of State-owned Financial Capital Property Rights (Trial)*

On October 21, MOF published a circular on the issuance of the *Administrative Measures for the Registration of State-owned Financial Capital Property Rights (Trial)*, which provided the following. To strengthen the registration and management of state-owned financial capital property rights, reflect the changes and distribution of state-owned financial capital in

a timely, comprehensive and accurate manner, realize the dynamic and thorough regulation over the changes of state-owned property rights, and prevent the loss of state-owned assets, these Measures are formulated in accordance with the *Guiding Opinions of the CPC Central Committee and the State Council on Improving the Management of State-Owned Financial Capital* and the *Administrative Measures for the Registration of the Property Rights of the State-owned Assets of Enterprises*. Financial institutions established within or outside the territory of the People's Republic of China that possess state-owned financial capital shall register property rights in accordance with the provisions of these Measures. Enterprises inside and outside China over which state-controlled financial institutional wield actual control as well as enterprises invested by the afore-mentioned enterprises shall be included in the scope of property rights registration. The authorities for the registration and management of state-owned financial capital property rights are finance authorities at the same level. The registration of state-owned financial capital property rights shall follow the principle of unified regulation and tiered management and be conducted by the finance authorities at or above the county level.

9. MOF and SAT jointly published an announcement on the tax policy for civil aircraft engines, new regional aircrafts and large passenger aircrafts

On October 22, MOF and SAT jointly published an announcement on the tax policy for civil aircraft engines, new regional aircrafts and large passenger aircrafts, which provided the following. From January 1, 2018 to December 31, 2023, the un-deducted input VAT at the end of the VAT period from taxpayers' engagement in the R&D projects of large-scale civil passenger aircraft engines and the medium-high power civil turboshaft and turboprop engines shall be refunded; the real estate and land for scientific research, production and office used by the above-mentioned taxpayers and their wholly-owned subsidiary for the R&D projects of large-scale civil passenger aircraft engines and the medium-high power civil turboshaft and turboprop engines shall be exempted from property tax and urban land use tax. From January 1, 2019 to December 31, 2020, the taxpayers that manufacture and sell new regional aircrafts shall pay VAT at a reduced rate of 5% and their un-deducted input VAT at the end of the VAT period from their manufacturing and selling of new regional aircrafts shall be refunded. From January 1, 2019 to December 31, 2020, the un-deducted input VAT at the end of the VAT period from taxpayers' engagement in the R&D projects of large-scale civil passenger aircrafts shall be refunded; the real estate and land for scientific research, production and office used by the above-mentioned taxpayers and their wholly-owned subsidiary shall be exempted from property tax and urban land use tax. The un-deducted input VAT at the end of the VAT period that meets the provisions of this announcement may be refunded lump sum when refund application is first made.

Taxpayers who enjoy the exemption from property tax and urban land use tax policy stipulated in this announcement shall apply for tax exemption in accordance with the regulations, and keep the documents related to property ownership, original value of property, and purpose of land use for future reference. The tax that should have been exempted or reduced in accordance with the provisions of this announcement but is already paid by the taxpayers shall be deducted from the tax payable or be refunded.

10. MOF published a circular on the issuance of the *Measures for the Administration of the Funds for the Prevention and Control of Significant Geologic Hazards*

On October 28, MOF published a circular on the issuance of the *Measures for the Administration of the Funds for the Prevention and Control of Significant Geologic Hazards*, which provided the following. The funds for the prevention and control of significant geologic hazards refer to the subsidy funds arranged by the central government to support local government in fulfilling the responsibility of geologic hazard prevention and control, improving the capacity of geologic hazard prevention and control, and increasing input and efforts in geologic hazard prevention and control. The funds are mainly used for comprehensive prevention of significant geologic hazards and post-hazard project management. The scope of expenditure of the funds for the prevention and

control of significant geologic hazards includes investigation, monitoring, early warning and comprehensive management.

11. MOF published a circular on the issuance of the *Measures for the Administration of the Special Funds for Development of Financial Inclusion*

On October 28, MOF published a circular on the issuance of the *Measures for the Administration of the Special Funds for Development of Financial Inclusion*, which provided the following. To implement the *Plan for Promoting Development of Financial Inclusion (2016-2020)*, accelerate the establishment of inclusive financial services and safeguard system, strengthen the administration of the special funds for development of financial inclusion, these Measures are formulated in accordance with the relevant provisions of the *Budget Law of the People's Republic of China* and the *Opinions of the State Council on Reforming and Perfecting the Central-to-Local Transfer Payment System*. MOF is responsible for the budget management and release of special funds, and will organize the budget supervision and performance management of the use of funds. The provincial finance authorities are responsible for the disbursement, review, supervision and budget performance management of the special funds, and are responsible for the compliance and effectiveness of the use of funds.

12. MOF published the guiding opinions on strengthening the implementation of the nationally unified accounting system

On October 31, MOF published the guiding opinions on strengthening the implementation of the nationally unified accounting system, which provided the following. First, fully acknowledge the importance of strengthening the implementation of the nationally unified accounting system. The nationally unified accounting system established according to the accounting law is an important standard for generating accounting information and an important basis for regulating accounting behavior and accounting order. Second, the overall requirement. Be guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Third, the major measures. Maintain the unity of the nationally unified accounting system; supervise the implementation of the accounting responsibilities of all units; strengthen internal control; effectively improve the audit quality of accounting firms; strengthen the daily supervision of the implementation of the nationally unified accounting system; strengthen publicity and training; enhance the accounting ethics; and strengthen organization and leadership.

13. MOF and SAT jointly published an announcement on the VAT policy for the comprehensive utilization of resources

On October 31, MOF and SAT jointly published an announcement on the VAT policy for the comprehensive utilization of resources, which provided the following. First, starting from September 1, 2019, taxpayers may enjoy the instant VAT rebate at a rate of 70% for their sales of self-produced products with comprehensive use of phosphogypsum resources. Second, starting from September 1, 2019, the tax rebate rate of the 3.12 “Waste Glass” item in the *Catalogue of Products with Comprehensive Utilization of Resources and Preferential Labor VAT Treatment* attached to the Caishui [2015] No. 78 Document will be adjusted to 70%. Third, in the Item 1, Article 2 of the Circular of MOF and SAT on the *VAT Policy for New Wall Materials* (Caishui [2015] No. 73) and the Item 2, Article 2 of the Caishui [2015] No. 78 Document, the “Prohibited and Restricted Items in the Guiding Catalogue for Industrial Structural Adjustment” was revised to “Phased-out and Restricted Items in the *Guiding Catalogue for Industrial Structural Adjustment*”. Fourth, the “highly-polluting products with high environmental risks” mentioned in the Item 2, Article 2 of the Caishui [2015] No. 73 Document and the Item 3, Article 2 of the Caishui [2015] No. 78 Document refer to the products marked with the characteristics of “GHW/GHF” in the *Comprehensive List of Environmental Protection*, with the exception for the products with comprehensive utilization of resources produced and sold by the taxpayers that meet the terms and conditions of the exception clause of “GHW/GHF”.

II. Facts & Figures

1. China’s manufacturing PMI in September was 49.8%

The data published by NBS on September 30 showed that China’s manufacturing PMI in September was 49.8%, up by 0.3 percentage points from the previous month. By the scale of enterprises, the PMI of large enterprises was 50.8%, up by 0.4 percentage points from the previous month, and continued to remain in the expansionary range; the PMI of small and medium-sized enterprises was 48.6% and 48.8% respectively, up by 0.4 and 0.2 percentage points. Among the five sub-indices that constitute the manufacturing PMI, the production index, the new order index and the supplier delivery time index were above the critical point, and the raw material inventory index and the employee index were below the critical point. The production index was 52.3%, up by 0.4 percentage points from the previous month and was above the critical point, indicating that the expansion of the manufacturing industry had accelerated; the new order index was 50.5%, up by 0.8 percentage points from the previous month and rose above the critical point, indicating that the order of manufactured products had increased; the raw material inventory index

was 47.6%, a slight increase of 0.1 percentage points from the previous month and was below the critical point, indicating that the decline in the main raw material inventory of the manufacturing industry had slightly narrowed; the employee index was 47.0%, a slight increase of 0.1 percentage points from the previous month and was below the critical point, indicating that the employment by the manufacturing industry had fallen by a small margin; the supplier delivery time index was 50.5%, up by 0.2 percentage points from the previous month and was above the critical point, indicating that the delivery time of raw material suppliers in the manufacturing industry had accelerated.

2. Changes in the market prices of important production materials in the circulation sector in late September 2019

The data published by NBS on October 9 showed that compared with the mid-September of 2019, the prices of 18 products have increased, the prices of 22 products have decreased, and the prices of 10 products have stayed flat in the late-September of 2019. The first category is ferrous metals, in which rebar prices rose by 0.1%, wire prices fell by 0.1%, ordinary mid-plate prices fell by 0.2%, hot-rolled ordinary sheet prices fell by 0.6%, seamless steel pipe prices fell by 0.5%, and steel angle prices rose by 0.1%. The second category is non-ferrous metals, in which the price of electrolytic copper fell by 0.6%, the price of aluminum ingots fell by

1.3%, the price of lead ingots fell by 0.8%, and the price of zinc ingots fell by 2.0%. The third category is chemical products, in which sulfuric acid prices fell by 2.3%, caustic soda prices rose by 5.8%, methanol prices rose by 5.7%, pure benzene prices fell by 0.8%, styrene prices fell by 2.9%, and polyethylene prices rose by 0.4%, polypropylene prices rose by 0.7%, PVC prices fell by 0.6%, butadiene rubber prices rose by 10.1%, and polyester filament prices fell by 1.6%. The fourth category is oil and gas. Among them, the prices of liquefied natural gas fell by 0.7%, the prices of liquefied petroleum gas decreased by 0.7%, the prices of gasoline (95#National VI) rose by 1.2%, the prices of gasoline (92#National VI) rose by 1.5%, the prices of diesel were flat, and the prices of paraffin were flat. The fifth category is coal, in which the prices of anthracite, ordinary mixed coal, Shanxi mixed coal, Shanxi quality mixed coal, Datong mixed coal, coking coal and coke were all flat. The sixth category is non-metallic building materials, in which the prices of composite Portland cement increased by 1.3%, the prices of ordinary Portland cement rose by 1.5%, and the prices of float flat glass rose by 1.0%. The seventh category is agricultural products, in which rice prices rose by 0.1%, wheat prices rose by 0.1%, corn prices fell by 1.7%, cotton prices fell by 0.3%, hog prices rose by 0.7%, soybean prices fell by 2.5%, soybean meal prices rose by 0.5%, and peanut prices were flat. The eighth category is agricultural production materials, in which urea prices fell by 1.2%, compound fertilizer prices fell by 0.6%, and pesticide prices rose by 1.2%. The ninth category is forest products, in which

the prices of wood-based panels fell by 0.4%, the prices of pulp fell by 0.1%, and the prices of corrugated paper rose by 0.4%.

3. China's CPI rose by 3.0% year on year in September

The data released by NBS on October 15 showed that China's CPI rose by 3.0% year on year in September. Among them, CPI rose by 2.8% in urban areas and 3.6% in rural areas; went up by 11.2% for food and 1.0% for non-food; rose by 4.0% for consumer goods and 1.3% for services. From January to September, the average CPI rose by 2.5% over the same period of last year. In September, CPI rose by 0.9% month on month. Among them, CPI rose by 0.7% in urban areas and 1.3% in rural areas; went up by 3.5% for food and 0.2% for non-food; rose by 1.5% for consumer goods and fell by 0.1% for services.

4. China's PPI fell by 1.2% year on year in September

The data released by NBS on October 15 showed that China's PPI in September fell by 1.2% year on year, and rose by 0.1% month on month; IPI fell by 1.7% year on year and rose by 0.2% month on month. From January to September, the average PPI was flat from the same period of last year and the average IPI fell by 0.3%.

5. China issued 219.6 billion RMB of local government bonds in September

The data published by MOF on October 24 showed that 219.6 billion RMB of local government bonds were issued in September, among which, 56.6 billion RMB were general bonds and 163 billion RMB were special bonds; 141.6 billion RMB were new bonds and 78 billion RMB were swapped bonds and refinanced bonds. From January to September, 4.1822 trillion RMB of local government bonds were issued, among which, 1.6676 trillion RMB were general bonds and 2.5146 trillion RMB were special bonds; 3.0367 trillion RMB were new bonds and 1.1455 trillion RMB were swapped bonds and refinanced bonds. With the review and approval of the Second Meeting of the 13th National People's Congress, the limit of Chinese local government bonds in 2019 is 24.07743 trillion RMB. Among them, the general debt limit is 13.308922 trillion RMB, and the special debt limit is 10.768508 trillion RMB.

6. Value-added of industrial enterprises above designated size increased by 5.8% year on year in China in September

The data published by NBS on October 18 showed that the value-added of industrial enterprises above designated size increased by 5.8% year on year in September and increased by 0.72% month on month. From January to September, the value-added of industrial enterprises above designated

size increased by 5.6% year on year. In terms of three categories, the value-added of the mining industry increased by 8.1% year on year in September, 4.4 percentage points higher than that in August; the value-added of the manufacturing industry increased by 5.6%, up by 1.3 percentage points; the value-added of the electricity, thermal, gas and water production and supply industry grew by 5.9%, staying flat from August. In terms of ownership types, the value-added of state-owned and holding companies increased by 4.9% year on year in September; the value-added of joint-stock enterprises increased by 6.9%; the value-added of foreign-invested enterprises as well as enterprises invested by Hong Kong, Macao and Taiwan increased by 2.9%; the value-added of private enterprises increased by 6.7%. In terms of sectors, 35 of the 41 major sectors in September maintained a year-on-year increase in value-added. In terms of regions, the value-added of the eastern region increased by 5.2% in September, the central region increased by 7.5%, the western region increased by 8.2%, and the northeast region increased by 3.6%. In terms of products, the value-added of the 321 of the 605 products in September maintained a year-on-year increase.

7. Total operating revenue of SOEs registered a year-on-year increase of 7.1% from January to September

The data published by MOF on October 25 showed that the major economic indicators of state-owned enterprises (SOEs) in China continued to grow

from January to September, and their taxes and fees payable continued to decline. From January to September, the total operating revenue of SOEs was 44.89088 trillion RMB, a year-on-year increase of 7.1%. Among them, the total revenue of central SOEs was 26.01326 trillion RMB, a year-on-year increase of 5.5%; the total revenue of local SOEs was 18.87762 trillion RMB, a year-on-year increase of 9.2%. From January to September, the total operating cost of SOEs was 43.38484 trillion RMB, a year-on-year increase of 7.3%. Among them, the total cost of central SOEs was 24.76454 trillion RMB, a year-on-year increase of 5.8%; the total cost of local SOEs was 18.6203 trillion RMB, a year-on-year increase of 9.5%. From January to September, the total profit of SOEs was 2.7163 trillion RMB, a year-on-year increase of 6.6%. Among them, the total profit of central SOEs was 1.79416 trillion RMB, a year-on-year increase of 6.8%; the total profit of local SOEs was 922.14 billion RMB, a year-on-year increase of 6.3%. From January to September, the taxes and fees payable of SOEs were 3.39148 trillion RMB, a year-on-year decrease of 0.5%. Among them, the taxes and fees payable of central SOEs were 2.43341 trillion RMB, down by 0.5% year on year; the taxes and fees payable of local SOEs were 958.07 billion RMB, down by 0.5% year on year. From January to September, the ratio of profit to cost & expenses of SOEs was 6.3%, which was the same as that of the same period of the previous year. Among them, the ratio of profit to cost & expenses of central SOEs was 7.4%, an increase of 0.1 percentage points; the ratio of profit

to cost & expenses of local SOEs was 5.0%, down by 0.2 percentage points. At the end of September, the asset-liability ratio of SOEs was 64.4%, a decrease of 0.1 percentage points. Among them, the asset-liability ratio of central SOEs was 67.4%, down by 0.2 percentage points; the asset-liability ratio of local SOEs was 62.2%, an increase of 0.1 percentage points.

8. Total profit of industrial enterprises above designated size in China fell by 2.1% year on year from January to September

The data published by NBS on October 27 showed that the total profit of industrial enterprises above designated size in China was 4.59335 trillion RMB from January to September, down by 2.1% year on year. Among them, the total profit of mining industry was 427.94 billion RMB, a year-on-year increase of 3.1%; the total profit of manufacturing industry was 3.79042 trillion RMB, down by 3.9% year on year; the total profit of electricity, heating, gas and water production and supply industry was 374.99 billion RMB, a year-on-year increase 12.3%. Among the industrial enterprises above designated size, the total profit of state-owned and holding enterprises was 936.88 billion RMB, down by 8.7% year on year; the total profit of joint-stock enterprises was 2.13906 trillion RMB, a year-on-year increase of 0.2%; the total profit of foreign and Hong Kong, Macao and Taiwan invested enterprises was 718.62 billion RMB, a year-on-

year decline of 8.4%; the total profit of private enterprises was 743.07 billion RMB, a year-on-year increase of 6.0%.

III . MOF Events

1. On October 8, Finance Minister Liu Kun met with Le Maire, Minister of Economy and Finance of France at MOF. The two sides exchanged views on China-France High-level Economic and Financial Dialogue, further opening-up of the financial industry, and China's accession to the *Agreement on Government Procurement* of WTO.

2. On October 9, Finance Minister Liu Kun met with Masatsugu Asakawa, the Special Adviser to the Japanese Prime Minister and Finance Minister as well as the Japanese nominee for the President of the Asian Development Bank.

3. From October 14 to 15, Vice Finance Minister Yu Weiping attended the 26th APEC Finance Ministers' Meeting in Santiago, Chile.

4. On October 16, Vice Finance Minister Zou Jiayi and Gomes, State Secretary of the Brazilian Ministry of Economy, co-chaired the 8th China-Brazil Financial Subcommittee Meeting in Washington, DC..

5. On October 16, Vice Finance Minister Yu Weiping met with the Carranza, President of the Latin American Development Bank, in Santiago, Chile.

6. From October 17 to 18, Vice Finance Minister Zou Jiayi attended the G20 Finance Ministers and Central Bank Governors' Meeting in Washington, DC.

7. On October 19, Vice Finance Minister Zou Jiayi attended the 100th Development Committee Ministerial Meeting in Washington, DC.

conducive to high-quality development. Establish an equalization transfer payment system with the goal of “promoting equalization”, in order to “compensate the costs” for the northern ecological development zone, “strengthen industries” for the key areas of the eastern and western coastal economic belts, and “promote the revitalization” of the old revolutionary base areas and ethnic minority areas. Second, fundamentally shift the direction of transfer payment policy from providing incentives to offering basic safeguards. Delink the transfer payment distribution from GDP and fiscal revenue growth, and tilt the allocation of funds towards areas with large population, heavy expenditure burden and tight financial resources according to the principle of sustainability and safeguards through a new distribution mechanism. Third, promote full coverage and include the poor areas of the Pearl River Delta into policy support. The six Pearl River Delta counties and districts with financial resources lower than the provincial average, such as Taishan and Kaiping, were added to the policy support for the first time. After the full expansion, the equalization transfer payment was extended from the original 60 counties (cities) to 86 counties and districts, achieving the “full coverage and broad benefits” in all financially difficult counties and districts in the province. Fourth, address the problem of weak financial resources in underdeveloped areas. Include all the 22 city districts in the underdeveloped areas in the scope of equalization transfer payment policy; maintain the original transfer payment for five years for the 7 county-turned districts to alleviate the practical difficulties of insufficient financial

IV. Local Finance

1. Finance authorities of Guangdong Province established an equalization transfer payment system to add new impetus to coordinated regional development

According to the news released by the Finance Department of Guangdong Province on October 8, since 2019, the Finance Department of Guangdong Province has put in place an equalization transfer payment system and vigorously raised the standard to promote coordinated and balanced regional development. First, promote equalization and systematically construct a transfer payment system

resources during the transition period. Fifth, comprehensively support the implementation of the “three guarantees” policy in counties and districts to ensure smooth and stable operation. In 2019, the equalization transfer payment was 44.2 billion RMB, an increase of 15.7% over the previous year, and 5 percentage points higher than the growth of central-to-local equalization transfer payment.

2. Finance authorities of Shandong Province put in place six mechanisms to ensure the effective implementation of tax and fee cut policy

According to the news released by the Finance Department of Shandong Province on October 9, since 2019, Dongying City of Shandong Province has adopted a number of measures to cut taxes and fees, and cut 5.007 billion RMB of taxes and fees from January to July. First, improve political position and establish an efficient and effective leading mechanism. The Dongying Finance Bureau issued the *Work Plan for Implementing the Tax and Fee Cut Policy* to ensure the orderly progress of tax and fee reduction. Second, strengthen policy advocacy and establish a variety of publicity mechanisms. The city has carried out 29 editions of “physical + live broadcast” online classes, covering 130,000 taxpayers, and expanded the coverage of publicity and counseling. Third, stay problem-oriented and establish a monitoring mechanism for enterprise-related fees. Set up monitoring points for 49 selected enterprises, designate personnel to assist enterprises in keeping records, regularly

report the relevant information on enterprise-related fees, and track the fee collection of related enterprises in real time. Fourth, standardize the collection procedures and establish a regulation mechanism for invoices. Adjust the invoicing authority of relevant invoice users in the invoice information management system in line with the suspension or cancellation of non-tax charges. Fifth, attach importance to the cultivation of financial resources and establish a mechanism for increasing revenues. Lead the development of 20 measures for cultivating financial resources, and encourage the relevant departments to refine 21 implementation plans according to their respective responsibilities. Sixth, carry out strict supervision and inspection and establish a standardized and orderly linkage mechanism. Set up a supervision team to carry out three rounds of inspection over the work of tax and fee cut in counties and districts.

3. Finance authorities of Yunnan Province unveiled measures to optimize the business environment to promote fair market competition in government procurement

According to the news released by the Finance Department of Yunnan Province on October 14, to further optimize the business environment in the government procurement sector and build a unified, open, competitive and orderly government procurement market system, 18 measures in 5 aspects have been proposed. First, remove all

kinds of unreasonable barriers and restrictions and create a fair market competition environment for government procurement. In accordance with the principle of competitive neutrality, eliminate all kinds of unreasonable restrictions and barriers imposed on different market entities in the government procurement process, and ensure fair competition among government procurement suppliers in accordance with the law. Second, reduce the transaction costs of participating in government procurement activities and reduce the burden on enterprises. Comprehensively sort through local government procurement charges and exempt e-procurement documentation fees for government procurement projects that implement electronic procurement. Third, promote “internet + government procurement” to improve the efficiency of services. Fully implement online government procurement review, approval and filing, and actively promote the online processing of matters such as the registration of the information of suppliers and agencies at the Yunnan Provincial Online Government Service Center. Fourth, strengthen the policy function of government procurement and create conditions for the development of small and medium-sized enterprises. Encourage small and medium-sized enterprises to take out credit loans with government procurement contracts and electronic transaction records, in accordance with the principle of “government guidance, market operation, voluntary bank-enterprise cooperation, and mutual benefits”. Fifth, strengthen interim and ex-post supervision of government procurement and implement measures to optimize business

environment. Require all localities and departments in the province to establish a sound self-assessment mechanism for fair competition and establish and improve the internal control system for government procurement.

4. Finance authorities of the Inner Mongolia Autonomous Region focused on three aspects to promote high-quality development

According to the news released by the Finance Department of the Inner Mongolia Autonomous Region on October 15, the Finance Bureau of Baotou City has promoted high-quality development by supporting business development, eco-environmental protection and economic transformation and upgrading and made great efforts to strengthen the weak links and reinforce the advantages, in order to lay the foundation for the city’s high-quality economic development. First, promote the transition of growth drivers by implementing demonstration projects. Implement the national comprehensive demonstration project for emission reduction, and invest 2.15 billion RMB of fiscal funds to leverage 10.8 times of private investment to participate in energy conservation and emission reduction. Implement 151 typical demonstration projects for energy conservation and emission reduction in three years and catalyze 20.8 billion RMB of investment. Implement national demonstration project for black and odorous water treatment and secure 400 million RMB of special subsidies from the central

government from 2019 to 2020. Implement the national pilot project for rare earth transformation and upgrading, secure 700 million RMB of special subsidies from the central government, provide 198 million RMB of city-level matching funds, and leverage 8 times of private investment to support 96 projects of 80 rare earth enterprises in the city. Second, promote investment of industry funds and actively bring in capital and talents. Establish the Baotou City Key Industry Development Fund with an initial scale of 1.5 billion RMB and set up the Talent, Innovation and Entrepreneurship Investment Fund with an initial scale of 200 million RMB. Third, advance the “streamlining of administration, delegation of powers and improvement of services” to promote the improvement of business environment. Vigorously promote the “streamlining of administration, delegation of powers and improvement of services” in public finance, accelerate the development of smart public finance featuring internet + e-government procurement, internet + treasury centralized payment and internet + government investment project pipeline, and improve the management service level.

5. Finance authorities of Hebei Province introduced the working procedures for the dynamic monitoring of fiscal funds for poverty alleviation and deployed “two systems” to conduct thorough monitoring of poverty alleviation funds

According to the news released by the Finance Department of Hebei Province on October 21, in

order to strengthen the supervision of fiscal funds for poverty alleviation, enhance risk prevention and control, and standardize the dynamic monitoring of fiscal funds for poverty alleviation, the Finance Department of Hebei Province formulated and issued the *Working Procedures of the Finance Department of Hebei Province for the Dynamic Monitoring of the Fiscal Funds for Poverty Alleviation* and deployed the MOF Monitoring Platform and the Hebei Monitoring System to carry out thorough monitoring of the allocation, disbursement and payment of fiscal funds for poverty alleviation as well as the implementation of the performance targets of project funds, with view to ensuring that the operation of funds is recorded, risks are early warned, responsibility is traced and performance is tracked. The *Working Procedures* clarify that the scope of funds for dynamic monitoring includes all kinds of fiscal funds for poverty alleviation at all levels in the province that are under the aggregate management of government poverty alleviation funds. The dynamic monitoring of poverty alleviation funds in Hebei Province is supported by the MOF monitoring platform and the Hebei monitoring system. In accordance with the requirements for the management of fiscal funds for poverty alleviation and the risk level of early warning, the dynamic monitoring of poverty alleviation funds implements three levels of early warning, namely yellow alarm warning, yellow light warning and red light warning. The Finance Department of Hebei Province is responsible for the organization of the dynamic monitoring of fiscal funds for poverty alleviation, establishing an integrated dynamic monitoring mechanism

that operates efficiently, and giving full play to the role of dynamic monitoring in standardizing rectification, warning and deterrence.

6. Finance authorities of Shanxi Province improved mechanisms and strengthened review and assessment to continuously enhance the level of the development of beautiful villages

According to the news released by the Finance Department of Shanxi Province on October 22, in recent years, the Finance Bureau of Xinzhou City, Shanxi Province has actively explored and improved the mechanism to strengthen the review and assessment, in order to lay a solid foundation and accumulate practical experience for supporting the fight against poverty and promoting rural revitalization. First, continuously improve the new mechanism for project initiation. Establish a leading group to improve political position; pay attention to field visits and improve the quality of assessment, 8 counties have passed the preliminary assessment in 2018-2019; select assessment experts according to the content of project; and accept broad supervision and strive for fairness and justice. Second, continuously learn from and draw on the advanced and new ideas. In 2018, Xinzhou City organized 33 main leaders, heads of finance bureaus and township chiefs from 14 counties (cities and districts) in the city to study in Anji where they opened up their horizons and updated their minds. Third, continuously bring the assessment to a new level. The Finance Bureau

of Xinzhou City entrusted the Budget Investment Evaluation Center of the Finance Bureau to conduct performance evaluation over the counties (cities and districts) involved, tracked the effectiveness, and produced a general report on the performance evaluation of the city and detailed reports for each county. Fourth, constantly explore a new model of beautiful villages in Xinzhou. The pilot counties (cities and districts) of the city organically combined the development of beautiful villages with the task of poverty alleviation and took the two-pronged approach to explore the Xinzhou model for the development of beautiful villages.

7. Finance authorities of Henan Province worked on four fronts to support the high-quality development of economy

According to the news released by the Finance Department of Henan Province on October 28, since 2019, the Finance Bureau of Xinxiang City, Henan Province has adopted a mix of measures on fiscal investment, reduction of taxes and fees, leverage of resources and “streamlining of administration, delegation of powers and improvement of services”, thus helping promote the high-quality development of the city’s economy with high-quality fiscal development. First, work on fiscal “addition” to support the city’s economic and social development. Continue to focus on improving the quality and efficiency of economic development, support the expansion of the real economy, and improve the

quality of the real economy. Second, work on fiscal “subtraction” to reduce the burden on the real economy. Conscientiously implement the central and provincial policies and measures for the reduction of taxes and fees to see to it that the burden of social security contributions for enterprises, especially small and micro enterprises, will be substantially reduced. Third, work on fiscal “multiplication” to crowd in private capital investment. Establish the Xinxiang City Industrial Transformation and Development Fund with a scale of 5 billion RMB to support the leading industries and key projects of Xinxiang and its counties (cities and districts). Fourth, work on fiscal “division” to improve the efficiency of government services. Deepen the reform of “streamlining of administration, delegation of powers and improvement of services”, further rationalize the fiscal system at the city and county (city and district) level, and stimulate the enthusiasm for work at the grass-root level.

8. Finance authorities of Beijing Municipality promoted the high-quality development of public finance with the rule of law

According to the news released by the Finance Bureau of Beijing Municipality on October 29, in recent years, the Beijing Finance Bureau has tackled the mismatch of fiscal revenue and expenditure within the framework of the rule of law, moved forward the key tasks of reform, properly handled the interests of different entities,

and focused on four aspects to promote the high-quality development of public finance with the rule of law. First, advance the legal outreach and education to lay the legal foundation for the high-quality development of public finance. Actively adopt various methods and means to promote the outreach and education of fiscal laws and combine such efforts with the key tasks of fiscal reform. Second, accelerate the legislative progress to consolidate the legal basis for the high-quality development of public finance. The Municipal Finance Bureau focused on the improvement of business environment to help accelerate the related legislative work by streamlining 50% of the administrative licenses and other services, streamlining the application materials submitted by the applicants, shortening the processing time limit, and increasing online processing. Third, conduct strict law enforcement to pave the legal way for the high-quality development of public finance. It has adopted disciplinary measures such as prohibiting participation in government procurement activities against nearly 200 entities for violation of laws. Fourth, carry out rigorous assessment to drive the high-quality development of public finance. It accorded no less than 4% of scores to the assessment of law-based fiscal management. The assessment of 2019 is mainly focused on the law-based implementation of key fiscal tasks and comprehensive regulation of the administrative behavior of finance authorities, with emphasis on 12 indicators such as regulating government financing and borrowing behavior.

V. Remarks & Opinions

1. Bai Jingming: accelerate the implementation of budget performance management for basic expenditures

On September 19-20, Bai Jingming, Deputy Director General of the China Academy of Fiscal Science, said at the 2019 International Seminar on Budget Performance Management that it is important to accelerate the implementation of budget performance management for basic expenditures. The budget performance reform for basic expenditures is not only about the need to implement comprehensive budget performance management, but also the requirement to improve the budget management level in the context of tax reduction. Implementing budget performance management for basic expenditures is an important part of the comprehensive implementation of budget performance management, and needs to be coordinated and harmonized with the deepening of institutional reform. The key to accelerating the implementation of budget performance management for basic expenditures is: First, continue to deepen institutional reform. Deepening institutional reform is an important means of optimizing cost control. Cost expenditures are directly proportional to the number of

institutions, and the greater the number of institutions, the higher the cost of expenditure. Deepening institutional reform is a fundamental question facing basic expenditure performance management. Second, explore reforms in the way of spending. In order to further strengthen budget performance management, it is necessary to consider whether some services can adopt the way of government procurement of services and how the public institutions can optimize costs through “allocation-to-purchase reform”. As the number of institutions remains unchanged, the change in the way of spending may also play a role in optimizing the reform of budget performance for basic expenditures. Third, the reform of basic expenditures should be combined with the staffing reform. It is necessary to strengthen the staffing reform, strictly control the number of formal staff for administrative agencies, and pay special attention to the basic expenditures of informal and retired staff.

2. Gao Peiyong: establishing a modern fiscal system based on the public finance system

On October 2, Gao Peiyong, Deputy President of the Chinese Academy of Social Sciences, said that the importance and particularity of the public finance of the People's Republic of China are reflected in the fact that it is the economic foundation of all the activities undertaken by the government and its natural connection with state governance as it is the foundation and important

pillar of state governance. As socialism with Chinese characteristics is entering a new era and China's economy is entering a stage of high-quality development, in the face of the new situation and new tasks, public finance in the new era should have a broader and higher perspective. Establishing a modern fiscal system based on the public finance system, adding fiscal modernization to fiscal publicization, allowing the public finance to play a fundamental and supporting role in state governance at a higher level and in a wider scope, and supporting and promoting the modernization of state governance system and governance capacity with the modernization of the fiscal governance system and governance capacity are not only the defining theme of China's public finance in the new era, but also the mission of China's public finance in the new era and the manifestation of the socialist system with Chinese characteristics and its enforcement capability.

3. Zhu Guangyao: the world economy is currently faced with four major challenges of the trade war, negative interest rate, geopolitical risks and Brexit

On October 12, Zhu Guangyao, the former Vice Finance Minister, said at the 4th China-Australia Belt and Road Roundtable Dialogue on Investment and Financial Cooperation that the world economy is currently faced with four major challenges of the trade war, negative interest rate, geopolitical risks and Brexit. First, trade war. The trade war

also exists between U.S. and Europe. How Europe should deal with the U.S. tariffs on goods imported from Europe merit particular attention. Second, negative interest rate. We must pay close attention to the spread of negative interest rate in the world and the impact on the global market. Third, geopolitical risks. Geopolitical risks in the Middle East and other regions would have a very negative impact on the global financial market, which in turn would impact the global economy. Responding to geopolitical risks requires the major countries in the world to further strengthen policy coordination. Fourth, Brexit. There is great uncertainty to Brexit, and the direction of future relationship between UK and EU is worthy of attention. It is hoped that UK and EU can properly resolve the Brexit before the deadline through in-depth policy communication. In general, the global economy faces four major risks which pose challenges to maintaining global economic growth, safeguarding world peace, and delivering benefits to people and nations around the world. It is especially important to have in-depth and effective policy communication if we are to deal with these challenges.

4. Zou Jiayi: promote the high-quality reform and development of PPP

On October 29, the 5th China PPP Development (Financing) Forum was held in Zhengzhou, Henan Province. Vice Finance Minister Zou Jiayi attended the forum and delivered a keynote speech.

Vice Finance Minister Zou Jiayi said that PPP is

a concrete step to implement the decision of the Third Plenary Session of the 18th CPC Central Committee on comprehensively deepening reform and promoting the modernization of state governance. By liberalizing market access, encouraging competition, enforcing life-cycle management, risk sharing and paying by performance, PPP offers an innovative model for public service supply, stimulates market vitality and social creativity, spurs the changes of growth quality, efficiency and growth drivers, delivers diversified and high-quality public service supply, and meets people's needs for a better life.

Vice Finance Minister Zou Jiayi pointed out that over the past five years, MOF, together with relevant competent authorities, in accordance with the decisions and arrangements of the Party Central Committee and the State Council, and on the basis of China's basic national conditions and development stage, have drawn upon international experiences and engaged in institutional design, comprehensive capacity building, promotion of demonstration projects and pragmatic international cooperation. As a result, MOF has achieved the objectives of the reform in a phased way, and basically put in place a unified, standardized, transparent and efficient PPP market. At the same time, PPP has also played a role in advancing reform, providing new opportunities for the development of private enterprises, and creating new drivers for economic development. China's PPP reform has been widely recognized and highly praised by the international community.

Vice Finance Minister Zou Jiayi said that some trends in the PPP reform process should merit our attention. For example, increasing local government debts under disguise and packaging unqualified projects into PPP. In order to prevent and resolve major risks, and promote the sustainable development of PPP, we must: first, adhere to the original purpose of reform and stay mindful of the risks; second, strengthen supervisory measures to prevent financial risks; third, ensure the quality of projects and improve the efficiency of PPP development; fourth, clarify the responsibilities of all parties and promote win-win cooperation.

Vice Finance Minister Zou Jiayi emphasized that in the new stage of PPP development, we should take the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guide, follow the principle of "making best effort according to our capability", and remain mindful of fiscal performance, in order to increase the supply of high-quality public services. First, promote high-quality development of PPP by improving the institutional arrangement, standards and policy system; second, strengthen the life-cycle project management to improve the capacity for PPP risk prevention and control; third, optimize the business environment to create conditions for the high-quality development of PPP; fourth, innovate the financing model and make good use of the two resources of government and market; fifth, deepen pragmatic international cooperation in support of the Belt and Road Initiative.

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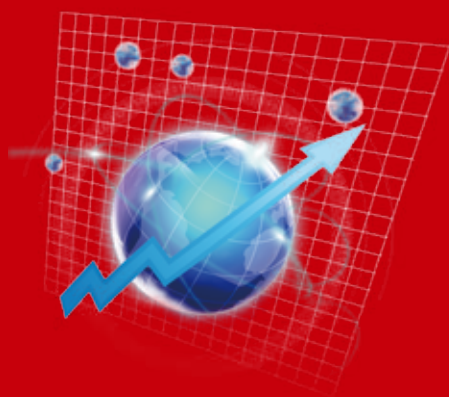
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