

# CHINA FINANCE

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### HIGHLIGHTS

- Finance Minister Liu Kun: G20 members should continue to uphold the role of G20 as the premier forum for international economic cooperation
- Finance Minister Liu Kun attended and addressed the first G20 Joint Finance and Health Ministers' Meeting in 2022
- State Council deployed policies and measures to stabilize and increase jobs
- MOF published the Measures for the *Performance Evaluation of Commercial Insurance Companies*
- Value-added of China's major industrial enterprises increased by 3.9% year on year in June

## 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. Four ministries jointly published the *Measures for the Performance Management of Social Insurance Fund Budget***

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On June 27, MOF, the Ministry of Human Resources and Social Security, the State Administration of Taxation and the National Healthcare Security Administration jointly published the *Measures for the Performance Management of Social Insurance Fund Budget*, which provided the following. First, performance management of social insurance fund budget refers to the budget management activities that integrate performance concepts and requirements into the entire process of social insurance fund budget management, and seek to improve the efficacy of fund use, promote actuarial balance of the fund, and prevent the risks of fund operation by reasonably determining performance targets, fully implementing performance monitoring, scientifically conducting performance evaluation, and earnestly strengthening the use of evaluation results. Second, performance management of social insurance fund budget covers basic pension insurance fund of enterprise employees, basic pension insurance fund of urban and rural residents, and basic pension insurance fund of employees of government agencies and institutions. Third, the finance authorities are responsible for taking the lead in formulating performance management measures, performance evaluation plans and indicator systems, and reviewing and issuing performance targets.

### **2. MOF and the National Development and Reform Commission jointly published a circular on the implementation of phased price subsidies after the international oil prices have reached the upper limit of regulation**

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On June 29, MOF and the National Development and Reform Commission jointly published a circular on the implementation of phased price subsidies after the international oil prices have reached the upper limit of regulation, which provided the following. First, the subsidies will target refined oil production and operation enterprises that produce, process and import gasoline and diesel in the territory of the

People's Republic of China. Second, the amount of subsidies is based on the actual sales volume of gasoline and diesel by oil refining enterprises in the cycle, and is calculated on the basis of the actual sales volume of gasoline and diesel payable for consumption tax; the subsidy standard is calculated in a cycle of 10 working days, which is the amount that should be adjusted for the highest retail price of gasoline and diesel in this cycle. Third, the central-level enterprise groups are responsible for organizing subsidy application by their affiliated oil refining enterprises, and the provincial finance authorities are responsible for organizing subsidy application by local oil refining enterprises in their jurisdiction.

### **3. State Council deployed measures to step up work relief through key projects and to create jobs to increase income of rural migrant workers**

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On June 29, Premier Li Keqiang presided over an executive meeting of the State Council to deploy measures to step up work relief program through key projects, provide jobs for rural migrant workers and people who have just escaped poverty, and enable them to increase their income through work, which would in turn help stimulate consumption, especially at the county level. First, the key projects invested by the government must adopt work relief program to the extent possible, on the premise of ensuring quality and safety. Second, efforts will be made to implement a batch of work relief programs funded by the central budget in the construction of supporting facilities for key projects, and the proportion of labor remuneration in the central funds will be increased from the previous 15% to over 30%. Third, it is important to clarify the work relief requirements in all aspects of the preliminary preparation and construction of projects, and urge for timely and full payment of labor remuneration.

### **4. MOF and the Ministry of Transport jointly published a supplementary circular on the *Interim Measures for the Administration of Subsidy Funds from Vehicle Purchase Tax Revenue for Local Projects***

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On July 4, MOF and the Ministry of Transport jointly published a supplementary circular on the *Interim Measures for the Administration of Subsidy Funds from Vehicle*

*Purchase Tax Revenue for Local Projects*, which provided the following. First, coastal port public infrastructure construction expenditure is added to the scope of spending eligibility for subsidy funds from the vehicle purchase tax revenue for local projects. Second, subsidy funds for projects such as national expressways, ordinary national highways, national reserve centers for regional highway emergency equipment and materials, and other inland waterway construction projects required for the implementation of major national strategies will be allocated according to the project method during the 14th Five-Year Plan period at a standard approved in the project funding guidelines issued by the Ministry of Transport after the construction conditions are met. Third, subsidy funding for ordinary provincial highways and rural roads will be allocated in tranches in the form of rewards during the 14th Five-Year Plan period, and the relevant data will be used as a factor for the distribution of rewards funded with resources from vehicle purchase tax revenue.

#### **5. Four ministries jointly published the *Measures for the Medical Security of Special-care Recipients***

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On July 5, the Ministry of Veterans Affairs, MOF, the National Health Commission and the National Healthcare Security Administration jointly published the *Measures for the Medical Security of Special-care Recipients*, which provided the following. First, the special-care recipients include demobilized soldiers in their hometowns who are entitled to regular national allowances, veterans who previously participated in wars, veterans who previously participated in nuclear tests or other activities at the risk of nuclear radiation, veterans returning home with illness, survivors of martyrs, survivors of soldiers who died on duty, and survivors of soldiers who died of illness. Second, the special-care recipients may enjoy medical subsidies in the place of their household registration according to the regulations. The funds required for the medical subsidies are calculated by the local veteran affairs authorities in light of the local economic development level, financial affordability, and the actual medical expenses of the special-care recipients, and are included in the fiscal budget of the current year after being reviewed and confirmed by the finance authorities at the same level. Third, the central government will provide appropriate subsidies for funding medical security of the special-care recipients according to regulations.

## **6. State Council deployed measures for rectification of problems identified in the central budget implementation and other fiscal revenue and expenditure audits**

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On July 6, Premier Li Keqiang chaired an executive meeting of the State Council to deploy measures for rectification of problems identified in the central budget implementation and other fiscal revenue and expenditure audits, which provided the following. First, it is important to make a list of problems found in the audit, and include its rectification into the State Council's special supervision. Second, the particularly pernicious cases will be seriously punished in accordance with the law, holding both wrong doings and wrong doers accountable as a warning to others. Third, it is necessary to deeply analyze the causes of common and recurring problems, improve rules and regulations, and strengthen internal and external supervision and audit on implementation of rules and regulations. Fourth, efforts should be made to ensure that policies such as tax refund, tax and fee cut, deferred payment of social security contributions, job retention and inclusive finance are well implemented, and that funds for supporting people's livelihood such as elderly care, medical care, education, basic housing and social assistance are used in a regulated and safe manner. Fifth, it is important to strictly cut non-urgent and non-mandatory expenditures, and recover inefficient and idle funds according to regulations.

## **7. MOF and the Ministry of Transport jointly published a circular on supporting the development of national integrated freight hubs to help bolster and strengthen industrial and supply chains**

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On July 12, MOF and the Ministry of Transport jointly published a circular on supporting the development of national integrated freight hubs to help bolster and strengthen industrial and supply chains, which provided the following. First, it is important to guide and drive different types of integrated freight hubs to carry out work on hard connectivity of infrastructure and facilities, soft connectivity of rules, standards and services, and integration of operational mechanisms. Second, MOF will adopt a "combination of rewards and subsidies" approach, use a certain amount of funds from vehicle purchase tax revenue to support localities, and enhance the overall coordination between local project funds, such as those for highway construction



subsidized by vehicle purchase tax revenue, and central enterprise funds. Third, MOF will allocate rewards and subsidies in accordance with regulations, and relevant provincial finance authorities, in light of relevant funding policies, will work jointly with transportation authorities at the same level to formulate detailed fund management rules, clarify and refine the procedures, standards and investment methods for project funds, and regulate the use of funds and the disbursement process.

## **8. MOF published the *Measures for the Performance Evaluation of Commercial Insurance Companies***

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On July 12, MOF published the *Measures for the Performance Evaluation of Commercial Insurance Companies*, which provided the following. First, the Measures are applicable to wholly state-owned and state-controlled commercial insurance companies, and commercial insurance companies that are substantively managed by wholly state-owned and state-controlled financial enterprises, including commercial insurance companies actually controlled by the state; other commercial insurance companies may implement the Measures by reference. Second, the performance evaluation of commercial insurance companies covers four aspects: the degree of serving the national development goals and the real economy, development quality, risk prevention and control, and operational performance. Third, the finance authorities, considering the requirements for confirming the results of value preservation and appreciation of state-owned capital of commercial insurance companies and the work arrangement of the annual financial final accounts, shall do a good job in confirming the results of value preservation and appreciation of state-owned capital.

## **9. State Council deployed policies and measures to stabilize and increase jobs**

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On July 13, Premier Li Keqiang presided over an executive meeting of the State Council to deploy policies and measures to stabilize and increase jobs and ensure the overall stability of employment. First, it is important to continue to protect market entities and stabilize employment, continuously implement policies to support and help struggling enterprises, remove market barriers and impediments, implement a

package of support policies of deferred payment of social security contributions, job retention subsidies, and employment subsidies. Second, efforts will be made to deploy more market-oriented approaches to increase jobs, support start-ups to create jobs, and continue to provide up to 200,000 RMB of start-up guaranteed loans subsidized by government to eligible start-ups and the self-employed. Local governments should provide funds to help incubator bases reduce expenses such as startup rent. Third, it is important to focus on the employment of key groups such as college graduates and rural migrant workers, and implement the existing policies on expanding employment channels for graduates.

#### **10. MOF held a video meeting to deploy and promote the specific work related to the reform of sub-provincial fiscal system**

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On July 13, MOF held a video meeting to deploy and promote the specific work related to the reform of sub-provincial fiscal system, which provided the following. First, efforts should be made to rationally allocate the administrative powers and responsibilities of governments at all levels, regulate revenue assignments at the sub-provincial level, improve the transfer payment system, and comprehensively establish a relatively well-regulated fiscal system framework. Second, it is important to require governments at all levels to identify their functional positioning, avoid intervention in the market-based allocation of resources, gradually regulate the special fiscal system, prevent disorderly competition, and promote the construction of a unified national market. Third, it is required to ensure the smooth operation of county-level finance, truly institutionalize and improve the enduring, robust and effective county-level funding mechanism, and firmly secure the bottom line of safeguarding people's basic livelihood, payment of wages, and operation of grassroots government. Fourth, efforts should be made to enhance the provincial-level resource mobilization capability, give full play to the reallocation function of transfer payments, and steadily promote the equalization of basic public services.

#### **11. State Council deployed policies and measures to continuously expand effective demand and strengthen the driving force for economic recovery and**

## **development**

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On July 21, Premier Li Keqiang presided over an executive meeting of the State Council to deploy policies and measures to continuously expand effective demand and strengthen the driving force for economic recovery and development, which provided the following. First, efforts should be made to establish a coordination mechanism for promoting effective investment in major projects, and providing separate quotas such as land use and energy consumption for important projects according to regulations. Second, it is important to do a good job in the investment of policy-oriented development financial instruments in accordance with laws and regulations, and accelerate the use of special debt funds; guide commercial banks to provide counterpart financing accordingly, and offer new credit lines of policy-oriented banks in a timely manner. Third, all localities are required to speed up the progress of projects in accordance with quality requirements, create conditions to ensure that operations at construction sites are not suspended and related industrial and supply chains stay uninterrupted, so as to generate more physical gains in the third quarter. Efforts should also be made to strictly enforce financial discipline to prevent corruption and rent-seeking.

### **12. MOF published the *Regulations on the Related Accounting Treatments for Spinoff, Closure and Consolidation of Government-sponsored Institutions (Draft for Comment)***

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On July 25, MOF published the *Regulations on the Related Accounting Treatments for Spinoff, Closure and Consolidation of Government-sponsored Institutions (Draft for Comment)*, which provided the following. First, the Provisions are applicable to the units that undergo spinoff, closure and consolidation and implement the government accounting standards system. The above-mentioned spinoff, closure and consolidation specifically refer to the five cases of spinoff, consolidation, separation, closure and reorganization (including reorganization into enterprises and non-enterprises). Second, the liquidation accounting treatment separately regulate the setting and usage instructions of relevant account titles, the accounting treatment of the main business and matters during the liquidation period, and the preparation of the liquidation

financial statements on the premise of ongoing concern. Third, the post-liquidation accounting treatment mainly regulates the accounting treatment of major business and matters under various circumstances and the preparation of relevant statements after liquidation.

## II. Facts & Figures

### **1. Total operating income of SOEs in China from January to May was 30.88313 trillion RMB**

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The data published by MOF on June 28 showed that the total operating income of SOEs in China from January to May was 30.88313 trillion RMB, a year-on-year increase of 9.2%. Among them, the operating income of central SOEs was 17.50254 trillion RMB, a year-on-year increase of 11.2%; the operating income of local SOEs was 13.38059 trillion RMB, a year-on-year increase of 6.7%.

### **2. Total profit of SOEs in China from January to May was 1.63107 trillion RMB**

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The data published by MOF on June 28 showed that the total profit of SOEs in China from January to May was 1.63107 trillion RMB, a year-on-year decrease of 6.5%. Among them, the profit of central SOEs was 1.23226 trillion RMB, a year-on-year increase of 0.4%; the profit of local SOEs was 398.81 billion RMB, a year-on-year decrease of 22.7%.

### **3. China issued 753.6 billion RMB of new bonds in May**

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The data published by MOF on June 30 showed that China issued 753.6 billion RMB of new bonds in May, including 121.6 billion RMB of general bonds and 632 billion RMB of special bonds. 454.1 billion RMB of refinancing bonds were issued nationwide, including 310.7 billion RMB of general bonds and 143.4 billion RMB of special bonds. The average maturity of local government bonds was 13 years, including 8.1 years for general bonds and 15.7 years for special bonds; the average interest rate was 3.04%, including 2.89% for general bonds and 3.13% for special bonds.

### **4. China's general public budget revenue in the first half of the year was 10.5221**

## **trillion RMB**

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The data published by MOF on July 14 showed that China's general public budget revenue in the first half of the year was 10.5221 trillion RMB, an increase of 3.3% after adjusting for the factor of VAT refund, and a decrease of 10.2% year on year. Among them, the central-level general public budget revenue was 4.7663 trillion RMB, an increase of 1.7% after adjusting for the factor of VAT refund, and a decrease of 12.7% year on year; the local-level general public budget revenue was 5.7558 trillion RMB, an increase of 4.7% after adjusting for the factor of VAT refund, and a decrease of 7.9% year on year. The nationwide tax revenue was 8.5564 trillion RMB, an increase of 0.9% after adjusting for the factor of VAT refund, and a decrease of 14.8% year on year; non-tax revenue was 1.9657 trillion RMB, an increase of 18% year on year.

## **5. China's general public budget expenditure in the first half of the year was 12.8887 trillion RMB**

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The data published by MOF on July 14 showed that China's general public budget expenditure in the first half of the year was 12.8887 trillion RMB, an increase of 5.9% year on year. Among them, the central-level general public budget expenditure was 1.563 trillion RMB, an increase of 5.8% year on year; the local-level general public budget expenditure was 11.3257 trillion RMB, an increase of 5.9% year on year.

## **6. Value-added of China's major industrial enterprises increased by 3.9% year on year in June**

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The data published by NBS on July 15 showed that value-added of China's major industrial enterprises increased by 3.9% year on year in June. In terms of the three categories, value-added of mining industries increased by 8.7% year on year, value-added of manufacturing industries increased by 3.4%, and value-added of electricity, heating, gas and water production and supply industries increased by 3.3%; in terms of the economic ownership, value-added of state-controlled enterprises increased by 3.1% year on year, value-added of joint-stock enterprises increased by

4.0%, value-added of foreign-invested enterprises, Hong Kong, Macao and Taiwan-invested enterprises increased by 3.6%, and value-added of private enterprises increased by 3.0%.

## **7. China's fiscal appropriation expenditures were 7.0164179 billion in 2021**

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The data published by MOF on July 21 showed that China's 2021 fiscal appropriation expenditures of 7.0164179 billion RMB were mainly used on the following areas: general public service expenditures were 1.4612529 billion RMB, or 20.8%; diplomatic expenditures were 5.1081246 billion RMB, or 72.8%; education expenditures were 123.7559 million RMB, or 1.8%; science and technology expenditures were 89.9684 million RMB, or 1.3%; cultural, tourism, sports and media expenditures were 14.9891 million RMB, or 0.2%; social security and employment expenditures were 118.3766 million RMB, or 1.7%; health expenditures were 22.0914 million RMB, or 0.3%; housing security expenditures were 77.859 million RMB, or 1.1%.

## **8. China issued 1.9337 trillion RMB of local government bonds in June**

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The data published by MOF on July 27 showed that China issued 1.9337 trillion RMB of local government bonds in June, including 442.4 billion RMB of general bonds and 1.4913 trillion RMB of special bonds. The average maturity of local government bonds was 14.8 years, including 8.1 years for general bonds and 16.8 years for special bonds; the average interest rate was 3.08%, including 2.87% for general bonds and 3.14% for special bonds.

## **9. Outstanding local government debts of China were 34.7503 trillion RMB in June**

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The data published by MOF on July 27 showed that as of the end of June 2022, outstanding local government debts of China were 34.7503 trillion RMB, which was controlled within the limit approved by the National People's Congress. Among them, general debts were 14.4858 trillion RMB, and special debts were 20.2645 trillion

RMB; government bonds were 34.5881 trillion RMB, and the stock of government debts in the form of non-government bonds were 162.2 billion RMB. The remaining maturity of local government bonds was 8.4 years, including 6.2 years for general bonds and 9.9 years for special bonds; the average interest rate was 3.44%, including 3.44% for general bonds and 3.43% for special bonds.



### III. MOF Events

1. On June 21, Finance Minister Liu Kun attended and addressed the first G20 Joint Finance and Health Ministers' Meeting in 2022. The meeting discussed the finance and health coordination arrangements for global pandemic prevention, preparedness and response (PPR) financing, as well as the establishment of a financial intermediary fund for PPR.

2. On July 12, Finance Minister Liu Kun held a video meeting with Sri Mulyani Indrawati, Finance Minister of Indonesia, the current G20 Presidency. The two sides exchanged views on the communiqué of the G20 Finance Ministers and Central Bank Governors' Meeting to be held on July 15-16 and related key issues, global food security, and bilateral financial cooperation between China and Indonesia, etc.

3. On July 13, Finance Minister Liu Kun held a video meeting with Saudi Finance Minister Mohammed Al-Jadaan. The two sides had an in-depth exchange of views on bilateral relations and financial cooperation, China-Saudi cooperation under multilateral platforms such as G20 and multilateral development institutions, and other issues.

4. From July 15 to 16, Finance Minister Liu Kun attended and addressed the G20 Finance Ministers and Central Bank Governors' Meeting via video link. The meeting discussed global economy, global health agenda, international financial architecture, sustainable finance, infrastructure, international taxation, financial sector issues, etc.

## IV. Local Finance

### 1. Fujian Finance: deepen reform of government procurement

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According to the news released by the Finance Department of Fujian Province on June 27, the Finance Bureau of Longyan City has given full play to government policy functions to serve the city's all-round and high-quality development. First, make full use of government procurement policies to help revitalize rural industries, promote the development of SMEs, and harness the leading and demonstration role of green procurement. Second, optimize government procurement services, reduce bid bond for government procurement projects, and promote government procurement contract financing, so as to lighten burden, increase benefits and improve the business environment for businesses. Third, remove government procurement barriers, promote transparent operation of government procurement, level the playing field for government procurement, accept law-based public supervision, and foster greater fairness.

### 2. Guangdong Finance: stabilize the economy through targeted measures

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According to the news released by the Finance Department of Guangdong Province on June 28, the Finance Bureau of Shanwei City has given full play to fiscal functions, stepped up fiscal policy and financial support, and resolutely shouldered the fiscal responsibility of stabilizing the economy. First, implement, in earnest, the package of supportive tax and fee policies, and implement, in a coordinated way, various policies such as VAT refund, tax deferral, and tax and fee cut in the City, so as to effectively reduce the tax and fee burden of enterprises. Second, make effort to promote the issuance and use of new bonds to drive the expansion of effective investment. Third, cultivate financial resources to ensure the smooth collection of fiscal revenue. Fourth, strengthen the overall management of fiscal funds, urge all localities and departments in the City to improve project planning, make full use of special funds at the provincial and city levels, and improve the efficacy of the use of fiscal funds. Fifth, preemptively enforce proactive fiscal policies to vigorously help out enterprises.

### **3. Jiangxi Finance: accelerate efforts to enhance the quality and efficacy of budget performance management**

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According to the news released by the Finance Department of Jiangxi Province on July 4, finance authorities of Jiangxi have endeavored to build strong foundation, optimize mechanisms and enforce hard constraints to promote the establishment of a comprehensive budget performance management system with Jiangxi characteristics. First, build a “1+N” system with the *Implementation Guidelines* as the core, covering government budgets, department and unit budgets, policies and project budgets, and running through the whole process of performance management before, during and after the event; and establish provincial-level general and idiosyncratic performance indicators by sectors and fields. Second, strictly control the performance review and application of review results and improve the integrated system throughout the ex-ante, interim and ex-post stages. Third, combine internal management and external supervision to push all localities and departments to further consolidate their principal responsibility of budget performance management.

### **4. Guangxi Finance: take multiple measures to alleviate the difficulties of SMEs**

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According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on July 8, finance authorities of Guangxi Finance have adopted a series of measures to help alleviate the difficulties of SMEs. First, increase fiscal support, including making available 65 million RMB to offer one-time rewards to SMEs identified by the central and autonomous region government as “specialized and innovative”. Second, actively raise funds for interest subsidy, and continue to implement the risk compensation policy of credit guarantee institutions for micro, small and medium-sized enterprises. Third, raise funds to support the implementation of employment and business startup policies, and make every effort to help relieve burdens and difficulties of market entities. Fourth, adjust the favorable policy on price review for micro and small-sized enterprises, and increase the quota of government procurement projects reserved for SMEs. Fifth, implement preferential tax and fee policies, including halving “six taxes and two fees”, among them, resource tax, for small-scale VAT taxpayers, micro and small-sized enterprises and the self-employed

individuals in Guangxi from 2022 to 2024.

## **5. Guizhou Finance: work on five fronts to empower budget performance management**

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According to the news released by the Finance Department of Guizhou Province on July 11, the Finance Bureau of Liupanshui City has made effort to enhance the efficacy and efficiency of fiscal funds in improving the quality of public service supply. First, conduct pre-assessment of policies in terms of the feasibility and rationality of policy fund investment to promote rational allocation of public resources. Second, establish a mechanism featuring simultaneous application, review and approval of performance targets and budgetary funds to strengthen efficacy and efficiency of funds. Third, compare the actual results with the expected targets, and analyze and assess the completion of targets and budget implementation. Fourth, conduct an all-round evaluation of the source of departmental funds, the direction of use and the effectiveness to ensure that the benefits of funds are maximized. Fifth, implementation measures will be taken, based on the results of the overall departmental expenditure performance evaluation, to 1) ensure funding availability; 2) provide funding in light of financial capacity; 3) cut funding by 10%-20% according to circumstances; and 4) cancel all funding for the similar projects.

## **6. Fujian Finance: act in advance to stabilize economic development**

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According to the news released by the Finance Department of Fujian Province on July 13, the Finance Bureau of Sanming City has actively given play to its fiscal role in contributing to the effort of stabilizing the economic fundamentals. First, strictly implement the VAT refund policy to ensure that the policy benefits are fully delivered; reduce or exempt house rents to help micro and small-sized enterprises and the self-employed to recover and grow; increase government procurement to support the development of small and medium-sized enterprises; introduce pro-business housing provident fund policies to reduce the burden on enterprises. Second, increase labor supply, reduce labor costs, and strengthen the protection of the unemployed. Third, strengthen funding for key projects, encourage technological upgrading, offer

incentives and rewards for enterprises, and support the expansion of consumption. Fourth, safeguard the bottom line of the “three priorities”, ensure spending on people’s livelihood, implement the direct allocation mechanism of fiscal funds, and improve the quality and efficiency of the use of funds.

### **7. Xinjiang Finance: harness the special funds for the development of inclusive finance to promote the implementation of inclusive micro and small loan policies**

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According to the news released by the Finance Department of Xinjiang Uygur Autonomous Region on July 18, the finance authorities of Xinjiang have further improved the fiscal policy system for supporting the development of inclusive finance and enhanced the efficacy of the use of fiscal funds. First, actively implement the targeted fee subsidy policy for rural financial institutions, make good use of the guaranteed loan policy for start-ups, and continue to support mass entrepreneurship and individual innovation. Second, provide solid fiscal support for the pilot cities of comprehensive reform of financial services for private and micro and small-sized enterprises and the demonstration zones for the development of inclusive finance. Third, provide risk compensation funds and fee-reduction incentive funds, as well as strengthen performance evaluation to support financing guarantee institutions to become bigger and stronger and encourage governmental financing guarantee institutions to actively implement the policy of reducing fees to less than 1%. Fourth, guide local state-owned financial enterprises to help market entities survive and thrive through the management of state-owned financial capital.

### **8. Guangxi Finance: actively raise funds to support the improvement of flood prevention capabilities**

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According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on July 21, the finance authorities of Guangxi have actively sought the support of central government, vigorously adjusted the budget expenditure structure at the provincial level, and made available 5.76 billion RMB of fiscal funds to fully support the improvement of flood prevention capabilities. First, speed up the construction of key flood control projects, strengthen the management of small,

medium and large rivers, and step up the reinforcement of reservoirs and sluices. Second, support the improvement of hydrological forecasting capabilities, the prevention and control of mountain torrent disasters, and the rainwater forecasting work for small reservoirs. Third, report to the central government on the disaster situation, disaster-affected area, loss amount, local fiscal response, disaster prevention, mitigation and relief measures, etc., and actively seek central funding support; and quickly disburse water disaster relief funds to improve flood recovery capabilities.

## V. Remarks & Opinions

### **1. Liu Kun: it is important to develop innovative approaches to ensure that the newly established fund for PPR effectively help improve global public health governance**

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On June 21, Finance Minister Liu Kun attended the first G20 Joint Finance and Health Ministers' Meeting in 2022. Liu Kun stated that it will take strenuous efforts for mankind to eliminate COVID-19. China supports the establishment of a financial intermediary fund (FIF) to be hosted by the World Bank for pandemic prevention, preparedness and response (PPR) for the larger interests of jointly safeguarding human lives and health. In order to ensure that the new fund effectively help improve global public health governance, it is important to develop innovative approaches, and implement in real earnest G20 leaders' consensus that the fund should be designed inclusively with the central coordination role of the WHO, and ensure the equal voice of developing countries in the fund's governance, as well as their rights to get financing from the fund. China will actively promote the Global Development Initiative put forward by President Xi Jinping, and continue to provide support to developing countries in areas such as pandemic response and vaccination.

Liu Kun pointed out that the G20 Joint Finance and Health Ministers' Meeting and the G20 Joint Finance and Health Task Force, which were established in accordance with the leaders' consensus, are running well. G20 should focus on its own mandate and functions, continue to provide support for the reform and development of the global health governance system led by WHO through these mechanisms, and act on the leaders' consensus in earnest. China will continue to participate in related international dialogues and cooperation as part of the joint efforts to build a community of health for all called for by President Xi Jinping.

### **2. Huang Yiping: it is important to guide financial system to support the**

## **innovation-driven development of SMEs**

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On July 2, Huang Yiping, Deputy Dean of the National School of Development of Peking University, attended the 7th Seminar of the China International Finance 30 Forum. In his speech, he pointed out that as China's economic development enters a new stage, innovation has evolved into the primary driver of development, therefore, whether the financial system could support innovation has become a critical question. SMEs contribute a great deal to innovation, and SME financing is no longer an issue of fairness in inclusive finance, but more about economic growth. In the past two years, the financing of SMEs has improved significantly mainly due to three factors: first, the targeted structural monetary policy of the central bank; second, the administrative regulatory requirements, which is the most effective and generally cause large commercial banks to increase loans to SMEs; third, the role of internet banking. Huang Yiping believed that the role of digital innovation should be better played in SME lending in the future. (1) harness big data for credit enhancement to better support bank lending; (2) resolve the problem of synchronization and moral hazard in internet lending; (3) in addition to big data of traditional technology companies, there are many other data that can also be deployed, e.g., data from the public sector, to establish new platforms for credit risk assessment; (4) establish a long-term mechanism for SME lending.

### **3. Zhu Guangyao: it is important to give full play to the role of G20 as the premier platform for global economic governance to effectively tackle the challenge of global systemic crisis**

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From July 9 to 10, the 5th World Financial Forum (WFF) & BRICS and Global Governance Forum was held in Shenzhen. Zhu Guangyao, former Vice Finance Minister and Chief Advisor of the WFF and BRICS Think Tank, pointed out in his video speech that due to the ongoing pandemic and geopolitical crisis, globalization is facing major challenges. Some countries are even erecting walls and forming blocs, dealing a severe blow to the future development of globalization. First, the Indo-Pacific Economic Framework (IPEF). The four pillars of the IPEF are based on the design of an exclusive economic structure, including the so-called resilient



economy, and seek to achieve certain degree of decoupling in semiconductor, high-capacity battery, critical medical equipment and apparatus, and critical raw material; the so-called interconnected economy, which is a copy of the Clean Network program, is also an attempt to seek self-interest by making exclusive internet rules; green economy, emphasis on high-quality infrastructure development, low-carbon technology, international taxation, anti-money laundering, anti-corruption and other issues are framed around ideology and values. Second, the monetary policy of the U.S. and other developed economies has turned abruptly, and the potential risk of food crisis continues to rise. The world is in a global systemic crisis. Faced with the most severe systemic crisis since the end of World War II, all countries in the world need to recognize the urgency of safeguarding peace and development, and major economies in particular should conduct policy communication and coordination in a timely manner.

Zhu Guangyao stressed that the G7 mechanism has been proved by history that it cannot reflect the spirit of the times and cannot gather the joint forces of global response to crisis. At this moment, the only effective mechanism is the G20 mechanism. Only the G20 can lead the world and have the capability to overcome the most severe systemic crisis since World War II. In September 2009, the G20 Pittsburgh Summit reaffirmed that the G20 is the premier platform for global macro-regulation and global economic governance. This is because the spirit of cooperation, the political influence and the economic strength embodied by the G20 led the world out of the 2008 global financial crisis, representing the future development trend of strong, sustainable and inclusive growth of the global economy.

#### **4. Liu Kun: G20 members should continue to uphold the role of G20 as the premier forum for international economic cooperation**

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From July 15 to 16, Finance Minister Liu Kun attended and addressed the G20 Finance Ministers and Central Bank Governors' Meeting via video link. Liu Kun stated that G20 members should continue to uphold the role of G20 as the premier forum for international economic cooperation, coordinate pandemic prevention and control with economic and social development, safeguard the security and stability of

the global industrial and supply chains, and avoid serious negative spillover effects arising from policy adjustments in some countries. He called for efforts to build global partnership for development, and comprehensively advance cooperation on areas such as poverty reduction, food and energy security, and protection of human health. To effectively implement the Global Development Initiative proposed by President Xi Jinping, China would announce that it will donate 50 million USD to the Financial Intermediary Fund (FIF) for Pandemic Prevention, Preparedness and Response (PPR) to be housed at the World Bank.

Liu Kun pointed out that, in line with the principle of “joint actions and equitable burden-sharing” , China will press ahead with the debt treatment cases under the Common Framework for Debt Treatments beyond the DSSI, while following existing consensus and respecting the decision made through consultations between the creditor committee and the debtor countries. China supports the G20 Finance Track to follow its mandates and conduct exchanges and experience sharing on policies against climate change, while advocating that the principle of common but differentiated responsibilities be upheld.

Liu Kun emphasized that infrastructure is an important pillar for economic and social development, and China is willing to work with all parties to achieve the goals of high-standard and sustainable infrastructure investment that benefits people’s livelihood. China welcomes the progress made on the two-pillar international tax package against the challenges arising from economic digitalization, and supports the Global Forum to deploy the Asia Initiative.

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