

# CHINA FINANCE MONTHLY 中国财政月度资讯

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## HIGHLIGHTS

- Vice Finance Minister Yu Weiping: thoughts on the follow-up action in fund allocation and usage for the transportation sector
- Finance Minister Liu Kun held a virtual meeting with Pierre Gramegna, Minister of Finance of Luxembourg
- State Council determined the policy measures to increase support for the manufacturing industry and promote the stable development of the real economy
- MOF and the Ministry of Science and Technology jointly published the circular on the *Measures for the Administration of the Central Guiding Funds for Local Science and Technology Development*
- China's CPI rose by 2.3% year on year in November

## Brief Introduction to IEFI

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

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

# Acronyms

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

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

## I. Policy Update

### **1. MOF published the *14th Five-Year Plan for Accounting Reform and Development***

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On November 29, MOF published the *14th Five-Year Plan for Accounting Reform and Development*, which provided the following. First, it is important to continue to promote the high-quality development and implementation of the accounting and audit standards system, continue to improve the development and implementation of the enterprise accounting standards system, continue to deepen the accounting reform of government and non-profit organizations, and continuously advance the improvement and effective implementation of the certified public accountant professional standards system. Second, it is required to accelerate the digital transformation of accounting and audit, and actively promote the digital transformation of accounting work, audit work and accounting management. Third, efforts need to be made to fully engage in international accounting governance, deeply participate in the formulation of international accounting standards, continue to deepen multilateral and bilateral accounting exchanges and cooperation, steadily promote the two-way opening up of the accounting service market, and study the accounting and audit policies related to capital market opening up.

### **2. MOF published a circular on the *issuance of the Implementation Plan for Supporting Zhejiang Province in Exploring Innovation to Build an Example of Public Finance Promoting Common Prosperity in Provincial Region***

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On November 30, MOF published a circular on the *issuance of the Implementation Plan for Supporting Zhejiang Province in Exploring Innovation to Build an Example of Public Finance Promoting Common Prosperity in Provincial Region*, which provided the following. First, it is required to accelerate the reform of the division of fiscal powers and expenditure responsibilities at the sub-provincial level, explore and improve the income division system between provincial government and city-and-county-level government, further improve the sub-provincial transfer

payment system, and support the deepening of the income distribution system reform. Second, efforts need to be made to encourage the trial in achieving the equalization of basic public services, accelerate the establishment of a “money following people” system, and further improve the whole-life cycle public service funding mechanism. Third, it is important to increase investment of ecological protection compensation funds, optimize the horizontal ecological compensation mechanism of river basins, and innovate the comprehensive fiscal support policies for carbon peaking and carbon neutrality. Fourth, efforts need to be made to support technology innovation, support the creation of new industrial competitive advantages, and carry out in-depth implementation of the mountain-sea collaboration project. Fifth, it is necessary to further deepen the reform of budget management system, continue to step up budget disclosure, further strengthen the coordination of fiscal resources, improve the fiscal policy system for concentrating financial resources on priority areas, advance the in-depth integration of budget and performance, and promote the digitalization of public finance.

### **3. MOF and the Ministry of Education jointly published the *Measures for the Administration of the Funds for Modern Vocational Education Quality Improvement Plan***

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On December 1, MOF and the Ministry of Education jointly published the *Measures for the Administration of the Funds for Modern Vocational Education Quality Improvement Plan*, which provided the following. First, the funds for modern vocational education quality improvement plan are the transfer payment funds for shared fiscal powers used by the central government to implement relevant requirements of CPC Central Committee and State Council and support vocational education reform and development. Second, the funds are used to support the enhancement of the adaptability of vocational education, promote the reform and development of vocational education, and accelerate the development of a modern vocational education system. Third, MOF, in accordance with relevant regulations of budget management, will work with the Ministry of Education to study and determine the budgetary amount of the funds in each province, and review the overall performance targets of the funds.

#### **4. Five ministries jointly published the *Measures for the Administration of Social Relief Funds for Road Traffic Accidents***

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On December 1, MOF, the China Banking and Insurance Regulatory Commission, the Ministry of Public Security, the National Health Commission, and the Ministry of Agriculture and Rural Affairs jointly published the *Measures for the Administration of Social Relief Funds for Road Traffic Accidents*, which provided the following. First, the social relief funds for road traffic accidents are a special social fund raised in accordance with the law and used to advance the funeral expenses and part or all of the rescue expenses of the victims in motor vehicle road traffic accidents. Second, the relief fund is used to advance the funeral expenses and part or all of the rescue expenses of the victims in road traffic accidents, including the cases where rescue expenses exceed the limit of liability for compulsory traffic insurance, the motor vehicle that cause the accident is not covered by the compulsory traffic insurance, and the motor vehicle hits and runs after the accident. Third, MOF is responsible for formulating related policies of relief fund in conjunction with relevant departments, and guiding the collection, use and management of provincial relief fund.

#### **5. MOF published a circular on regulating matters related to the transfer of assets of state-owned financial institutions**

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On December 8, MOF published a circular on regulating matters related to the transfer of assets of state-owned financial institutions, which provided the following. First, it is crucial to ensure openness, fairness and justice in accordance with laws and regulations. Second, it is required to consolidate management responsibilities, establish and improve asset transfer management system within group or company, and enforce the principal responsibilities of state-owned financial institutions. Third, it is necessary to regulate the transfer methods, adopt open transaction methods such as exchange trading, public auction, online auction and competitive negotiation, and strictly limit the scope of directly negotiated transfers. Fourth, it is required to reasonably determine prices. Asset transactions with clear market fair value may refer to the market fair value to determine the transfer floor price, and other asset transactions may refer to the market fair value, audited book value, etc. to determine

the transfer floor price to effectively prevent the loss of state-owned assets. Fifth, it is important to clarify the transaction process to ensure that the transfer of assets is in compliance with laws and regulations. Sixth, it is necessary to select institutions on merit basis to ensure full disclosure of transaction information. Seventh, it is crucial to strengthen supervision and inspection, and strictly investigate and deal with violations of laws and regulations.

**6. MOF and the All-China Women’s Federation jointly published a circular on the issuance of the Measures for the Administration of Central Special Lottery Public Welfare Fund Assistance Project to Support the Low-income Women in the Treatment of “Two Cancers”**

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On December 10, MOF and the All-China Women’s Federation jointly published a circular on the *issuance of the Measures for the Administration of Central Special Lottery Public Welfare Fund Assistance Project to Support the Low-income Women in the Treatment of “Two Cancers”*, which provided the following. First, the recipients of assistance are the low-income women diagnosed with cervical invasive cancer above IIB or breast invasive cancer who are among the subsistence allowance recipients and those with severe financial difficulty in basic livelihood caused by significant income reduction as certified by the civil affairs and rural revitalization authorities. Second, the standard assistance is the one-time assistance of 10,000 RMB for each person, and the same recipient cannot claim assistance for twice. Third, MOF is responsible for formulating project management measures, guiding and supervising the use of project funds and project implementation, and organizing and guiding relevant parties to carry out budget performance management throughout the process.

**7. MOF and the Ministry of Water Resources jointly published a circular on further strengthening the government accounting of water conservancy infrastructure**

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On December 13, MOF and the Ministry of Water Resources jointly published a circular on further strengthening the government accounting of water conservancy

infrastructure, which provided the following. First, water conservancy infrastructure refers to all or part of the tangible assets of water conservancy projects that continue to provide public services and are controlled by water administrative departments at all levels and their subordinate public institutions to meet the needs of flood prevention, flood control, water supply, irrigation, power generation, etc. Second, water conservancy infrastructure includes 9 categories: flood prevention engineering, flood control engineering, irrigation engineering, water diversion engineering, rural water supply engineering, hydro-power generation engineering, soil and water conservation engineering, reservoir engineering and hydrological infrastructure. Third, finance authorities should consider local conditions to improve work processes and study and formulate detailed rules for the implementation of local water conservancy infrastructure accounting.

**8. MOF and the Ministry of Education jointly published a circular on the issuance of the *Measures for the Administration of Basic Scientific Research Expenses of Central-level Universities***

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On December 14, MOF and the Ministry of Education jointly published a circular on the issuance of the *Measures for the Administration of Basic Scientific Research Expenses of Central-level Universities*, which provided the following. First, the basic scientific research funds of central-level universities should be used to support the independent scientific research work of central-level universities, with a focus on supporting the capacity building of scientific research and innovation platforms, carrying out basic, supportive and strategic research across disciplines, and strengthening the basic work of science and technology. Second, the basic scientific research funds are allocated using the factor method, considering the scientific research needs and capabilities of young teachers and students in central-level universities, the development of scientific research activities, the construction of science and technology innovation platforms, the development of innovation teams, etc. Third, the Ministry of Education, together with other competent authorities, will establish a performance management system and carry out performance management throughout the life cycle of project funds.

## **9. State Council determined the policy measures to increase support for the manufacturing industry and promote the stable development of the real economy**

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On December 15, Premier Li Keqiang of the State Council presided over the executive meeting of the State Council, which specified policy measures to increase support for the manufacturing industry and promote the steady development of the real economy. First, the implementation of tax and fee cut policies should be tilted toward the manufacturing industry, with enhanced measures for extra deduction of R&D expenses and VAT refund, in order to support science and technology innovation of enterprises and upgrading of traditional industries. Second, efforts should be stepped up to deepen the reform of “streamlining administration, delegating powers and improving services” in the manufacturing sector, carry out list-based management for business licenses involving enterprises, and stimulate the vitality of manufacturing enterprises. Third, it is important to develop advanced manufacturing industry, accelerate the digital transformation in the manufacturing industry, encourage enterprises to take the lead in forming innovation consortium, and accelerate the breakthrough of key core technologies. Fourth, efforts should be made to encourage large enterprises to help more small and medium-sized enterprises (SMEs) integrate into supply chain and innovation chain, and support the growth of more “specialized and innovative” enterprises and “little giant” enterprises. Fifth, it is crucial to deepen and expand international cooperation, support foreign-funded enterprises for increasing investment in high-end manufacturing and R&D centers, and ensure the stability of the industrial and supply chains.

## **10. State Council published a circular on further strengthening supervision incentives under the new circumstances**

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On December 20, the State Council published a circular on further strengthening supervision incentives under the new circumstances, which provided the following. First, provinces and municipalities that have maintained steady growth in annual investment in highway and waterway construction and done a good job in project investment by using central subsidy funds financed by vehicle purchase tax income will be given appropriate rewards when the central subsidy funds financed by vehicle

purchase tax income are allocated. Second, provinces and municipalities with large investment in high-standard farmland development, high quality of task completion, and good post-development management and protection effects will be given incentives and support when annual central fiscal funds are allocated. Third, cities and counties with notable results in promoting the revitalization of rural industries and other key work of rural revitalization will be given certain incentives and support when relevant central fiscal funds are allocated. Fourth, cities with notable results in the renovation of old residential communities will be given support when the central budgetary investment for affordable housing project and the central fiscal subsidy funds for urban affordable housing project are allocated. Fifth, cities with notable quality improvement in environmental treatment projects will be given appropriate rewards when the central fiscal funds for the prevention and control of air and water pollution are allocated. Sixth, cities and counties that have vigorously promoted the river chief system and achieved notable results will be given appropriate rewards when the central fiscal funds for water conservancy development are allocated; and cities and counties with notable results in comprehensively implementing the forest chief system will be given appropriate rewards when the central fiscal funds for forestry reform and development are allocated.

#### **11. MOF and the Ministry of Agriculture and Rural Affairs published the circular on the *Financial Rules of Rural Collective Economic Organizations***

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On December 21, MOF and the Ministry of Agriculture and Rural Affairs published the circular on the *Financial Rules of Rural Collective Economic Organizations*, which provided the following. First, rural collective economic organizations may raise funds through various ways, perform the decision-making procedures of collective economic organizations, determine the method and scale of fund raising as well as the usage of funds, and control the costs and risks of fund raising. Second, rural collective economic organizations should strengthen the management of cash, bank deposits, receivables, inventories and other current assets, and implement operational and management responsibilities. Third, rural collective economic organizations are required to strengthen, with sound financial and accounting treatment, the management of revenues derived from production and sales, provision of services,

investment returns, user right transfer of collective assets and resources, and government subsidies.

**12. MOF and the Ministry of Science and Technology jointly published the circular on the *Measures for the Administration of the Central Guiding Funds for Local Science and Technology Development***

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On December 22, MOF and the Ministry of Science and Technology jointly published the circular on the *Measures for the Administration of the Central Guiding Funds for Local Science and Technology Development*, which provided the following. First, the guiding funds refer to the transfer payment funds from the central government to support and guide local governments in implementing the national innovation-driven development strategy and the policy of science and technology reform and development, optimizing the regional environment for science and technology innovation, and enhancing the regional capabilities for science and technology innovation, which fall under the central-local shared fiscal responsibilities. Second, MOF is responsible for determining the principles and standards for the allocation of guiding funds, determining the priority areas for using the guiding funds, reviewing the proposed plan for the allocation of funds and issuing budgets, organizing the implementation of the whole process of performance management, and providing guidance for local budget management. Third, it is crucial to direct the guiding funds to support free exploration in the field of basic research, construction of science and technology innovation bases, commercialization of science and technology findings, and development of regional innovation system.

## II. Facts & Figures

### **1. Lottery sales in China reached 29.391 billion RMB in October**

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The data published by MOF on November 30 showed that lottery sales in China reached 29.391 billion RMB in October, a year-on-year decrease of 1.324 billion RMB or 4.3%. Among them, welfare lottery sales were 12.583 billion RMB, a year-on-year increase of 306 million RMB or 2.5%; the sports lottery sales were 16.808 billion RMB, a year-on-year decrease of 1.63 billion RMB or 8.8%.

### **2. China's CPI rose by 2.3% year on year in November**

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The data published by the National Bureau of Statistics on December 9 showed that China's CPI rose by 2.3% year on year in November. Among them, prices in urban areas rose by 2.4%, and prices in rural areas rose by 2.2%; food prices rose by 1.6%, and non-food prices rose by 2.5%; consumer goods prices rose by 2.9%, and service prices rose by 1.5%.

### **3. China's industrial PPI rose by 12.9% year on year in November**

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The data published by the National Bureau of Statistics on December 9 showed that China's industrial PPI rose by 12.9% year on year in November. Among them, prices of extractive industries rose by 60.5%, prices of raw material industries rose by 25.0%, prices of processing industries rose by 10.1%, prices of food rose by 1.6%, prices of apparel rose by 1.2%, prices of general daily necessities rose by 1.4%, and prices of consumer durables rose by 0.1%.

### **4. Production of major energy products in China's major industrial enterprises maintained year-on-year growth in November**

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The data published by the National Bureau of Statistics on December 15 showed that the production of major energy products in China's major industrial enterprises

maintained year-on-year growth in November. Specifically, raw coal production increased by 4.6% year on year, crude oil production increased by 2.7% year on year, natural gas production increased by 4.4% year on year, and electricity generation increased by 0.2% year on year.

### III. MOF Events

1. On November 16, Finance Minister Liu Kun held a virtual meeting with Pierre Gramegna, Minister of Finance of Luxembourg. The two sides exchanged views on the economic situation of China and Luxembourg, the reform of international tax system under the OECD Inclusive Framework, green finance, and the cooperation between China and Luxembourg at the Asian Infrastructure Investment Bank.

## IV. Local Finance

### **1. Yunnan Finance: actively exploring new concept of budget control indicators to build new engine of budget management**

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According to the news released by the Finance Department of Yunnan Province on November 30, finance authorities of Yunnan have actively established the “three systems” of managing budget control indicators with full-process recording, full-coverage control and full-scale reporting as its core functions, and initially achieved the goals of the pilot reform. First, an all-round analysis on the budget management operations was conducted with a view to establishing the “three systems” of managing budget control indicators in accordance with the overall framework of “one main line, multi-point control, and coordinated actions”. Second, measures were taken to innovate the centralized treasury payment control and verification mechanism, the management mechanism of special fiscal account funds (education fees) and the management mechanism of departmental funds. Third, efforts were made to maintain the result-based approach to effectively strengthen the mandatory budget constraints, standardize the budget management activities, promote the inter-connection of budget and improve budget management.

### **2. Jiangsu Finance: adhering to a unified approach on five fronts to advance the digitalization of public finance in a high-quality way**

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According to the news released by the Finance Department of Jiangsu Province on December 3, finance authorities of Jiangsu have adhered to a unified approach on five fronts to scientifically organize the digitalization of public finance and promptly advance the development of integrated budget management system. First, unify the top-level design, sort through and restructure fiscal work by carrying out specific projects, and conduct top-level planning and design of the business architecture, application architecture and technical architecture for the digital transformation of Jiangsu’s public finance. Second, unify business standards, strictly follow the *Integrated Budget Management Standards*, and carry out business sorting and demand

analysis based on this. Third, unify technical framework, formulate the framework by relying on the domestic cloud platform, form a “1+1+N” diversified development model, and effectively improve the iteration, smooth upgrade and continuous innovation capabilities of system development. Fourth, unify data base, build a unified fiscal data base for the whole province, and promote the sharing of decentralized and isolated data resources. Fifth, provide unified support and guarantee, build the fiscal cloud infrastructure featuring “two hubs and three centers” , and provide full-time technical services for the province’s fiscal and budgetary units.

### **3. Guizhou Finance: working on four fronts and empowering the eco-environmental protection fund to support the high-quality development of Guizhou**

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According to the news released by the Finance Department of Guizhou Province on December 8, finance authorities of Guizhou have worked on four fronts to give full play to the decisive role of market in resource allocation and crowd in financial and private capital investment. First, build a sound fund management policy system, foster a collaborative working mechanism, and foster an information management platform covering the whole province. Second, develop innovative approaches of fiscal expenditure, make available 20 billion RMB for eco-environmental protection, better preserve and enhance the value of fiscal funds, and enhance the efficacy of fiscal expenditure. Third, build a mechanism where government takes less profit and concedes more profit to other capital contributors on the basis that the fund has recovered its investment principal and gained threshold returns, so that government’ s “concession of profits” could incentivize and catalyze the fund and help speed up the launch and development of high-quality projects.

### **4. Fujian Finance: putting people first and making it a top priority of fiscal work to improve people’s lives**

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According to the news released by the Finance Department of Fujian Province on December 9, finance authorities of Fujian have made all-out effort to protect people’ s

livelihood, promote development, prevent risks, strengthen financial support, enhance efficiency, and improve institutional building, in order to continuously deliver more benefits to people through fiscal budget. First, continue to increase investment in the protection of people's livelihood, effectively step up mobilization of funds, actively seek support from central government, and make utmost effort to consolidate the protection of people's livelihood. Second, work to address the concerns of people, boost the quality of people's livelihood and well-being, protect the basic livelihood of special groups, promote balanced development in the old Soviet areas, and ensure high-quality improvement of people's living standards. Third, improve the stable investment mechanism in the areas related to people's livelihood, improve the emergency response mechanism for meeting people's livelihood needs, establish a livelihood policy evaluation mechanism, strengthen the livelihood-related fund supervision mechanism, and build a multi-dimensional and long-term institutional system.

#### **5. Shandong Finance: enhancing accountability and building up synergy to advance integrated budget performance management in a high-quality manner**

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According to the news released by the Finance Department of Shandong Province on December 15, Finance Bureau of Jinan City has continued to promote the reform and innovation of budget performance management, and took multiple measures at the same time to build up synergy for effective work. The first was to establish a system of budget performance review, with the participation of all divisions, to verify the authenticity and objectivity of performance information submitted by departments, and enable the performance management division to rank the quality of review by other divisions so as to enhance the accountability of other divisions in fund management. The second was to establish a budget performance management mechanism by sectors and fields in light of the characteristics of funds under management, and strengthen the precision of budget management. The third was to study and formulate a performance evaluation index system for projects financed by government bond funds, supervise and urge departments to improve ex-ante evaluation of budgetary funds, include performance targets, performance monitoring, evaluation and other information into project database management, and strengthen

the performance management of state-owned capital operation budget.

## **6. Guangxi Finance: taking multiple measures simultaneously to safeguard the smooth implementation of food security strategy**

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According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on December 17, finance authorities of Guangxi have adhered to the general policy of prioritizing the development of agriculture and rural areas, and took multiple measures simultaneously to ensure the smooth implementation of food security strategy. The first measure was to use farmland improvement subsidies as a basis for encouraging farmers to consciously protect cultivated land. The second was to prioritize the construction of high-standard farmland in an effort to implement the strategy of increasing the potential of grain output through land improvement and technology advancement. The third was to effectively protect the interests of grain farmers by deploying funds such as rice subsidies. The fourth was to advance supply-side structural reform of grain on the basis of the development of the entire industrial chain of grain. The fifth was to, comprehensively strengthen food security with the support of the food risk fund. The sixth was to catalyze more financial capital to support the development of grain industry under the spearhead of the Guangxi Preferential Lending policy.

## **7. Shandong Finance: working on four fronts to actively break new ground in performance management**

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According to the news released by the Finance Department of Shandong Province on December 21, the Finance Bureau of Qingdao City has worked to enforce the budget performance management requirements of being “ all-round, full-process and full-coverage” , in order to enhance the quality and efficacy of funds and policies. First, ensure the safe and efficient use of fiscal funds for poverty alleviation, conduct performance tracking of projects related to people’s livelihood, and see to it that the directly allocated funds effectively bring benefits to enterprises and people. Second, carry out the pilot for verifying project expenditure quota standard, evaluating budget performance of district and city governments, and assessing the government guidance

fund and other special and key areas of public finance. Third, strengthen the quality and efficacy of performance results before, during and after the project, and use the performance results in the decision-making stage, the implementation stage and the final accounting stage. Fourth, carry out performance management, project expenditure performance target management, project expenditure performance operation monitoring, project expenditure performance self-evaluation and departmental evaluation, as well as departmental overall expenditure performance management over the “four budgets” , so as to expand the coverage and improve the quality of performance management.

## **8. Jiangxi Finance: taking multiple measures to deepen budget performance management**

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According to the news released by the Finance Department of Jiangxi Province on December 22, the Finance Bureau of Ganzhou City has fully implemented budget performance management and actively built an “ all-round, full-process and full-coverage ” budget performance management system. First, enforce budget performance management for the “four budgets” , expand new areas, and extend budget performance management to government investment fund, government procurement, government purchase of services, government debt and other fields. Second, establish and improve the evaluation result reporting mechanism and the evaluation result feedback and rectification mechanism, and integrate performance evaluation results with budget preparation. Third, make breakthrough in the performance management of government procurement, innovate the reviewing methodology, strengthen the hard constraints of evaluation, and give play to the enhanced role of “institution + expert” evaluation.

## V. Remarks & Opinions

### **1. Liu Shangxi: digital taxation is an unavoidable issue for China's future development**

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In his speech delivered at the 14th Golden Unicorn Forum on December 2, Liu Shangxi, President of the Chinese Academy of Fiscal Sciences, stated that how public finance would, as the foundation and important pillar of state governance, adapt to the trend of digitalization and speed up the process of digitalization is a crucial issue worthy of in-depth research. There are four tasks as to how to build up the digitalization of public finance. The first is to develop greater data integration capabilities. Under the big data thinking, digitalization of public finance must be advanced and the existing structured data must be integrated, so as to provide a three-dimensional profile for the public finance of the entire country. The second is to improve the accounting foundation for the digitalization of public finance. In the digital age, with the financialization of economy and wealth, the issue of accounting elements has become increasingly blurred. The third is to put in place a sound legal foundation. Property rights are the cornerstone of market economy. After the key production factor of data is added to property rights, the connotation of property rights will also change accordingly. This will have a profound impact on tax system, budget system and central-local fiscal relations, which means that the structure of the original fiscal system also needs to be reconsidered. The fourth is to create application scenarios for fiscal big data to provide society with better services. For the government, the question of how large amounts of data, such as fiscal data, can be transformed into products and shared by society would entail the improvement of government governance capabilities.

### **2. Bai Chongen: more equal opportunities in zero distribution is essential for advancing common prosperity**

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On December 4, Bai Chongen, Dean of the School of Economics and Management of Tsinghua University, pointed out at the China Development Forum Young

Entrepreneurs Summit that primary distribution should highlight efficiency, secondary distribution should put more emphasis on the balance between equality and efficiency, and tertiary distribution should call for greater support for disadvantaged groups and low-income groups. When it comes to zero distribution before the three distributions, it is crucial to stress the equality of opportunities. With the equality of opportunities, better efficiency can be achieved. In terms of material capital, zero distribution needs to be reflected in the opportunity to access funds in the market. Bai Chongen believes that there are two new elements at this moment. One is the data element. The way that parties contributing to data, including the general public, participate in the allocation of data element contribution, is also an important means to the promotion of common prosperity. The other is ecological element. Carbon emission rights are now allocated to power generation companies. If carbon emission rights are regarded as an ecological element, can they be allocated to residents? Such allocation may have a positive effect on common prosperity. Bai Chongen said that as zero distribution occurs before production, both equity and efficiency are considered and there is no conflict between the two. Therefore, more equality of opportunities in zero distribution, if possible, would be essential for advancing common prosperity.

### **3. Xu Hongcai: strengthening and improving the management of local government special bonds**

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On December 16, at the Regular Policy Briefing of State Council, Vice Finance Minister Xu Hongcai updated the progress on strengthening and improving the management of local government special bonds. Xu Hongcai pointed out that MOF has conscientiously implemented the decision and plan of the CPC Central Committee and the State Council, and continuously worked to strengthen and improve the management of local government special bonds. In 2021, the quota of new local government special bonds approved by the National People's Congress is 3.65 trillion RMB. As of December 15, 3.42 trillion RMB of new special bonds were issued, accounting for 97% of the released quota, and the issuance work for the whole year was basically completed. In terms of the areas of investment, all of the bond funds are used in the key areas determined by the CPC Central Committee and the State Council, of which about 50% was invested in the fields of transportation

infrastructure, municipal and industrial park infrastructure; about 30% was invested in affordable housing projects and social undertakings such as health, education, old-age care, culture and tourism; about 20% was invested in agriculture, forestry, water conservancy, energy, urban and rural cold chain logistics, etc., playing a crucial role in driving the expansion of effective investment and sustaining the stable operation of the economy. At the same time, localities have arranged more than 170 billion RMB of special bond funds as capital for major projects, giving effective play to the role of government investment in leveraging more financial resources with greater effects.

While continuing to increase financial support, MOF has also taken further steps to strengthen the whole-process management of “borrowing, using, supervision and repayment” of special bonds to promote the safe, standardized and efficient use of funds. First, provide guidance for the development of project pipeline. Localities are required to do a good job in the development of project pipeline around the key areas determined by the CPC Central Committee and the State Council, and accelerate the preliminary work such as project initiation, environmental impact assessment, and land use approval. MOF, together with NDRC and other departments, will strengthen review and oversight to raise the quality of project pipeline. Second, strengthen the management of the negative list. The list of projects in the field where investment of special bond funds is prohibited was formulated to clarify the negative list applicable to general and high-risk areas across the country, strictly enforce economic and financial discipline, and strengthen mandatory constraints. The local regulatory bureaus of MOF were also mobilized to inspect the use and management of special bonds, and local governments were urged to rectify existing problems and seriously hold wrongdoers accountable. Third, reasonably determine the pace of bond issuance. Considering that the economy showed a stable trend of recovery in the first quarter of this year, the growth rate of GDP and infrastructure investment remained at a high level, while the scale of special bond issuance last year was large, and the policy effect will continue to be released this year, the special bond issuance was subject to regular management in early this year in accordance with relevant requirements, and localities were required to reasonably determine the pace of issuance and effectively avoid the idling of bond funds. Since the second half of the year, in view of the changes in the macroeconomic situation, we have implemented pre-emptive policy

adjustment and fine-tuning in a timely manner to push local governments to accelerate bond issuance and fund use.

Xu Hongcai stated that in the next step, MOF will continue to strengthen and improve the management of special bonds in accordance with the decisions made at the executive meeting of the State Council, give better play to the role of special bonds in stimulating effective investment, support the implementation of major national and regional development strategies and major plans, keep the fundamentals of macro economy stable, and steer economic operation within a reasonable range, in order to set the stage for the successful convening of the 20th CPC National Congress.

#### **4. Yu Weiping: thoughts on the follow-up action in fund allocation and usage for the transportation sector**

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On December 21, at the 32nd meeting of the Standing Committee of the 13th National People's Congress, Vice Finance Minister Yu Weiping reported on the allocation and use of fiscal transportation funds, and proposed the thoughts for work in the next step.

##### **I. Improving the fiscal funding mechanism in the transportation sector.**

The first is to study and predict the dynamics and trends of energy structural adjustment and consumer market structural adjustment in the transportation sector, timely adjust and improve relevant fiscal policies in the transportation sector, and reasonably determine the scale of transfer payment funds such as local funds for vehicle purchase tax income subsidies and transfer payments for refined oil tax reform. The second is to accelerate the revision of the *Toll Road Regulations* and work to control the scale, adjust the structure, reduce the costs, prevent the risks, strengthen the supervision, and improve the services of toll roads. The third is to supplement funds through relevant funding channels after the cancellation of port construction fees to ensure continuous investment in key areas such as water transportation. The fourth is to insist on matching debt borrowing with debt repayment capability, and actively support qualified transportation projects through local government bonds.

II. Further optimizing the structure of fiscal expenditure in the transportation sector, and striving to stick to six principles and highlight six priorities.

The first is to stick to sustainable development. While continuing to support the construction of transportation infrastructure and completing a number of major national projects, we will also highlight the support and guidance for infrastructure maintenance. The second is to stick to integrated development, and highlight the integration of transportation and industry. The third is to stick to holistic development. While continuing to support and make up for the weak links of railways, highways, civil aviation, water transport, postal and other transportation network facilities, we will also highlight the support and guidance for the construction of a comprehensive freight hub system. The fourth is to stick to green and low-carbon development, and highlight the support and guidance for the intensive utilization of resources, energy conservation and emission reduction in the transportation sector. The fifth is to stick to innovation-driven development, and highlight the support and guidance for smart transportation and smart logistics. The sixth is to stick to opening up. While continuing to support the domestic logistics system to get better and stronger, we will also highlight the support for strengthening international inter-connectivity.

III. Giving better play to the role of fiscal guidance in mobilizing the enthusiasm of all parties.

The first is to encourage qualified market entities in the transportation sector to issue enterprise bonds and corporate bonds, and innovate the use of financial instruments such as asset securitization and infrastructure REITs. The second is to follow international rules, continue to clean up enterprise-related subsidies, further focus public finance on the areas of “public services” , and encourage private capital to participate through the PPP model in the full-cycle management of the investment, construction, operation and maintenance of projects with certain benefits in the transportation sector. The third is to further clarify the fiscal responsibilities of the central and local governments, and deploy “rewards for subsidies” , competitive evaluation and other incentive mechanisms for matters that fall under the joint fiscal

powers of the central and local governments as well as the wholly local fiscal powers.

#### IV. Enhancing the quality and efficiency of fiscal funds in the transportation sector.

The first is to improve the big data tracking and analysis system, optimize the setting of performance targets, strengthen the dynamic monitoring of performance operations, improve the performance evaluation indicator system, and step up the feedback and use of performance results. The second is to take the intra-Party supervision as the lever to promote the organic integration and coordination of audit, public finance and industry supervision. The third is to timely take stock of the advanced experiences that can be replicated and scaled up on the basis of supervision and evaluation, and roll them out across wider range and wider fields, so as to maximize the catalytic and demonstration effects.

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