

# CHINA FINANCE

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### HIGHLIGHTS

- Finance Minister Liu Kun: benchmarking against the best international standards to optimize China's business environment
- Finance Minister Liu Kun met with World Bank President Malpass in Beijing
- The State Council determined relevant preferential tax policies to reduce burden on taxpayers
- MOF released in advance 1 trillion RMB of quota for the additional special debts in 2020
- China's general public budget revenue from January to October registered a year-on-year increase of 3.8%

# 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

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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. The State Council determined relevant preferential tax policies to reduce burden on taxpayers

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On November 20, Premier Li Keqiang presided over an executive meeting of the State Council to listen to the report on personal income tax reform and determine relevant preferential tax policies to reduce burden on taxpayers; plan the deepening of the reform of medical and health system to further promote the centralized procurement and use of medicines; and pass the *Urban Maintenance and Construction Tax Law of the People's Republic of China (Draft)*. The meeting decided that in order to further reduce burden on taxpayers, especially low and middle-income groups, taxpayers with a comprehensive income of less than 120,000 RMB or a low amount of annual tax payment will be exempted from the tax calculation and filing obligations. The meeting called for strengthening the interpretation of relevant policies, streamlining operational procedures, optimizing tax services, and facilitating tax payment according to law. The meeting also decided that in order to promote the

development of the maritime transport industry and meet the fast growing domestic demand for seafood, and with reference to international practices, from January 1, 2019 to the end of 2023, ocean-going crew members who have sailed for more than 183 days in a tax year will have their taxable personal income calculated at 50% of their wage and salary income.

### 2. Three Ministries jointly published a circular on the preferential tax policies for imported exhibits sold during the second China International Import Expo

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On November 5, MOF, GAC and SAT jointly published a circular on the preferential tax policies for imported exhibits sold during the second China International Import Expo, which provided the following. First, the reasonable quantity of imported exhibits sold during the second China International Import Expo from November 5, 2019 to November 10, 2019 will be exempted from import tariffs and import VAT, and enjoy consumption tax levied at 70% of the payable amount. Second, the sales income of the participating enterprises listed in the Annex that are entitled to the above-mentioned preferential tax policies shall not exceed the limit. The sales income of other participating enterprises that are entitled to preferential tax policies shall not exceed

20,000 USD. Third, for the exhibits of which the sales income exceeds the limit of preferential tax policies and could not be returned outbound, the existing tax policy shall apply and tariffs shall be imposed.

### 3. MOF published a circular on the advance release of the 2020 transfer payment to the old revolutionary base areas

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On November 5, MOF published a circular on the advance release of the 2020 transfer payment to the old revolutionary base areas, which provided the following. In order to improve the budget integrity and speed up the expenditure progress, the 2020 transfer payment to the old revolutionary base areas in relevant provinces (autonomous regions and municipalities) are now released in advance. These subsidy funds are included under the “1100228 transfer payment revenue of old revolutionary base areas” of the 2020 government revenue and expenditure classification. After the start of the 2020 budget year, the funds will be disbursed and used in accordance with the procedures. The relevant provinces (autonomous regions and municipalities) are required to do a good job in budget preparation, indicator and project arrangement, fund disbursement and other related works in accordance with the *Circular of the MOF on the Relevant Matters Concerning*

*the Advance Notification of Transfer Payment Indicators* and the *Supplementary Circular of the MOF on the Advance Release of Transfer Payment Indicators*.

### 4. MOF published a circular on the advance release of the 2020 transfer payment budget to the border areas

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On November 6, MOF published a circular on the advance release of the 2020 transfer payment budget to the border areas, which provided the following. In order to improve the budget integrity and speed up the expenditure progress, the 2020 transfer payment to the border areas in relevant provinces (autonomous regions and cities with independent planning status) are now released in advance. These subsidy funds are included under the “1100230 transfer payment revenue of border areas” of the 2020 government revenue and expenditure classification, and will be disbursed and used in accordance with the procedures after the start of the 2020 budget year. The relevant provinces (autonomous regions and cities with independent planning status) are required to do a good job in budget preparation, indicator and project arrangement, fund disbursement and other related works in accordance with the *Circular of the MOF on the Relevant Matters Concerning the Advance Notification of Transfer Payment Indicators* and the *Supplementary Circular of the*

*MOF on the Advance Release of Transfer Payment Indicators*. At the same time, they are required to follow the requirements of the *Measures for the Administration of Transfer Payment Funds to the Border Areas* to strengthen fund management and effectively improve the effectiveness of fund use.

## 5. MOF published a circular on the advance release of the 2020 transfer payment budget to ethnic minority areas

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On November 11, MOF published a circular on the advance release of the 2020 transfer payment budget to ethnic minority areas, which provided the following. In order to improve the budget integrity and speed up the expenditure progress, the 2020 transfer payment budget is now released in advance to the ethnic minority areas in relevant provinces (autonomous regions and municipalities), and will be used in accordance with the procedures after the start of the 2020 budget year. The relevant provinces (autonomous regions and municipalities) shall, in accordance with the *Circular of the MOF on the Relevant Issues Concerning the Advance Notification of Transfer Payment Indicators* and the *Supplementary Circular of the MOF on the Advance Release of Transfer Payment Indicators*, do a good job in budget preparation, indicator arrangement and disbursement of funds. At the same time, in light of the state of the sub-provincial

fiscal system and the distribution of financial resources within the administrative region, it is important to increase support for financially difficult areas and use the transfer payment funds to meet basic public service expenditures such as compulsory education, health care and social security, in order to actively improve people's livelihood and promote social harmony.

## 6. MOF and the State Council Leading Group Office of Poverty Alleviation and Development jointly published a circular on adjusting the Score Sheet for the Performance Evaluation Indicators of Government Special Poverty Alleviation Funds

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On November 13, MOF and the State Council Leading Group Office of Poverty Alleviation and Development jointly published a circular on adjusting the *Score Sheet for the Performance Evaluation Indicators of Government Special Poverty Alleviation Funds*, which provided the following. To further enhance the guiding and stimulating effects of performance evaluation on the management of the use of government special poverty alleviation funds, the Annex 2 of the *Score Sheet for the Performance Evaluation Indicators of Government Special Poverty Alleviation Funds* attached to the *Measures for the Performance Evaluation of Government Special Poverty*

*Alleviation Funds* is adjusted. The adjusted *Score Sheet for the Performance Evaluation Indicators of Government Special Poverty Alleviation Funds* is now issued, please follow the guidance. This circular shall be implemented as of the date of issuance. If the relevant provisions of the *Measures for the Performance Evaluation of Government Special Poverty Alleviation Funds* are inconsistent with this Circular, this Circular shall prevail.

## 7. MOF released in advance 113.6 billion RMB of the 2020 special poverty alleviation funds to support the fight against poverty

On November 18, MOF published a message stating that the central government has recently released in advance 113.6 billion RMB of the 2020 central special poverty alleviation funds to 28 provinces (autonomous regions and municipalities), accounting for about 90% of the 126.1 billion RMB of central special poverty alleviation funds in 2019. Among them, 14.4 billion RMB was specifically arranged to support the extremely poor areas in the “three regions and three prefectures” and directed in a detailed manner to specific regions and prefectures.

## 8. Two ministries clarified the measures

## for the administration of agriculture-related transfer payment funds

On November 19, MOF and MOA jointly published a supplementary circular on the measures for the administration of agriculture-related transfer payment funds, which provided the following. First, the implementation period. The implementation period for the agricultural production and development funds, the subsidy funds for agricultural resources and ecological protection, and the subsidy funds for animal epidemic prevention will last until 2023. Before the expiration, MOF will work with MOA to determine whether to continue with the implementation. Second, the allocation of funds. The agricultural production and development funds, the subsidy funds for agricultural resources and ecological protection, and the subsidy funds for animal epidemic prevention will be allocated adopting the factor method in light of the nature of the tasks and the direction of spending. The cities with independent planning status that have fewer tasks of project management, project piloting and settlement may adopt the fixed-sum method for allocation according to their needs.

## 9. Three ministries jointly published an announcement on the continued implementation of the VAT policy



## for R&D institutions' procurement of equipment

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On November 25, MOF, MOC and SAT jointly published an announcement on the continued implementation of the VAT policy for R&D institutions' procurement of equipment, which provided the following. In order to encourage scientific research and technological development, as well as promote scientific and technological progress, VAT will continue to be fully refunded for the procurement of domestically made equipment by domestic R&D institutions and foreign R&D centers. The approved domestic R&D institutions and foreign R&D centers shall not enjoy the tax refund policy in the event of the major tax-related violations of laws. Specific measures for the administration of tax refund shall be formulated separately by SAT in conjunction with MOF.

## 10. Three ministries jointly published an announcement on the preferential tax policies for the Beijing 2022 Winter Olympic Games and Winter Paralympic Games

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On November 26, MOF, SAT and GAC jointly published an announcement on the preferential tax policies for the Beijing 2022 Winter Olympic Games and Winter Paralympic Games, which provided the following. First, income related to the

Beijing Winter Olympic Games gained by the non-resident enterprises among the associated entities of the International Olympic Committee will be exempted from corporate income tax. Second, income related to the Beijing Winter Olympic Games earned by the Olympic Broadcasting Service Company, Olympic Channel Service Company, International Olympic Committee Television and Market Development Service Company, Olympic Culture and Heritage Fund, and Official Timekeeping Company will be exempted from VAT. Third, designated goods or services provided by the sponsors, suppliers, franchisors and subcontractors of international sponsorship programs, global supply programs, and global franchise programs in accordance with the agreement for the Organizing Committee of the Beijing 2022 Winter Olympic Games and Paralympic Games will be exempted from VAT and consumption tax. Fourth, the various contracts signed by the relevant entities of the International Olympic Committee and the Organizing Committee of the Beijing Winter Olympic Games will be exempted from stamp duties.

## 11. MOF issued 5 billion RMB of government bonds in Hong Kong

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On November 27, MOF issued 5 billion RMB of government bonds in Hong Kong Special Administrative Region. Among them, 3.5 billion

RMB were two-year term and 1.5 billion RMB were five-year term, the bid-winning prices were 100.34 RMB and 100.98 RMB respectively, and the yields were 2.726% and 2.80% respectively.

## 12. MOF issued 6 billion USD of dollar-denominated sovereign bonds in Hong Kong

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On November 27, MOF issued 6 billion USD of unrated dollar-denominated sovereign bonds in Hong Kong Special Administrative Region. Among them, 1.5 billion USD were three-year term with a yield of 1.929%; 2 billion USD were five-year term with a yield of 1.996%; 2 billion USD were ten-year term with a yield of 2.238%; and 500 million USD were twenty-year term with a yield of 2.881%. These were the single largest dollar-denominated sovereign bonds issued by the Chinese government. The size of issuance increased significantly compared to the previous year, and the bonds were enthusiastically subscribed by investors, with the order reaching 3.6 times the scale of the issuance.

## 13. MOF released in advance 1 trillion RMB of quota for the additional special debts in 2020

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On November 27, MOF announced that MOF had recently released in advance 1 trillion RMB

of quota for the additional special debts in 2020, accounting for 47% of the 2.15 trillion RMB of the additional special debts for the year of 2019, and the quota was within the range authorized by laws. At the same time, all localities are required to break down the special bond quota as soon as possible to specific projects, and do a good job in the issuance and use of the special bonds, to ensure the bonds issued and used early next year to deliver real effects and boost the economy as soon as possible.

## 14. Three ministries jointly published a circular on the issuance of the *Guiding Opinions on Doing a Good Job in the Post-Disaster Recovery and Reconstruction of Major Natural Disasters*

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On November 28, NDRC, MOF, and the Ministry of Emergency Management jointly published a circular on the issuance of the *Guiding Opinions on Doing a Good Job in the Post-Disaster Recovery and Reconstruction of Major Natural Disasters*, which provided the following. First, the general requirements. Implement the principal responsibilities of all levels of people's governments in the province where the disaster occurred, and solidly complete the post-disaster recovery and reconstruction tasks after major natural disasters. Second, move forward post-

disaster recovery and reconstruction in an orderly way. Establish a post-disaster recovery and reconstruction guidance and coordination group in accordance with the procedures, and organize the preparation or provide guidance for the preparation of post-disaster recovery and reconstruction plan by local government. Third, strengthen the principal role of local government. The provincial people's government of the province in which the disasters occurred need to effectively connect with the relevant central ministries and scientifically formulate the implementation plans. Fourth, strengthen safeguard measures. Establish and properly use provincial reconstruction funds, and strengthen the coordination of publicity work.

## II. Facts & Figures

### 1. Operating income of major enterprises in cultural and related industries registered a year-on-year increase of 7.6% in the first three quarters of 2019

The data published by NBS on October 31 showed that in the first three quarters of 2019, the operating income of major enterprises in cultural and related

industries reached 6.2187 trillion RMB, a year-on-year increase of 7.6%. By industry categories, 8 of the 9 cultural and related industries achieved growth in operating income. By the specific types of industries, the operating income of cultural manufacturing industry was 2.6569 trillion RMB, up by 4.2% year on year; the operating income of cultural wholesale and retail industry was 998.3 billion RMB, up by 5.4% year on year; the operating income of cultural service industry was 2.5636 trillion RMB, up by 12.4% year on year. By specific sectors, the operating income in the core cultural sector was 3.7065 trillion RMB, a year-on-year increase of 10.8%; the operating income of cultural related sector was 2.5122 trillion RMB, a year-on-year increase of 3.3%. By regions, the operating income of major enterprises in cultural and related industries in the eastern region was 4.7017 trillion RMB, a year-on-year increase of 6.7%, accounting for 75.6% of the national total; the figure for the central, western and northeastern region was 884.1 billion RMB, 572.7 billion RMB and 60.2 billion RMB respectively, up by 9.4%, up by 13.8%, and down by 1.2% respectively, accounting for 14.2%, 9.2% and 1.0% of the national total.

### 2. China's PPI fell by 1.6% in October year on year

The data published by NBS on November 9

showed that China's PPI fell by 1.6% in October year on year and rose by 0.1% month on month. In terms of the year-on-year changes, the price of production materials decreased by 2.6%, among them, the price of mining industry decreased by 1.9%, the price of raw material industry decreased by 5.6%, and the price of processing industry decreased by 1.5%; the price of consumer service materials rose by 1.4%, among them, food price rose by 4.4%, apparel price rose by 0.6%, price of daily necessities rose by 0.4%, and price of durable consumer goods fell by 1.8%. In terms of the month-on-month changes, the price of production materials was flat, among which, the price of mining industry rose by 0.2%, the price of raw materials industry was flat, and the price of processing industry fell by 0.1%; the price of consumer service materials rose by 0.3%, among which, food price rose by 1.1%, apparel price was flat, price of daily necessities fell by 0.2%, and price of durable consumer goods fell by 0.1%.

### 3. China's CPI rose by 3.8% year on year in October

The data published by NBS on November 9 showed that China's CPI rose by 3.8% year on year in October. Among them, the price of urban areas rose by 3.5% year on year, the price of rural areas rose by 4.6% year on year; food price rose by 15.5% year on year, non-food price rose by 0.9%

year on year; consumer goods price rose by 5.2% year on year, and service price rose by 1.4% year on year. China's CPI rose by 0.9% month on month in October. Among them, the price of urban areas rose by 0.8% month on month, the price of rural areas rose by 1.2% month on month; food price rose by 3.6% month on month, non-food price rose by 0.2% month on month; consumer price rose by 1.4% month on month, and service price was flat.

### 4. China's lottery sales totaled 36.399 billion RMB in September

The data released by MOF on November 14 showed that nationwide lottery sales in September were 36.399 billion RMB, down by 13.0% year on year. The Welfare Lottery sales were 15.692 billion RMB, down by 12.0% year on year. The Sports Lottery sales were 20.707 billion RMB, down by 13.8% year on year. By type, the Lotto Lottery sales were 19.324 billion RMB, down by 9.8% year on year; the Toto Lottery sales were 11.425 billion RMB, down by 21.7% year on year; the Instant Lottery sales were 2.526 billion RMB, up by 29.5% year on year; the Video Lottery sales were 3.109 billion RMB, down by 19.6% year on year; and the Keno Lottery sales were 15 million RMB, up by 50.2% year on year.

## 5. China's general public budget revenue from January to October registered a year-on-year increase of 3.8%

The data released by MOF on November 19 showed that China's general public budget revenue was 16.7704 trillion RMB from January to October, a year-on-year increase of 3.8%. Among them, the central general public budget revenue was 8.0662 trillion RMB, a year-on-year increase of 4.4%; the local general public budget revenue was 8.7042 trillion RMB, a year-on-year increase of 3.3%. The tax revenue of the national general public budget revenue was 14.1514 trillion RMB, a year-on-year increase of 0.4%; the non-tax revenue was 2.619 trillion RMB, a year-on-year increase of 27.1%. The national general public budget expenditure was 19.0587 trillion RMB from January to October, a year-on-year increase of 8.7%. Among them, the central general public budget expenditure was 2.7577 trillion RMB, an increase of 9.0% year on year; the local general public budget expenditure was 16.301 trillion RMB, an increase of 8.7% year on year. From January to October, the national governmental fund budget revenue was 6.0206 trillion RMB, an increase of 8.7% year on year. By central and local governments, the central governmental fund budget revenue was 346.6 billion RMB, up by 2.7% year on year; the local governmental fund budget revenue was 5.674 trillion RMB, up by 9.1% year on year. From

January to October, the national governmental fund budget expenditure was 6.8647 trillion RMB, a year-on-year increase of 22.6%. By central and local governments, the central governmental fund budget expenditure was 202 billion RMB, down by 10.1% year on year; the local governmental fund budget expenditure was 6.6627 trillion RMB, a year-on-year increase of 24%.

## 6. Total operating income of SOEs registered a year-on-year increase of 6.5% from January to October

The data published by MOF on November 27 showed that the major economic indicators of SOEs in China maintained an upward trend from January to October while their taxes and fees payable continued to decline. From January to October, the total operating income of SOEs was 50.12905 trillion RMB, a year-on-year increase of 6.5%. Among them, the total income of central SOEs was 29.00245 trillion RMB, a year-on-year increase of 5.4%; the total income of local SOEs was 21.1266 trillion RMB, a year-on-year increase of 8.1%. From January to October, the total operating cost of SOEs was 48.49386 trillion RMB, a year-on-year increase of 6.7%. Among them, the total cost of central SOEs was 27.66145 trillion RMB, an increase of 5.5% year on year; the total cost of local SOEs was 20.83241 trillion RMB, an increase of 8.3% year on year. From

January to October, the total profit of SOEs was 2.9394 trillion RMB, a year-on-year increase of 5.4%. Among them, the total profit of central SOEs was 1.94176 trillion RMB, a year-on-year increase of 7.5%; the total profit of local SOEs was 997.64 billion RMB, a year-on-year increase of 1.6%.

## 7. China issued 96.46 billion RMB of local government bonds in October

The data published by MOF on November 27 showed that China issued 96.46 billion RMB of local government bonds in October. Among them, 79.576 billion RMB were general bonds and 16.884 billion RMB were special bonds. By purposes, no new bonds were issued, and 96.46 billion RMB were swapped bonds and refinanced bonds. From January to October, China issued 4.2787 trillion RMB of local government bonds. Among them, 1.7472 trillion RMB were general bonds, 2.5315 trillion RMB were special bonds. By purposes, there were 3.0367 trillion RMB new bonds, 1.242 trillion yuan swapped bonds and refinanced bonds. In 2019, the national local government debt limit was 24.07743 trillion RMB. Among them, the general debt limit was 13.308922 trillion yuan, while special the debt limit was 10.768508 trillion RMB.

## III . MOF Events

1. On November 7, Vice Finance Minister Zou Jiayi attended and addressed the celebration ceremony for the successful issuance of China's euro-denominated sovereign bonds.
2. On November 14, Vice Finance Minister Xu Hongcai attended the 18th Central Asia Regional Economic Cooperation Program (CAREC) Ministerial Conference in Tashkent, Uzbekistan.
3. On November 18, Vice Finance Minister Cheng Lihua attended the 23rd Greater Mekong Subregion (GMS) Ministerial Conference in Phnom Penh, Cambodia.
4. On November 19, Vice Finance Minister Zou Jiayi attended and addressed the Reception of the 15th Anniversary of China-Belgium Direct Equity Investment Fund in Beijing.
5. On November 21, Finance Minister Liu Kun met with Angel Gurría, the Secretary General of OECD. Vice Finance Minister Zou Jiayi also attended the meeting.

6. On November 22, Finance Minister Liu Kun met with David Malpass, the World Bank President in Beijing.

7. On November 26, Finance Minister Liu Kun met with Mihaly Varga, Hungarian Deputy Prime Minister and Minister of Finance.

## IV. Local Finance

### **1. Finance authorities of Hebei Province published the measures for the record filing of the city and county standards for basic public services to ensure the sustainability of basic public services**

According to the news released by the Finance Department of Hebei Province on November 4, in order to regulate the formulation and implementation of the city and county standards for basic public services and accelerate the equalization of basic public services, the Finance Department of Hebei Province recently published the *Measures for the Record Filing of the City and County Standards for Basic Public Services in Hebei Province*. First, define the meaning of “standard”. The basic public service standards

of Hebei Province are divided into provincial standards as well as city and county standards. Among them, the provincial standards are further divided into provincial-level basic standards and provincial-level standards. The city and county standards are divided into city and county-level basic standards and city and county-level standards. The city and county standards shall not be lower than the basic standards of the upper level, nor shall they be divorced from reality, make excessive promise and offer excessive protection. Second, emphasize the “record-filing” requirements. In terms of standards record-filing, if the city-level standards are higher than the provincial-level basic standards, the city-level finance department and the relevant competent departments shall submit the standards to the Finance Department of Hebei Province and the relevant provincial-level competent departments for record filing; if the county-level standards are higher than the city-level basic standards, the county-level finance department and the relevant competent departments shall submit the standards to the city-level finance department and the relevant competent departments at the city level for record filing, and copy them to the Finance Department of Hebei Province if the counties’ finance happen to be directly administered by the provincial finance department. Third, set out the elements for “record filing”. The record filing of city and county-level standards is mainly done through a record-filing form, which includes the implementation

of the basic standards of the previous year, the existing problems, the financial situation of the region, the government debt and its impact on the implementation of city-level standards. Fourth, clarify the main responsibilities. The city and county finance departments and relevant competent departments shall bear the main responsibility for the formulation of city and county-level standards, and shall strictly implement the requirements for the formulation of city and county standards and strengthen the review and control.

## 2. Finance authorities of Hubei Province adopted a mix of policies to reduce taxes and fees in support of the development of real economy

According to the news released by the Finance Department of Hubei Province on November 5, since 2019, Jingzhou City, Hubei Province has conscientiously implemented various tax and fee reduction policies, accurately implemented inclusive tax reduction and structural tax reduction, and effectively reduced the burden on enterprises; it has also fully played its fiscal functions, actively raised funds, supported the development of enterprises, unleashed the vitality of market players, stabilized market expectation, and offered enterprises a real sense of gain. First, raise funds to inject new impetus to development. Set up the real economy development fund to alleviate the

working capital difficulty of key enterprises in urban areas. Change the approach for the use of major industrial fund to support the development of enterprises in the city or major investment projects. Second, expand the scope of subsidies to benefit small and micro enterprises. Implement central and provincial inclusive financial policies to serve small and micro enterprises. Continue to expand the scope of beneficiaries of the subsidy policy. In 2019, in the budget of the city-level unemployment insurance fund, the expenditure on subsidies for job stabilization was 21 million RMB, and 11.94 million RMB was allocated as of September. Third, enhance the cooperation between the government and banks to reduce the financing costs. In 2019, the city government arranged 100 million RMB of government risk compensation fund, and engaged with China Construction Bank, Industrial and Commercial Bank of China and rural commercial banks, carrying out the business of "helping to secure loans", "government-bank-insurance collective loans" and "new rural loans" to support the financing needs of small and medium-sized enterprises. Fourth, enforce strict supervision and administer taxes and fees in accordance with the law. Strengthen supervision and inspection, and resolutely put an end to the "excessive taxation" and other behaviors; strictly implement the "one list" system for enterprise-related charges and avoid "loss in dike and compensation outside dike" as well as the substantial increase in administrative charges. Fifth, reduce general expenditures and



strengthen budgetary constraints. In the face of the impact of tax and fee reduction on fiscal revenue and expenditure, resolutely tighten the belt, cut general expenditures by 10% from the previous year and reduce the “three public” expenses further by 3% in 2019.

### **3. Finance Department of Guangxi Zhuang Autonomous Region took a mix of policies to accelerate budget implementation**

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According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on November 14, in the first half of 2019, the general public budget expenditure in Guangxi was 296.86 billion RMB, a year-on-year increase of 13.2%. The increase in expenditure was among the highest in the country, and the scale of expenditure reached a new high in the same period. First, strengthen awareness of the targets and make a good “first move”. Accelerate the expenditure schedule as an important task to strengthen fiscal management, tap the potential of local expenditure, and enhance the expenditure responsibility of cities and counties. Second, strengthen the sense of overall planning and beef up the “safeguard network”. Actively make up for the financial shortfall, accelerate the issuance of new bonds, and actively align with the central transfer payments. Third, strengthen awareness of priority tasks

and make key steps. Optimize the expenditure structure, vigorously reduce non-mandatory and non-emergency expenditures, and cut or eliminate budget for inefficient and ineffective funds. Actively involve in the implementation of major projects in the autonomous region, timely report the government procurement process, and create favorable conditions for promoting the efficient use of funds. Accelerate the use of funds from the advance issuance of new general bonds in the first half of the year compared with the same period of the previous year. Fourth, strengthen awareness of efficiency and take the initiative to “win the battle”. Accelerate the allocation of funds and create good conditions for accelerating the progress of expenditure. Accelerate the disbursement of funds, urge all departments and units of the autonomous region to prepare monthly fund-usage plans based on the annual budget and project implementation progress, timely submit payment applications, and timely review and disburse funds. Strengthen incentives and constraints, strictly implement the required documents, standardize budget implementation and management, and improve the efficiency of budget implementation.

### **4. Finance Department of Liaoning Province took multiple measures to support the fight against pollution**

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According to the news released by the Finance

Department of Liaoning Province on November 11, as stated by the general requirements of “making breakthrough in tackling water pollution, consolidating the outcomes of tackling air pollution, and moving to treat soil pollution” proposed by the Liaoning Provincial People’s Government, the Liaoning Finance Department and the relevant provincial departments have actively cooperated to raise funds, tackle the shortcomings and weaknesses, speed up the resolution of outstanding environmental issues, and focus on improving the quality of the ecological environment. First, raise funds to ensure adequate funding. In 2019, a total of 3.5 billion RMB of pollution prevention and control funds were raised, including 2.36 billion RMB for water pollution prevention and control, 310 million RMB for air pollution prevention and control, 380 million RMB for soil pollution prevention and control, and 450 million RMB for rural environmental management. Second, concentrate the funds on addressing the shortcomings and weaknesses. Highlight the key aspects, address the shortcomings, and spend the money on the priority areas, in accordance with the feedbacks from the central environmental protection inspection and the national ocean inspection. Third, consolidate the funds to enhance the synergy. In order to resolve the problem of scattered use of funds and fragmented management, the Liaoning Finance Department, in conjunction with other departments, consolidated the investment of funds on the basis of the special

plans. Fourth, improve management and strengthen monitoring. While supporting the construction of pollution control facilities, the Liaoning Finance Department, in response to the unknown pollution sources in the province, arranged 60 million RMB of special funds in 2019 to support the construction of automatic water quality monitoring stations along the Liao River and the coastline of Bohai Sea as well as automatic air monitoring stations near key industrial parks. Fifth, step up supervision and assessment to promote rectification. Since 2019, the Liaoning Finance Department has actively cooperated with other relevant departments to carry out special inspections around the key issues identified by the central environmental protection inspection and the national ocean inspection as well as the key projects on pollution prevention and control that are of interest to people, and urged all localities to take effective measures to work expeditiously to accelerate the construction of various pollution prevention and control projects.

## **5. Finance authorities of Jiangxi Province took multiple measures to optimize the business environment**

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According to the news released by the Finance Department of Jiangxi Province on November 18, since 2019, Ganzhou City, Jiangxi Province has made efforts to create a business environment that is fair, equitable, high-quality, efficient,

entrepreneurial, innovative, convenient and fast, in order to fully promote the high-quality development of Ganzhou's economy. First, create a fair and equitable market environment and give private investment greater market access. Vigorously dismantle the investment threshold and resolutely remove the hidden barriers. In response to the problem of the "exclusion of private capital access", it is ordered that no department in the city should separately impose additional conditions and discriminatory terms on private capital. Second, create a high-quality and efficient government service environment so that private enterprises can be "assured". Introduce policies to further improve development environment and strive to create an enabling business environment. Continue with self-reform and deepen the reform of "streamlining administration, delegating powers and improving services"; make full efforts to solve problems and boost the confidence of private enterprises; and continuously innovate the use of fiscal funds to reduce costs for private enterprises. Third, create a platform for entrepreneurship and innovation so as to invigorate the private economy. Continue to enable the government to set up platforms for engagement with enterprises, stimulate the vitality of private enterprises, and actively build platforms for incubation, cooperation and service. Fourth, create a convenient and fast tax environment to bring down the burden of enterprises. Actively promote tax and fee reduction and comprehensively publicize the policies of tax and fee reduction;

continuously make it more convenient for taxpayers to pay tax and comprehensively implement tax refunds; strengthen supervision over implementation and track policy effectiveness; rely on big data platform for tax collection and management to simplify procedures and improve tax refund efficiency.

## **6. Finance authorities of Xinjiang Uygur Autonomous Region enhanced six aspects to deepen fiscal and tax reform and comprehensively carry out budget performance management**

According to the news released by the Finance Department of Xinjiang Uygur Autonomous Region on November 19, since 2019, the Aksu region of Xinjiang has integrated performance concepts and methods into the whole process of budget preparation, implementation and supervision through "six enhancements", and initially established the ex-ante, interim and ex-post performance management system. First, enhance organizational leadership and improve the budget performance management system. The Aksu Party Committee strengthened the Party's leadership over the full implementation of budget performance management and clarified the timetable and roadmap for the full implementation of budget performance management in the region. Second, enhance the in-depth management and

build a comprehensive budget performance management structure. Fully integrate the government revenue and expenditure budget into performance management; fully integrate the revenue and expenditure of department and unit budget into performance management; and fully integrate policies and projects into performance management. Third, enhance closed-loop management and establish a full-process budget performance management chain. Enable the closed-loop management of budget performance to run throughout the “all-round, full-process and full-coverage” budget performance management system. Establish a performance evaluation mechanism, strengthen performance target management, effectively monitor performance, and apply performance evaluation results. Fourth, enhance the coordination of the “four budgets” and improve the full-coverage budget performance management system. Strengthen the management of general public budget performance and establish other government budget performance management systems. Fifth, enhance information management and establish an IT-based platform for budget performance management. Purchase budget performance information system through open tendering, and realize IT-based management of whole-process budget performance in all counties (cities) as of May 30. Sixth, enhance basic management and establish a budget performance training mechanism. Invite professionals to carry out special training regarding budget performance

management system, whole-process budget performance procedures and information platform operation.

## **7. Finance authorities of Tianjin Municipality actively explored a new 4G model of zero-based budget management**

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According to the news released by the Finance Bureau of Tianjin Municipality on November 25, starting from 2019, Tianjin Finance Bureau has worked to build a new 4G model of zero-based budget management with Tianjin characteristics featuring one Goal, two Guides, three Governs, and four Grips. First, break down the rigidity of departmental budgets around “one goal”. For a long time, the Tianjin municipal expenditure budget has mainly adopted the “base + growth” model of preparation. Second, clarify the “two guides” to optimize the order of project funds. Establish the positive and negative lists of budgetary arrangements and implement the “cash flow” budget management. Third, implement the “three governs” and strengthen the control of the entire budget process. Since 2019, Tianjin has implemented “three governs” of enforcing total project budget control, hardening budget implementation constraints, and making overall planning and balance. Fourth, establish the “four grips” to advance the closed-loop management

of budgetary funds. Propose “four grips” mechanisms that link budgetary arrangements with implementation progress, balance carry-over, audit issues, and idle assets in light of the specific state of budget implementation.

## 8. Finance authorities of Hunan Province focused on five aspects to promote the high-quality development of SMEs

According to the news released by the Finance Department of Hunan Province on November 26, since 2019, the finance authorities of Changsha City, Hunan Province have adopted a series of measures to effectively promote the high-quality development of SMEs in the city. First, implement inclusive policies to cultivate the “potential” of the economy. Comprehensively implement various tax and fee reduction policies, strictly investigate and deal with the arbitrary collection of taxes and fees, and strive to reduce the tax burden on all industries. Second, increase fiscal investment to enhance the “strength” of development. The city government arranged a budget of 735 million RMB for industrial development in 2019; a budget of 508 million RMB of special funds for scientific and technological development; and a budget of 225 million RMB of special funds for open economic development. Third, innovate financing models to assist the development of enterprises. Take the

credit risk compensation fund for small and micro enterprises, the SME on-lending guidance fund and the angel investment guidance fund as the lever to vigorously encourage banking institutions to lower the credit threshold for enterprises. Fourth, focus on innovation and entrepreneurship to stimulate the “internal vitality” of enterprises. Timely implement the “22 New Policies for Talents” and other policies to promote the employment and entrepreneurship of various talents. Fifth, optimize the business environment and provide quality service. Further stimulate the vitality of enterprises and promote the development of a unified, open, competitive and orderly market system.

## V. Remarks & Opinions

### 1. Gao Yan: China's pace of opening-up will not be affected by China-U.S. economic and trade frictions

On November 8, Gao Yan, Chair of the China Council for the Promotion of International Trade, said at “the 10th Caixin Summit: Opening up China and the World” held in Beijing that China’s opening up will not be affected by China-U.S. economic and trade frictions, China’s determination

to open up to a higher level will not change, and the pace of opening up will not slow down. China's door of opening-up will only grow wider. At present, the global economic and trade landscape is undergoing profound adjustment as economic globalization and the growth of world economy and trade are slowing down and international trade frictions and tussles over international trade rules are increasing. The world economy may enter into the era of frictions. The international trade friction will be long-term, normalized and complicated, entailing wider fields, new means and deeper impact. However, as long as all the parties seek common ground while shelving differences, expand consensus and strengthen cooperation, they will be able to minimize the impact of economic and trade friction on the world economy and globalization, and jointly build an open, cooperative, innovative and inclusive world economy. While promoting a higher level of opening up to the outside world, China will advance the high-quality development and diversification of trade, so that imports and exports, trade in goods and trade in services will develop in a coordinated manner. China will also continue to properly handle international trade frictions through dialogue, consultation and mutually beneficial cooperation. China will actively negotiate high-standard free trade agreements with more countries on top of 17 free trade agreements that have been signed. The Chinese business community is pleased to see that 15 countries taking part in RCEP concluded text-

based negotiations, and expects the agreement to be signed and enter into force at an early date, so that the free trade zone with the most population, the most diversified energy structure and the greatest development potential in the world will inject new impetus into the economic development of the region and the world.

## **2. Zou Jiayi: China's successful issuance of euro-denominated sovereign bonds created a new platform for China-EU financial cooperation**

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On November 6, Vice Finance Minister Zou Jiayi attended and addressed the celebration ceremony of the successful issuance of the euro-denominated sovereign bonds of the People's Republic of China in Paris, France.

Zou Jiayi pointed out that this year we just celebrated the 70th anniversary of the founding of the People's Republic of China. Over the past 70 years, China's development has been a result of independent and open development. As part of the opening-up process, China will increasingly integrate into the international financial market. After a lapse of 15 years, China restarted euro financing and made it in Paris, which reflected our emphasis on and support for euro and Paris as the international financial center, and will help

deepen the financial cooperation between China and France, as well as China and Europe. First of all, the successful issuance of euro-denominated sovereign bonds is a concrete action for us to build an economy of higher-level openness. The Chinese government has continuously introduced new opening-up measures. While welcoming foreign investment into the domestic market, China is also actively moving into the international market. China's resumption of the issuance of euro-bonds not only added high-quality sovereign issuers to the euro international market, but also established a benchmark for euro financing by Chinese issuers, which is of far-reaching significance for furthering China's participation in the development of international financial market. Second, the successful issuance of euro sovereign bonds demonstrates that the Chinese economy is entering a new phase of high-quality growth. The industrial structure of the Chinese economy has been continuously optimized and adjusted, the new drivers of economic growth have been continuously cultivated, and China's international ranking of the business environment has been continuously improved, laying a good foundation for the long-term healthy development of the economy. In this issuance of euro-bonds, 4 billion euros of sovereign bonds were actively subscribed by international investors, with a total subscription of 20 billion euros, which is five times the amount of issuance. Among the subscription, 57% comes from Europe and 43% comes from outside Europe,

with a wide range of investors, broad geographical distribution, and better-than-expected results, reflecting not only the international investors' high recognition of the Chinese government's efforts to further reform and open up its economy and integrate into the international economic system, but also the international investors' strong confidence in China's sovereign creditworthiness. Third, the successful issuance of euro sovereign bonds has created a new platform for China-France and China-Europe financial cooperation. At present, high-level interactions between the two countries are frequent, political mutual trust is being continuously consolidated, and economic and trade cooperation is getting more pragmatic. In order to consolidate the comprehensive strategic partnership between China and France, we will implement the important consensus of our state leaders with more pragmatic and effective actions to support the development of the Paris international financial center.

Zou Jiayi emphasized that in recent years, China-EU cooperation has progressed in an orderly manner and the cooperation mechanism has been continuously improved. The momentum of China-EU relations is encouraging. China's restart of the euro financing not only reflects our confidence in the euro, but also provides high-quality investment products for euro investors. We look forward to attracting more Chinese issuers to finance and invest in Europe in the future and continue to

deepen bilateral economic and trade cooperation, and hope China-EU cooperation could become an important driver and underpinning for world economic growth.

### 3. Shi Yaobin: make active exploration to take PPP development to a new level

On November 12, Shi Yaobin, Commissioner of the Budgetary Affairs Commission of the Standing Committee of the NPC, attended and addressed the second annual meeting of the 2019 Global PPP50 Forum of Peking University. Shi Yaobin said that the Budgetary Affairs Commission of the Standing Committee of the NPC will support and promote the development of PPP in the following aspects:

First, make in-depth understanding of the significance of PPP. We need to further understand the significance of PPP development for promoting high-quality economic development, serving the people, and innovating social governance model from the perspective of transforming the advantages of the socialist system into the efficiency of national governance. We must give full play to the positive role of PPP in promoting supply-side structural reforms and achieving high-quality economic development, in order to break monopoly, increase supply, improve efficiency, allow the market to play a decisive role in resource allocation, and better play the role of government.

We must always adhere to PPP's essential characteristics of being people-oriented and serving the people, innovate the way public services are provided, encourage and support private forces to run social undertakings, so as to meet the diverse needs of people and move toward the goal of building a society where everyone is responsible and stands to benefit from social progress.

Second, strengthen the rule of law. PPP is a long-term project involving the relationship between government and market players. Sound rule-of-law environment is the fundamental guarantee for the sustainable and healthy development of PPP. In accordance with the principle of "legal guarantee, sound system and policy guidance", we will revise and improve laws and regulations related to budget management and government procurement, and study and formulate PPP laws and regulations. Through the formulation and revision of relevant laws and regulations, we will effectively deal with and take into account the interests of all parties involved, regulate the behaviors of government and market entities, strengthen communication and collaboration between departments, and create a sound rule-of-law environment for win-win cooperation.

Third, promote regulated development of PPP. We will carry out the overall requirements of "not only regulating but also developing PPP", further align understanding, build consensus, and promote



the return of PPP to its original purpose and its regulated development. The standard PPP projects should be unswervingly promoted. The non-standard PPP projects should be rectified within a time limit. The PPP projects that constitute illegal borrowing must resolutely be held accountable and the hidden debt risks of local government must be prevented. We must strengthen the life cycle management of PPP projects, use modern IT and big data to strengthen supervision, and improve project management and performance of fund usage. It is necessary to strengthen the disclosure of PPP information, make further detailed disclosure, allow private enterprises greater market access, promote the transparent operation of projects, and actively accept the supervision of people's congress and general public at all levels. By transmitting clear signals, we will stabilize market expectations, boost market confidence, and promote steady progress of PPP.

Fourth, promote the real effects of PPP. We will implement the requirements of the Party Central Committee on expanding the focus of NPC's budget review and supervision to expenditure budget and policies, strengthen the review and supervision of key expenditures and major investment projects, and promote the implementation of the major decisions of the Party Central Committee. In the field of PPP, we need to set great store by the development of project pipeline, pay attention to the implementation of key projects in such

key areas as poverty alleviation, ecological and environmental protection, and people's livelihood, and pay attention to project risk management and sustainable development, in order to enable PPP to better play its role in stabilizing growth, advancing reform, improving weak links and benefiting people's livelihood.

#### **4. Liu Kun: benchmarking against the best international standards to optimize China's business environment**

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On November 22, at the opening ceremony of the High-level International Seminar on Optimizing the Business Environment, Finance Minister Liu Kun said that in recent years, MOF, in accordance with the decisions of the Party Central Committee and the State Council, has taken the lead in coordinating with the relevant departments and the Beijing and Shanghai municipal governments to improve the business environment. By leveraging the opportunity of the World Bank's business environment assessment and benchmarking against the best international standards, MOF has promoted a series of drastic reforms. As a result, China's global ranking of business environment moved up 15 places to the 31st this year on top of the substantial rise of 32 places last year, making China one of the 10 economies with the largest improvement in the business environment for two consecutive years.

In accordance with the unified arrangement of the Party Central Committee and the State Council, MOF will require relevant parties to be guided by the best practice in the world, promote reform with opening-up, and create a business environment in line with international norms; enforce policies to meet corporate demands, highlight practical

effectiveness, and further enhance the corporate sense of gains and satisfaction; tackle the weak links reflected in the Doing Business Report to accurately implement policies and continue to optimize the business environment in China with greater efforts and more pragmatic measures.

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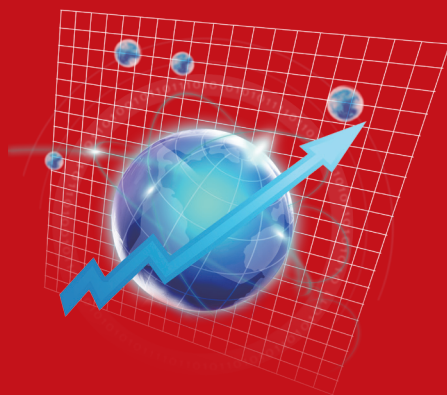
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