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HIGHLIGHT

- Finance Minister Liu Kun: achieve the poverty reduction goals ahead of schedule and continue to engage in international cooperation against the pandemic
- Finance Minister Liu Kun, accompanied by Vice Finance Minister Zou Jiayi, attended the 102nd virtual ministerial meeting of the Development Committee of the World Bank Group and delivered a speech as the Governor for China
- MOF published a circular to better implement the revised Regulations for the Implementation of Budget Law
- State Council deployed measures to further stabilize employment in order to meet annual targets
- China's CPI in September rose by 1.7% year on year

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
CAAC	Civil Aviation Administration, China
CAC	Cyberspace Administration, China
CAFS	Chinese Academy of Fiscal Sciences
CAREC	Central Asia Regional Economic Cooperation
CASS	Chinese Academy of Social Sciences
CBIRC	China Banking and Insurance Regulatory Commission
CEPA	Closer Economic Partnership Arrangement
CMIM	Chiang Mai Initiative Multilateralization
CPA	Certified Public Accountant
CPC	Communist Party of China
CPI	Consumer Price Index
CPPCC	Chinese People's Political Consultative Conference
CSRC	China Securities Regulatory Commission
FDA	Food and Drug Administration
GAC	General Administration of Customs, China
GAMS	General Administration of Market Supervision, China
GAS	General Administration of Sport, China
GDP	Gross Domestic Product
IEFI	International Economics and Finance Institute, Ministry of Finance, China
IMF	International Monetary Fund
IPI	Industrial Production Index
IPR	Intellectual Property Rights
LICs	Low-Income Countries
MCA	Ministry of Civil Affairs, China
MCT	Ministry of Culture and Tourism, China
MEE	Ministry of Ecology and Environment, China
MIIT	Ministry of Industry and Information Technology, China
MNR	Ministry of Natural Resources, China
MOA	Ministry of Agriculture and Rural Affairs, China

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

I. Policy Update

1. State Council published the guidelines on promoting the high-quality development of animal husbandry

On September 28, the State Council published the guidelines on promoting the high-quality development of animal husbandry, which provided the following. First, implement subsidies for improved pig breeds and animal breeds in pastoral areas, and speed up the promotion and application of fine breeds. Second, implement the agricultural machinery purchase subsidy policy, and include the agricultural machinery and equipments purchased by farms (households) such as those for automatic feeding, environmental control, disease prevention and control, and waste treatment into the scope of subsidies. Third, implement a special employment plan for township animal epidemic prevention in major pig-producing counties and ensure reasonable labor compensation for village-level animal epidemic prevention officers. Fourth, support private provision of animal epidemic prevention services through government purchase of services. Implement preferential water and electricity price policies for large-scale livestock and poultry breeding and primary processing of livestock and

poultry products; and strengthen support for the standardized pig slaughtering and the construction of a cold chain transportation and distribution system for livestock and poultry products through existing channels such as central fiscal transfer payments.

2. MOF published a circular to better implement the revised Regulations for the Implementation of Budget Law

On September 30, MOF published a circular to better implement the revised Regulations for the Implementation of Budget Law, which provided the following. First, carefully carry out the learning, training and popularization of the Regulations, attach great importance to the learning and training of the Regulations, and adopt a variety of methods to promote awareness of the Regulations. Second, do a good job in the organization and implementation of the Regulations, strictly abide by the provisions of the Regulations on the scope of government budget revenue and expenditure, and ensure effective connection within the government budget system; implement full-scale budget management of departments; strengthen local government debt management; standardize budget implementation; improve the transfer payment system; deepen budget performance management; and increase the disclosure of budget information. Third, effectively strengthen the clean-up and development of the supporting system for the Regulations, conduct a comprehensive review of the relevant documents previously formulated, and comprehensively

reorganize and improve the specific content of the relevant regulations.

3. MOF and the National Medical Security Administration jointly published a circular on advancing the pilot work of cross-provincial direct settlement of outpatient expenses

On October 9, MOF and the National Medical Security Administration jointly published a circular on advancing the pilot work of cross-provincial direct settlement of outpatient expenses, which provided the following. First, unify the transfer-out process for medical treatment in different places. People who have already filed for cross-provincial direct settlement of medical expenses may enjoy direct settlement services of outpatient expenses without additional filing; other people who have the need for outpatient medical treatment in other provinces shall apply for the filing of medical treatment, and the locality where they are insured may provide online self-service for medical filing. Second, regulate the settlement process and benefit policies for cross-provincial medical treatment, and calculate the personal out-of-pocket burden of the insured people and the amount paid by various medical insurance in accordance with the policies and regulations of the locality where they are insured. Third, the cross-provincial direct settlement of outpatient chronic disease treatment expenses will start from the diseases that involve a large number of people, such as hypertension and diabetes, and are

widely treated in the local area, and will gradually expand to other outpatient chronic diseases. Fourth, effectively strengthen the supervision of the locality of medical treatment, and the medical institutions should bring the people who seek medical treatment from other places into local unified management. Fifth, strengthen the management of funds for cross-provincial direct settlement of outpatient expenses, and allow the portion paid by medical insurance fund to be paid first and settled later. Sixth, develop convenient and efficient cross-provincial settlement services. The pilot areas with ripe conditions may provide services for cross-provincial direct settlement of outpatient expenses while allowing for convenient services such as medical treatment and drug purchase with electronic medical insurance certificates.

4. State Council deployed measures to further stabilize employment in order to meet annual targets

On October 9, Premier Li Keqiang of the State Council presided over an executive meeting of the State Council, which provided the following. First, take further steps to stabilize employment, earnestly help enterprises to relieve their difficulties and implement supportive policies for employment and business startup, increase employment services and business startup support for rural migrant workers, expand the scope of work relief, and strengthen employment assistance for people in difficulties. Second, pass the *New Energy Vehicle*

Industry Development Plan, step up research of key technologies, strengthen infrastructure development of charging and hydrogen refueling facilities, provide fiscal support for the construction of charging piles as public facilities, encourage greater international cooperation in the field of new energy vehicles, and increase policy support for the use of new energy vehicles in the public service sector. Third, decide to promote the implementation of international shipping-related preferential tax policies in some parts of the Guangdong-Hong Kong-Macao Greater Bay Area. From October 1, 2020 to December 31, 2023, certain tax incentives will be given to the development of international shipping insurance business in the Nansha Free Trade Area; starting from October 1, 2020, tax rebate policy at the port of departure will be implemented for waterborne goods with 37 ports in 9 cities in the Pearl River Delta as departure ports and Nansha Free Trade Port Area and Qianhai Free Trade Port Area as border-departure ports.

5. Ministry of Transport and MOF jointly published a circular on organizing and launching the pilot work of deepening the reform of the rural road management and maintenance system

On October 13, the Ministry of Transport and MOF jointly published a circular on organizing and launching the pilot work of deepening the reform of the rural road management and maintenance system, which provide the following. First, the pilot

work will last 3 years, and each pilot area should focus their work on the related requirements and selected pilot topics for deepening the reform of rural road management and maintenance system. Second, carry out close coordination, accelerate the establishment of a long-term mechanism for rural road management and maintenance, and comprehensively promote the high-quality development of the “four good rural roads”. Third, strengthen the supervision of and guidance for the pilot work within the province, and keep abreast of the progress of the work in each pilot area. Fourth, promote good practice by organizing on-site meetings and exchanging experiences, and at the same time, use the progress and results of the pilot work as an important basis for seeking the central vehicle purchase tax funds to support rural road construction.

6. Three ministries jointly published a circular on preferential tax policies for imported exhibits sold during the China International Import Expo

On October 14, MOF, the General Administration of Customs, and the State Administration of Taxation jointly published a circular on preferential tax policies for imported exhibits sold during the China International Import Expo, which provided the following. First, a reasonable number of imported exhibits sold during the Expo will be exempted from import tariffs, import VAT and consumption tax, but such exemption does not include the state-banned

imports, endangered animals and plants and their products, cigarettes, alcohol, automobiles, and goods listed in the *Catalogue of Imported Major Technical Equipments and Products Not Exempted from Taxes*. Second, each exhibitor may enjoy tax incentives in accordance with regulations subject to the sales volume or limit. Third, for exhibits sold during the exhibition that exceed the quantity or limit specified in the policy as well as exhibits that are not sold during the exhibition and are not returned abroad after the end of the exhibition, taxes shall be levied in accordance with relevant national regulations. Fourth, the list of exhibitors and the list of exhibits sold during the exhibition will be submitted to the Shanghai Customs in a unified report by the organizers of China International Import Expo Bureau and the National Exhibition and Convention Center (Shanghai) Co., Ltd.

7. Three ministries jointly published a supplementary circular on the *Several Opinions on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation*

On October 20, MOF, the National Development and Reform Commission and the National Energy Administration jointly published a supplementary circular on the *Several Opinions on Promoting the Healthy Development of Non-aqueous Renewable Energy Power Generation*, which provided the following. First, determine the amount of central government subsidies for renewable energy power

generation projects on the basis of the reasonable utilization hours in the life cycle. Second, determine the amount of subsidized power based on the formula of the project's full life cycle subsidized power = project capacity × the reasonable utilization hours in the project's full life cycle. Third, for the project included in the scope of the renewable energy power generation subsidy list, the power generated during the full life cycle will be subsidized according to the on-grid tariff. The subsidy standard = (renewable energy benchmark on-grid tariff (including the tariff determined through competitive bidding)—local coal—fired power generation on-grid benchmark tariff) / (1+applicable VAT rate).

8. State Council decided to continue to promote the mechanism for fiscal funds to directly reach grass-root levels in order to improve the effectiveness of fiscal policies

On October 22, Premier Li Keqiang of the State Council presided over an executive meeting of the State Council, which decided to continue to promote the mechanism for fiscal funds to directly reach grass-root levels, or the direct-reach mechanism, study a regular mechanism for such purpose, and improve the effectiveness of fiscal funds through reforms to better serve the overall economic and social development goals. First, expand the scope of funds that directly reach grass-root levels, include general transfer payment such as transfer payment for the shared fiscal mandate of central and local

government into the direct-reach mechanism to basically achieve full coverage of the central government's livelihood-related subsidies. Second, improve the management of funds that directly reach grass-root levels, release transfer payment funds in advance, and enhance the scientific, standardized and effective use of funds. Third, improve supervision, accelerate the open sharing of data between departments, strengthen the monitoring of funds that directly reach grass-root levels, and strictly prevent the case of "no muddying the waters or fishing for profit" to ensure sound use of funds.

9. MOF and the Ministry of Housing and Urban-Rural Development jointly published a circular on the pilot program of promoting government procurement of green building materials to improve the building quality

On October 22, MOF and the Ministry of Housing and Urban-Rural Development jointly published a circular on the pilot program of promoting government procurement of green building materials to improve the building quality, which provided the following. First, the pilot cities are Nanjing, Hangzhou, Shaoxing, Huzhou, Qingdao and Foshan. The pilot projects are new government procurement projects for hospitals, schools, etc, and the pilot period is 2 years. Second, the pilot program covers the formation of government procurement requirement standards for green building and green

building materials, strengthening engineering design and management, implementing green building materials procurement requirements, exploring the centralized green building materials procurement, strictly conducting engineering construction and acceptance management, and strengthening supervision of the implementation of green procurement policies. Third, strengthen organization and leadership, ensure adequate pilot tracking and evaluation, and strengthen publicity and guidance.

10. Three ministries published the *Implementation Opinions on Strengthening the Practice Management of Accounting Firms and Effectively Improving Audit Quality*

On October 26, MOF, the State-owned Assets Supervision and Administration Commission (SASAC) and the China Banking and Insurance Regulatory Commission (CBIRC) published the *Implementation Opinions on Strengthening the Practice Management of Accounting Firms and Effectively Improving Audit Quality*, which provided the following. First, improve the practice management policies of accounting firms, and jointly formulate the measures for requiring record filing by accounting firms that engage in securities service business. Second, jointly promote the use of the results of the quality assessment of accounting firms and provide a reference for the independent decision making of market entities. Third, deepen the supervision of accounting firms

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in compliance with the qualifications of practicing license, and adopt measures such as issuing management proposals, requiring rectification, and issuing warning letters. Fourth, strengthen the practice monitoring and management of accounting firms, share relevant information with SASAC and CBIRC in a timely manner, and disclose information to the market as appropriate. Fifth, increase the information disclosure of accounting firms and establish and improve the information disclosure platform of accounting firms and certified public accountants (CPAs). Sixth, implement classified guidance together with SASAC, CBIRC and other departments, and urge relevant enterprises to rationally select accounting firms. Seventh, intensify the supervision and inspection of accounting firms, and further strengthen the supervision and inspection of public interest entities such as listed companies, state-owned enterprises, and financial enterprises. Eighth, strictly impose penalties on responsible accounting firms and related responsible persons, and suspend or revoke the CPA practice certificates of directly responsible CPAs in accordance with the law.

11. MOF published a circular on public consultation for the *Measures for Administration of State-owned Assets Evaluation (Draft for Public Comment)*

On October 27, MOF published a circular on public consultation for the *Measures for Administration*

of State-owned Assets Evaluation (Draft for Public Comment), which provided the following. First, the state-owned assets evaluation refers to the professional services of evaluation agencies in assessing and estimating the economic rights and interests and issuing evaluation reports of state-owned or non-state-owned assets involved in the related economic activities of state-owned units. Second, the types of cases to be evaluated include: wholly or partly restructuring into a limited liability company or joint stock company, merger, division, acquisition and liquidation, outbound investment with non-monetary assets and acceptance of capital contributions from non-monetary assets, conversion of debt to equity, transfer of property rights, change in the proportion of equity of state-owned shareholders other than listed companies, asset transfer, replacement and leases, debt repayment with non-monetary assets and acceptance of non-monetary assets to offset debts, acceptance of non-monetary asset mortgages or pledges, and other cases where state-owned assets supervision and management authorities should carry out asset evaluation.

II. Facts & Figures

1. Lottery sales in China reached 34.779 billion RMB in August

The data published by MOF on September 30 showed that lottery sales in China reached 34.779 billion RMB in August, an increase of 698 million RMB or 2.0% year on year. Among them, welfare lottery sales were 13.25 billion RMB, a decrease of 1.356 billion RMB year on year, or down by 9.3%; sports lottery sales were 21.529 billion RMB, an increase of 2.053 billion RMB year on year, or up by 10.5%. In terms of types, lotto digital lottery sales were 21.936 billion RMB, an increase of 3.137 billion RMB year on year, or up by 16.7%; toto lottery sales were 10.24 billion RMB, an increase of 18 million RMB year on year, or up by 0.2%; instant lottery sales were 2.589 billion RMB, an increase of 398 million RMB year on year, or up by 18.2%; video lottery sales were 60,000 RMB, a decrease of 2.854 billion RMB year on year, or down by 100.0%; keno lottery sales were 13 million RMB, a decrease of 20 million RMB year on year, or down by 15.6%. In terms of regions, there were 19 provinces in China that saw lottery sales growth. Among them, Guangdong, Jiangsu and Yunnan increased most notably, with a year-on-year increase of 284 million, 216 million and 187 million respectively.

2. China's CPI in September rose by 1.7% year on year

The data published by the National Bureau of Statistics on October 15 showed that China's CPI in

September rose by 1.7% year on year. Among them, urban prices rose by 1.6%, and prices of rural areas rose by 2.1%; food prices rose by 7.9%, and non-food prices remained flat; prices of consumer goods rose by 2.6%, and services prices rose by 0.2%. China's CPI from January to September rose by 3.3% year on year.

3. China's PPI in September fell by 2.1% year on year

The data published by the National Bureau of Statistics on October 15 showed that China's PPI in September fell by 2.1% year on year and rose by 0.1% month on month; IPI fell by 2.3% year on year and increased by 0.4% month on month. China's average PPI from January to September fell by 2.0% year on year, and IPI fell by 2.6% year on year.

4. China issued 720.5 billion RMB of local government bonds in September

The data published by MOF on October 21 showed that China issued 720.5 billion RMB of local government bonds in September. Among them, 212.2 billion RMB are general bonds and 508.3 billion RMB are special bonds; 554.6 billion RMB are new bonds, and 165.9 billion RMB are refinancing bonds. The average maturity of local government bonds is 14.7 years, including 16.9

years for general bonds and 13.8 years for special bonds; the average interest rate is 3.64%, including 3.70% for general bonds and 3.61% for special bonds.

5. China's cumulative local government debt balance is 25.5821 trillion RMB in September

The data published by MOF on October 21 showed that as of the end of September, China's cumulative local government debt balance is 25.5821 trillion RMB. Among them, general debt is 12.8193 trillion RMB, and special debt is 12.7628 trillion RMB; government bonds are 25.3906 trillion RMB and non-government-bond debt stock is 191.5 billion RMB. The remaining maturity of local government bonds is 6.8 years, including 6.1 years for general bonds and 7.4 years for special bonds; the average interest rate is 3.50%, including 3.51% for general bonds and 3.50% for special bonds.

6. Total operating income of state-owned enterprises (SOEs) in September increased by 9.2% year on year

The data published by MOF on October 29 showed that the total operating income of state-owned enterprises (SOEs) in September increased by 9.2%

year on year. From January to September, the total operating income was 44.08464 trillion RMB, a year-on-year decrease of 0.7%, among them, the operating income of central SOEs was 24.94727 trillion RMB, a year-on-year decrease of 3.9%; the operating income local SOEs was 19.13737 trillion RMB, a year-on-year increase of 3.7%.

7. Total profit of state-owned enterprises (SOEs) in September increased by 52.5% year on year

The data published by MOF on October 29 showed that the total profit of state-owned enterprises (SOEs) in September increased by 52.5% year on year. From January to September, the total profit was 2.2833 trillion RMB, a year-on-year decrease of 16.0%, among them, the profit of central SOEs was 1.53661 trillion RMB, a year-on-year decrease of 14.4%; the profit of local SOEs was 746.69 billion RMB, a year-on-year decrease of 19.0%.

III . MOF Events

1. On September 25, Vice Finance Minister Zou Jiayi attended the virtual 2020 APEC Finance Ministers' Meeting and delivered a speech. The meeting focused its discussion on the sharing of

experience and cooperation on pandemic response and the impact of digitalization on sustainable economic growth in the context of pandemic. A joint statement was also issued at the meeting.

2. On September 26, Assistant Finance Minister Ou Wenhan was invited to attend the summit meeting on Global Economic Recovery and Financial Cooperation and delivered a keynote speech on this year's more proactive fiscal policy.

3. On October 16, Finance Minister Liu Kun, accompanied by Vice Finance Minister Zou Jiayi, attended the 102nd virtual ministerial meeting of the Development Committee of the World Bank Group and delivered a speech as the Governor for China. The meeting discussed the latest development of the World Bank's response to the COVID-19 pandemic and Debt Service Suspension Initiative. And a communiqué was issued after the meeting.

4. On October 21, Vice Finance Minister Yu Weiping attended and addressed the opening ceremony of the 2020 Poverty Alleviation through Consumption: Meeting for Production and Marketing of Agricultural and By-Products in Poor Areas.

5. On October 24, Vice Finance Minister Zou Jiayi attended the 2nd Bund Summit and gave a keynote speech on Seeking Stability amidst Uncertainty and Seeking Development in Open Cooperation.

IV. Local Finance

1. Shanxi Finance: expand the coverage of unemployment insurance to better protect the basic livelihood of the unemployed

According to the news released by the Finance Department of Shanxi Province on September 27, it has expanded the coverage of unemployment insurance to better protect the basic livelihood of the unemployed. First, the coverage is extended to all insured unemployed people in urban and rural areas. The insured unemployed people may receive unemployment insurance benefits, periodic unemployment subsidies and temporary living allowances in accordance with the regulations to ensure their basic needs of life are met. Second, expand the scope of people receiving unemployment insurance benefits, cancel the deadline for applying for unemployment insurance benefits, and extend the deadline for older unemployed people to receive unemployment insurance benefits. Third, carry out phased implementation of the unemployment subsidy policy. From March to December 2020, unemployed people who remain unemployed after the expiry of eligibility for receiving unemployment insurance benefits and the insured unemployed people who do not meet the eligibility for receiving unemployment insurance benefits may apply for

unemployment subsidies for 6 months, with the standard of unemployment subsidy at 80% of the local unemployment insurance; during the period of receiving the unemployment subsidy, they may enjoy temporary price subsidies, but they are not entitled to enjoy unemployment insurance benefits. Fourth, expand the insurance coverage of unemployed migrant workers in phases. From May to December 2020, unemployed migrant workers who do not meet the convergence conditions and have been insured for less than one year after January 1, 2019 may receive a three-month temporary living allowance, with reference to the urban subsistence allowance standard of the insured area. The temporary living allowance is paid monthly. Fifth, increase the standard of temporary price subsidy in phases, and double the temporary subsidies.

2. Hunan Finance: focus on three fronts to comprehensively strengthen local government special bond management

According to the news released by the Finance Department of Hunan Province on September 28, it has spent funds raised from bonds mainly on key areas and major strategic projects determined by the central, provincial and city governments to actively crowd in private investment and effectively support the efforts in strengthening weak links, improving people's livelihood, promoting consumption, and stimulating domestic demand. First, highlight project management, strengthen the development of project

pipeline, clarify the key points of project review, optimize bond issuance conditions, and focus on the key links of bond issuance. Second, focus on effectiveness of funds, establish a consultation-based management mechanism, carry out special supervision and inspection, strengthen budget performance evaluation, and concentrate on the core point of bond usage. Third, strengthen institutional building, improve project pipeline management methods, strengthen IT-based bond management, improve management methods for funds raised from bonds, and focus on the basic point of long-term management.

3. Jiangsu Finance: established “four mechanisms” to provide strong support for production safety

According to the news released by the Finance Department of Jiangsu Province on October 12, Finance Bureau of Changzhou City has earnestly performed its fiscal functions, strengthened funding support, and established the “four mechanisms” featuring long-term investment, assessment incentives, technological support and insurance protection. First, improve the long-term mechanism for production safety. Provide special fiscal support and regulate the use of such support by enterprises. Second, implement a production safety assessment mechanism, strengthen positive incentives with responsibility assessment, and enhance safety supervision with reporting. Third, strengthen the scientific and technological support mechanism for

production safety, provide guidance for innovation of safety technologies, and include production safety-related projects into the scope of application for special scientific and technological funds. Fourth, establish an insurance mechanism for emergency response personnel, and further clarify the scope and requirements of the purchase of accidental injury insurance by special emergency management personnel with insurance expenses funded by the fiscal budget.

4. Shandong Finance: actively promote the application of the results of budget performance assessment

According to the news released by the Finance Department of Shandong Province on October 13, the Finance Bureau of Binzhou City has taken a series of measures to promote results application, giving a full play to the outcome of budget performance assessment in its role as the “baton of a conductor”. First, explore the establishment of a full-process mechanism for the application of performance assessment results. Base decision-making on pre-assessment and strictly manage project pipeline; base budget preparation on performance targets to make preparation more scientific; take performance monitoring as the lever in budget execution to promote the effectiveness of funds; use performance assessment results after budget execution as the basis and link them to next year’s budget arrangement. Second, strengthen performance management responsibilities with

the disclosure of performance assessment results, implement open and transparent information networks, regularly submit reports to the People’s Congress for review, and implement long-term feedback and notification mechanism. Third, stimulate performance management initiative by performance assessment, incorporate budget performance management assessment results into the scope of performance assessment of public institutions; include departmental unit performance management into the performance assessment of finance departments; and include budget performance management reform measures into the assessment of county and district budget management performance.

5. Hebei Finance: actively promote the development of an integrated budget management system with sound norms and standards

According to the news released by the Finance Department of Hebei Province on October 19, Hebei Province has fully implemented the requirements for integrated budget management and actively promoted the development of an integrated budget management system (2.0). First, fully implement the unified standards and norms for budget management. Second, achieve full coverage of all levels, fields, businesses and funds. Third, realize effective inter-connection, management and control of government budgets, departmental budgets, unit budgets, and budgets at different

levels. Fourth, establish an effective supporting mechanism for budget implementation. Fifth, realize automatic recording and classified control of general accounting, unit accounting, and budget index accounts. Sixth, establish a comprehensive system of expenditure standards and performance standards. Seventh, achieve flexible configuration of system and demand-based expansion of factors supported by underlying workflow and documents. Eighth, implement the “sensitive state + steady state” concept and use new technologies to ensure the continuous improvement of system performance.

reforms of zero-based budgeting, coordinated use of fiscal funds, and improvement of asset management system, so as to enhance the ability of fiscal coordination. Third, establish a quantitative evaluation mechanism for budget implementation goals, a “five linkage” evaluation mechanism for provincial departmental budget management, an evaluation mechanism for the exit of special fund, a real-time dynamic tracking mechanism, and a project performance dynamic monitoring mechanism, in order to strengthen the funding ability and improve the effectiveness of fiscal expenditures.

6. Yunnan Finance: effectively revitalize the stock of funds and assets to enhance the financing support of public finance

According to news released by the Finance Department of Yunnan Province on October 20, it has focused on “one source”, promoted “three reforms” and established “five mechanisms” to effectively revitalize the stock of funds and assets and improve the effectiveness of the use of fiscal funds and assets. First, strengthen source management, compile detailed budget items, enhance mid-term fiscal planning and management, formulate strict budget adjustment and control rules, promote the revitalization of the stock of funds through review and reform, get a clear picture of the scale of assets, speed up asset accounting management, and improve the level of budget management. Second, advance the three

7. Zhejiang Finance: provide strong support for the delivery of “six stability” and “six security”

According to the news released by the Finance Department of Zhejiang Province on October 26, the Finance Bureau of Taizhou City, while coordinating pandemic prevention and control with economic and social development, has made efforts to deliver “stability on six fronts” and “security in six areas”, ensure that central government funds directly benefit enterprises and people, and boost market confidence and corporate vitality. First, quickly establish a fund allocation system on a case-by-case basis, strengthen targeted promotion of corporate-related policies, and actively leverage the role of government procurement to provide strong support for the resumption of work and production. Second, make efforts to reduce expenditure, strengthen enforcement, and emphasize performance so that

the government's belt tightening becomes the norm. Third, intensify reform efforts, leverage the "Internet +" to achieve speedy payment of funds, strengthen the government procurement policy function to ease the financing difficulties of micro and small enterprises, and carry out the "400" fund mobilization program to support steady improvement of governance capabilities.

8. Hubei Finance: make efforts on seven fronts to promote economic and social development

According to the news released by the Finance Department of Hubei Province on October 28, the Finance Bureau of Wuhan City has conscientiously implemented measures to deliver "stability on six fronts" and "security in six areas" in order to effectively promote economic recovery and development and overall social stability. First, support the fight against the pandemic in Wuhan, organize the mobilization of funds in an orderly manner, open a green channel for emergency fund allocation, and simplify government procurement methods and procedures during special periods of time. Second, fully implement various tax and fee cut policies such as lowering the VAT rate and reducing or exempting real estate taxes. Third, increase fiscal and financial support to enterprises, implement the government interest subsidy policy, and establish a "4321" policy-based guarantee risk sharing mechanism. Fourth, prevent and defuse government debt risks, and coordinate the

issuance and use of local government bonds with risk prevention and control. Fifth, implement the employment support policy for stable jobs, actively support the implementation of the employment first policy, and implement the vocational training subsidy policy. Sixth, strengthen the protection of people's livelihood, and continue to raise the standards of benefits for people including the recipients of urban and rural subsistence allowances in Wuhan. Seventh, actively seek a package of supportive policies from the central and provincial finance authorities, strengthen the management of fund allocation and use, and ensure that funds directly reach the grass-root level and benefit enterprises and people.

V. Remarks & Opinions

1. Liu Shangxi: protect market entities and accelerate the formation of a new development pattern

On September 27, Liu Shangxi, President of the Chinese Academy of Fiscal Sciences, pointed out in an exclusive interview with Xinwen Lianbo that the new development pattern is proposed in line with China's development stage, context and changes in conditions, and is thus a strategic choice that will reshape China's new advantages

in international cooperation and competition. In the coming period, the domestic market will dominate the circulation of the national economy, and the potential of domestic demand as driver of economic growth will continue to be released. According to the new development pattern of dual circulation proposed by the central government, it is necessary to focus on the domestic circulation as the mainstay, enhance our ability to develop independently, and improve the living standards of people. This can create opportunity for the further development of China, and at the same time, enable the domestic circulation and international circulation to reinforce each other.

Liu Shangxi said that the key to the “six security” proposed by the central government, among them, security of employment and security of people’s livelihood, lies in the protection of micro, small and medium-sized enterprises. As digital finance is developing rapidly, there is great potential in leveraging cloud computing and artificial intelligence to facilitate financing to micro, small and medium-sized enterprises. In order to support the real economy, we must do everything possible to protect market players and build up strength for economic development. In addition to financing, we must actively help individual industrial and commercial businesses solve problems in rent, tax, social security, etc., and provide more direct and effective policy assistance.

Liu Shangxi said that the new development pattern is by no means a closed domestic circulation, but

an open dual circulation on both domestic and international fronts. China’s position in the world economy will continue to rise, its connection with the world economy will become closer, and the market opportunities provided to other countries will be broader, making China a huge gravitational field for attracting international goods and factors of resources.

2. Xu Hongcai: accelerate the development of integrated budget management system and drive the modernization of budget management through informatization

On October 15, in his article published in China Finance, Vice Finance Minister Xu Hongcai pointed out that the budget embodies the national strategy and policy, reflects the scope and direction of government activities, and serves as an important underpinning for state governance. The important decision of the 4th Plenary Session of the 19th CPC Central Committee required the creation of a budget system with scientific standards, sound norms, transparency and effective binding force, in order to improve the socialist system with Chinese characteristics and advance the modernization of the state governance system and capabilities. To implement the decisions and deployments of the CPC Central Committee and the State Council, promote the further deepening of budget system reform, establish and improve a modern fiscal system, and advance the modernization of the

state governance system and capabilities, MOF has deployed and promoted the integrated budget management, with the aim to use systematic thinking and information technology to move forward budget management, build a “system + technology” management mechanism by means of modern information technology, and comprehensively improve the standardization and automation of budget management at all levels, and is thus of great significance and far-reaching influence.

(1) The integrated budget management is imperative for accelerating the establishment and improvement of a modern budget system and promoting the modernization of the state governance system and capabilities

General Secretary Xi Jinping pointed out that information is an important basis for state governance, and we must promote the modernization of the state governance system and capabilities through informatization. The development of a modern budget system must make full use of modern information technology, drive the modernization of budget management with information technology, accelerate the realization of the goal of budget system reform, and promote the modernization of the state governance system and capabilities.

(2) The integrated budget management is an important guarantee for fulfilling the requirements of government belt tightening and for actively responding to the complex economic and social situation in the future

As China’s economic development enters a new normal, and with the effective implementation of policies such as tax and fee cut, fiscal revenue growth has slowed down. At the same time, public finance carries important responsibilities in consolidating the results of poverty alleviation, promoting high-quality development, and preventing and resolving major risks. At present, the economy is still facing some possibilities of into an unstable and uncertain situation. Based on overall judgment, the public finance will remain in a state of “tight balance” for a relatively long period of time. In this connection, we must ensure that the Party and the government must take the lead in tightening their belt and make this a long-term policy for fiscal work. On the basis of consolidating the effects of the previous tax and fee cut policies, we should increase the budget’s ability to coordinate various public resources, strengthen budget expenditure management, pay more attention to the quality and efficiency of budget items, and reduce the unnecessary expenditures. This requires the integration of budget management, comprehensive standardization of budget management and making budgets more binding, so as to implement the requirements of government belt tightening.

(3) The integrated budget management is the principal underpinning for deepening the reform of budget system

At present, the reform of budget system has entered a tough and challenging period. The old method

of introducing standalone system and rule cannot meet the requirements of reform and development and achieve reform effects. To further deepen the reform of budget system, we must systematically formulate practical and feasible plans based on the requirements of scientific standards, sound norms, transparency and effective binding force. To scientifically formulate expenditure standards, comprehensively standardize budget management, and make budgets more binding, it is necessary to achieve effective linkage between government budgets at all levels, between various budget management links, and between government budgets, departmental budgets and unit budgets, and strengthen the overall management of various capital assets of departments and units. Therefore, the integrated budget management is not only an important component of deepening the reform of budget system, but also an important means to support the effective implementation of budget system reform.

(4) The integrated budget management is an inevitable choice for perfecting basic fiscal work and improving basic management

At present, there are still many weak links in the basic budget management work, as budget management is not standardized enough, the finance department has insufficient grasp of budget operation information, and the ability and level of performing duties and responsibilities also need to be improved. Therefore, the finance department must comprehensively and thoroughly upgrade

the existing budget management methods and informatization level, enhance the ability of data management, deliver solid performance in basic work and better take on budget management responsibilities.

MOF has formulated and promulgated the *Specifications for Integrated Budget Management and Technical Standards for Integrated Budget Management Systems*, required localities to build and implement integrated budget management system in two batches, and clarified the standards and implementation steps for the development of the integrated system. At present, the first batch of provinces has made breakthroughs in the implementation, and the implementation made by the second batch of provinces is also progressing well. Local finance departments must strictly abide by the unified Specifications and Technical Standards in accordance with the prescribed timeline, and accelerate the development and implementation of an integrated budget management system. The finance cadres must raise their awareness and earnestly study and implement the requirements of integrated budget management. MOF will strengthen the supervision of and guidance for integrated budget management in various localities, vigorously assess the integrated systems built in various localities, expand the scope of Specifications and Technical Standards in tandem with the progress of budget system reform, and continue to upgrade the integrated budget management system in various localities to lay a solid foundation for further deepening the reform of budget system.

3. Liu Kun: achieve the poverty reduction goals ahead of schedule and continue to engage in international cooperation against the pandemic

On October 16, Finance Minister Liu Kun attended the virtual ministerial meeting of the Development Committee of the World Bank and delivered a speech as the Governor for China. The meeting discussed the latest development of the World Bank's response to the COVID and Debt Service Suspension Initiative, and issued a communiqué afterwards.

Liu Kun said that China appreciates the World Bank's rapid and effective response to the pandemic, and expects the World Bank to play a more constructive role in promoting global fight against the pandemic and advancing common development, and continue to increase support to developing countries in areas such as financing, knowledge, and access to vaccine. As an important multilateral creditor, the World Bank should actively explore feasible ways to participate in collective action of debt service suspension, including increasing the transfer of IBRD net income to IDA, setting up a special debt relief fund, and proposing a specific design of COVID liquidity facility as soon as possible, in order to provide new and additional funding for the poorest countries. China supports the World Bank to increase its investment in digital infrastructure. The World Bank's relevant procurement policies should be based on multilateral rules and become a model of openness, non-discrimination and fair competition. Suppliers from all countries should be

treated fairly and the principles of availability and affordability should be adhered to.

Liu Kun pointed out that since this year, China has made every effort to overcome the impact of the pandemic and speed up the recovery of production and social activities. As a result, the economy has stabilized and rebounded. We are confident that we will fulfill our task of building a moderately prosperous society in all respects as scheduled, win the battle against poverty, and achieve 10 years ahead of schedule the poverty reduction goals related to the UN 2030 Agenda for Sustainable Development. China will continue to participate in international cooperation against COVID, including making the vaccine a global public good after it has been developed and put into use, and providing it to developing countries as a priority.

4. Zou Jiayi: seeking stability amidst uncertainty and seeking development in open cooperation

On October 24, Vice Finance Minister Zou Jiayi was invited to attend the 2nd Bund Summit. The theme of the summit is Crisis and Opportunities: New Finance and New Economy in a New Situation. Vice Finance Minister Zou Jiayi made a keynote speech on Seeking Stability amidst Uncertainty and Seeking Development in Open Cooperation.

Zou Jiayi said that the recent G20 Finance Ministers and Central Bank Governors Meeting discussed the impact of the pandemic on the world economy.

All parties generally believed that the impact of the pandemic on the world economy is unlikely to subside in the short term, and economic recovery is a long-term process. Increased market uncertainty has led to heightened global financial risks. The pandemic can be called a “black swan” event, but in fact, “black swan” is not uncommon, and uncertainty is a normal state. To deal with risks, it is necessary to seek certainty amidst uncertainty and create a stable environment for market players with sound policies. Since the outbreak of the pandemic, the Chinese government has quickly adopted effective macroeconomic policies to deal with the impact of the pandemic. The proactive fiscal policy has become more proactive and impactful, which has provided strong support for economic recovery and financial stability. Fiscal policy is supporting financial stability in the following aspects: First, strengthen counter-cyclical adjustments and stabilize economic fundamentals. The finance authorities have spared no efforts in doing a good job to ensure “stability on six fronts” and in fulfilling their task to maintain “security in six areas”, increasing government investment, and expanding domestic demand. We have raised the fiscal deficit ratio to over 3.6%, increased general budget deficit to 3.76 trillion RMB, issued 1 trillion RMB of special treasury bonds for combating COVID-19, and allowed for 3.75 trillion RMB of local government special bonds to stabilize the economic fundamentals, boost market confidence, and create a favorable macro policy environment for financial stability with greater policy efforts. Second, intensify tax and fee cut to support market

players. We have introduced targeted tax and fee cut measures, including reducing taxes and fees for industries and enterprises hard hit by the pandemic and increasing tax incentives for micro and small enterprises and self-employed businesses. It is expected that these measures will reduce over 2.5 trillion RMB of tax burden for market entities throughout the year. Keeping market entities stable will help stabilize customers in the financial sector, which is conducive to maintaining the asset quality of financial institutions. Third, give play to the role of financial inclusion to serve the real economy. We have leveraged the credit enhancement functions of government financing guarantee, expanded the coverage of guarantee, and significantly reduced the guarantee fees. We have also improved the policy of secured loans for business startup and increased interest subsidies for people with employment difficulties and micro and small enterprises. It is estimated that 145.6 billion RMB of loans will be issued throughout the year, a year-on-year increase of 35%. Public finance has increased the enthusiasm of financial institutions in providing services for micro and small enterprises by sharing the loan risks and costs. Fourth, strengthen government debt management and properly manage leverage risks. We have followed the approach of “opening the front door and blocking the back door”. While increasing the issuance of local government bonds, we have strengthened the management of local government special bonds in all aspects of “borrowing, use, management and repayment”, and never relaxed risk control due to the pandemic. In addition, we have strengthened the risk management capabilities of

small and medium banks, allowed local governments to issue special bonds, and supported small and medium banks to replenish capital. Fifth, expand the issuance of government bonds to provide the market with high-quality assets. The scale of general treasury bonds and local government bonds has increased, and the 1 trillion RMB special treasury bonds for combating COVID-19 were successfully issued. Recently, the central government successfully issued 6 billion USD of sovereign bonds in the Hong Kong SAR, providing global investors with high-quality investment-grade assets. Market reacted enthusiastically and the subscription reached nearly 5 times the issuance scale, indicating that the international market's confidence in China's economy has further increased. And it also demonstrated China's determination to continue to pursue open development. Both domestic and foreign investors stand to benefit from the stable recovery of China's economy.

To effectively prevent risks in the global financial system, several relationships need to be properly handled: (1) Balance the relationship between counter-cyclical adjustment and financial stability. It is necessary to adopt counter-cyclical macroeconomic policies to deal with the impact of the pandemic, but such move is likely to increase the medium and long-term risks. The global monetary policy environment has continued to remain loose for over 10 years. After the outbreak of pandemic, major economies had to implement unprecedented quantitative easing policies. In the first half of 2020 alone, the three major central banks in the United

States, EU and Japan have expanded their assets totaling more than 5 trillion USD. The ultra-loose monetary policy has played a role in stabilizing the market in the short term, but the negative effects cannot be ignored. Problems such as excessive currency growth, divergence between real economy and financial sector, high macro leverage level, asset price inflation, and diminishing marginal effects of policies are worthy of attention. (2) Coordinate the relationship between financial supervision and economic development. Throughout history, financial supervision has always been along with economic development and financial innovation, and has experienced a spiral development from strengthening to relaxing, and then moved on to further strengthening on a new basis. Facing the impact of the pandemic, the implementation period of Basel III was appropriately relaxed, and the tolerance of financial supervision in various countries was increased, which played an important role in maintaining financial stability and promoting economic recovery. That said, it should also be noted that deregulation must be done in a prudent and cautious way. With breakthroughs in vaccine research and development, the global economic recovery may accelerate the next year, and the financial sector is prone to a scenario of self-circulation, leverage amplification and bubble buildup. It is, therefore, necessary to adjust financial regulatory policies in a timely manner, and balance the relationship between financial technology and financial security. The pandemic is forcing the digital economy to accelerate. Block chain, cloud computing, big data, and artificial intelligence

technologies are widely used in the financial field, and traditional financial models are being reshaped. There are pros and cons for everything. Fintech has not changed the nature of finance that relies on credit and leverage. While improving service efficiency and enhancing financial accessibility, Fintech has also increased the challenge to financial security. We need to support the development of financial technology, and must also insist on “technology for good”, and insist on finance supporting the real economy and benefiting the society; we must also establish and follow the relevant market rules, prevent financial technology from inducing excessive financial consumption, prevent financial technology from becoming a means for avoiding regulation and engaging in illegal arbitrage, and prevent financial technology from creating a “winner takes all” monopoly. (3) Study and assess the relationship between climate change and risk prevention. The threat of climate change to the financial system is called the “green swan risk”. At present, the impact of climate change is gradually emerging. As the probability of extreme weather and natural disasters is increasing, economic activities may be stalled, causing serious damage to the balance sheets of enterprises, residents, and financial institutions. The low-carbon transformation of the economies of various countries has accelerated, and policies on environmental protection, energy conservation and emission reduction have become stricter, as a result, the value of high-carbon assets may need to be revalued significantly. The impact of climate change will form a negative feedback loop within the financial system and between

the financial sector and the real economy, and thus amplify financial risks. Like other global challenges such as major outbreak of pandemic, the impact of climate change also requires in-depth research and joint response. (4) Properly handle the relationship between sovereign debt and development financing. The global fiscal stimulus in response to the pandemic is close to 12 trillion USD, and the average deficit ratio of countries has increased by 9 percentage points from last year. The pandemic is still raging in some emerging markets and low-income countries which are also faced with economic recession, currency devaluation, fiscal imbalance, rising indebtedness, potential downgrade of sovereign credit rating, and heightened debt sustainability pressure. The essence of the debt problem is development problem. It is necessary to not only solve the short-term liquidity problem caused by the impact of pandemic, but also address the contradiction of insufficient long-term capital supply. At present, China is fully implementing the G20 Debt Service Suspension Initiative to help the poorest countries alleviate the debt burden and better achieve sustainable development.

Zou Jiayi pointed out that to deal with the uncertainty and instability of growth in the current global economic and financial system, we need to adhere to the correct direction of multilateralism and open cooperation. Multilateral institutions should play a more active role, and are encouraged to provide financial services to the real economy. Finance is naturally profit-seeking. In the context of economic recession and monetary easing, finance

is prone to deviate from the purpose of serving the real economy and become self-inflated and hollow. While helping governments prevent financial risks, international financial organizations may explore the establishment of a regulatory policy framework that encourages financial sector to serve the real economy, and guide finance to return to its original purpose of effectively allocating resources and promoting economic development. Multilateral institutions should also support medium and long-term development financing. Many poor countries are faced with the problem of debt sustainability, which requires the collective participation and joint action of all parties. Multilateral development agencies should innovate financing methods, provide long-term, stable and low-cost financial support, and take the lead in dealing with the debt of the poorest countries. The International Monetary Fund should increase the allocation of special drawing rights and support developing countries hard hit by the pandemic to increase their international payment capabilities. Multilateral institutions should promote the transformation of development model. The pandemic has profoundly affected the model of economic development, bringing opportunities for the development of “contactless economy”, “online economy” and “low-carbon economy”. International financial organizations should play a guiding role and encourage governments to promote inclusive finance and green finance through rule-making, standard guidance and policy support, and make good use of big data, artificial intelligence and other financial technology to improve the ability of financial sector in serving the real economy.

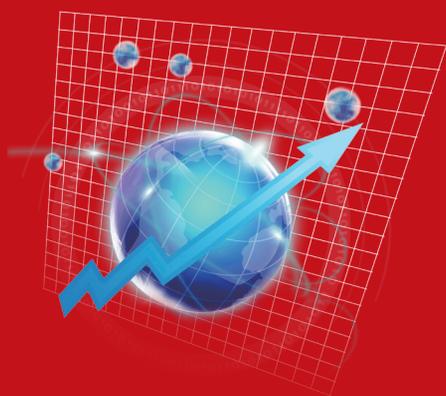
Zou Jiayi said that in the face of the sudden outbreak of pandemic and the complicated situation, China has adhered to the principle of “people first and life first”, and coordinated pandemic prevention and control with economic and social development. In the first three quarters, China’s economic growth rate turned from negative to positive, consumption and investment continued to recover, imports and exports of goods rebounded, and the financial market operation functioned smoothly, showing the resilience and vitality of the Chinese economy. At present, China’s economy is fostering a new development pattern with the domestic circulation as the mainstay and the domestic and international circulation reinforcing each other.

The new development pattern is not an enclosed domestic circulation, but an open dual circulation at both domestic and international front. With continuous efforts to promote supply-side structural reforms, optimize all links of economy, unblock the domestic circulation, and connect the domestic and international circulation, the Chinese market will make greater contributions to the world economy. We will expedite the institutional opening up of rules and standards, build a new economic system with higher level of openness, and make China’s contribution to the establishment of an equal, mutually beneficial and rule-based international economic governance system.

The historical experience of global financial development shows that closure will not bring stability, and “decoupling” will not bring security.

To cope with global financial risks, we need to seek stability in dynamics, seek security in opening up, and seek development in cooperation. Only by

working together in unity can we find the way to make breakthroughs in the volatile environment



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