

CHINA FINANCE

MONTHLY 中国财政月度资讯

November, 2022

第 11 期

HIGHLIGHTS

- Finance Minister Liu Kun: Improving the modern budget system
- Vice Finance Minister Wang Dongwei attended and addressed the 2nd G20 Joint Finance and Health Ministers' Meeting in 2022
- MOF published the implementation guidelines on supporting Shenzhen in exploring the innovation of fiscal policy and management system
- MOF published a circular on further promoting the regulated development and transparent operation of public-private partnership (PPP)
- China's cumulative general public budget revenue from January to October was 17.3397 trillion RMB

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.

Contents

-  I .Policy Update
-  II .Facts & Figures
-  III.MOF Events
-  IV .Local Finance
-  V .Remarks & Opinions

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 implementation guidelines on supporting Shenzhen in exploring the innovation of fiscal policy and management system

On October 31, MOF published the implementation guidelines on supporting Shenzhen in exploring the innovation of fiscal policy and management system, which provided the following. First, it is important to strengthen fiscal support for people's livelihood, so as to promote the formation of a pattern for people's livelihood development featuring joint efforts, co-governance, shared benefits and common prosperity, and support the creation of the Shenzhen model for the Beautiful China initiative. Second, it is imperative to support the in-depth implementation of the innovation-driven development strategy, accelerate the construction of a future-oriented modern industrial system, and enhance the smooth interaction between domestic and international circulations. Third, efforts need to be made to promote the deep integration of budget and performance management, promote a new round of city-level fiscal system reform, and support Shenzhen to take the lead in the national tax system reform and improve the local government debt management system. Fourth, it is necessary to strengthen the overall management of government resources, continue to optimize the business environment on the basis of rule of law, solidly promote fiscal informatization, and strengthen the cultivation of fiscal talents.

2. MOF and the Ministry of Education jointly published the *Measures for the Administration of Overseas Study Funds*

On November 1, MOF and the Ministry of Education jointly published the *Measures for the Administration of Overseas Study Funds*, which provided the following. First, the overseas study funds refer to the funds arranged by the central government to subsidize government-funded overseas study, training, visit and exchange and to reward outstanding self-funded overseas study. Second, the funding mainly targets senior research scholars, visiting scholars, postdoctoral fellows, doctoral students, master students, undergraduate students, and interns in international organizations.

Third, MOF is responsible for reviewing the overseas study budget preparation proposal submitted by the Ministry of Education, and will work with the Ministry of Education to determine the scope and standards of overseas study funds and establish a dynamic adjustment mechanism for the funding standards.

3. MOF published the guidelines on revitalizing the state-owned assets of public administrative institutions

On November 1, MOF published the guidelines on revitalizing the state-owned assets of public administrative institutions, which provided the following. First, the asset-revitalization methods include optimizing the management of assets in use, promoting asset sharing, strengthening asset transfer, implementing public warehouse management, carrying out asset leasing or disposal, and exploring centralized operation and management of assets. Second, efforts will be made to study and formulate asset revitalization plans, organize asset revitalization work in an orderly manner, standardize asset revitalization management, and strengthen asset life-cycle management. Third, mechanism for linking asset revitalization with new asset allocation budget will be established, proposal for newly increased assets will be reviewed in light of the use of existing assets, and asset allocation will be optimized to conserve fiscal funds at the source.

4. MOF and the Civil Aviation Administration of China jointly published a circular on adjusting the fiscal subsidy policy for domestic passenger flight operations and doing a good job in settlement

On November 4, MOF and the Civil Aviation Administration of China jointly published a circular on adjusting the fiscal subsidy policy for domestic passenger flight operations and doing a good job in settlement, which provided the following. First, the subsidy settlement targets domestic passenger flights operated by domestic transport airlines which must meet the conditions that the average load factor of each flight per week does not exceed 75% before they can be included in the scope of financial support. Second, given that domestic transport airlines have completed subsidy application, no adjustment and supplementary application should be made, in

principle, during the settlement stage for passenger flight subsidies from May 21 to June 3; for passenger flight subsidies from June 4 to July 20, domestic transport airlines should make supplementary application for eligible loss-making flight subsidies to the regional civil aviation administration authorities and the finance authorities of the place of flight departure. Third, domestic transport airlines should simultaneously apply for eligible loss-making flight subsidies to the regional civil aviation administration authorities and the finance authorities of the place of flight departure before November 15.

5. State Council Tariff Commission published an announcement on providing zero tariff treatment to 98% of taxable import items in 10 countries, among them, Afghanistan

On November 10, the State Council Tariff Commission published an announcement on providing zero tariff treatment to 98% of taxable import items in 10 countries, among them, Afghanistan, which provided the following. First, starting from December 1, 2022, a preferential tax rate of zero will be applied to imports originating from 10 least developed countries including Afghanistan, the Republic of Benin, Burkina Faso, the Republic of Guinea-Bissau, the Kingdom of Lesotho, the Republic of Malawi, the Democratic Republic of Sao Tome and Principe, the United Republic of Tanzania, the Republic of Uganda and the Republic of Zambia. Second, zero tariff treatment to 98% of taxable import items in 10 countries, among them, Afghanistan, is a move that is conducive to the practice of mutually beneficial opening-up strategy and the development of an open world economy, and will help support the least developed countries in accelerating their development. Third, in the next step, zero tariff treatment will gradually be provided, when appropriate, to 98% of taxable import items of all least developed countries that have established diplomatic relations with China.

6. Six ministries jointly published a circular on further increasing support for deferred principal and interest repayment of loans to micro and small enterprises

On November 16, the People's Bank of China, the China Banking and Insurance

Regulatory Commission, MOF, the National Development and Reform Commission, the Ministry of Industry and Information Technology, and the State Administration for Market Regulation jointly published *a circular on further increasing support for deferred principal and interest repayment of loans to micro and small enterprises*, which provided the following. First, efforts will be made to actively support deferred principal and interest repayment of eligible loans to micro and small enterprises, in line with market-oriented and law-based principles. Second, it is important to make financial supply more targeted and better meet the loan extension needs of micro and small enterprises. Third, supporting policies need to be refined to provide support for banking financial institutions to carry out loan extensions. Fourth, it is necessary to strengthen the tracking of the effect of policy implementation and directly deliver policy benefits to micro and small enterprises and other market entities.

7. Five ministries jointly published the *Circular on Further Improving Policies and Measures to Consolidate the Outcomes of Returning Farmland to Forest and Grassland*

On November 17, the Ministry of Natural Resources, the State Forestry and Grassland Administration, the National Development and Reform Commission, MOF and the Ministry of Agriculture and Rural Affairs jointly published the *Circular on Further Improving Policies and Measures to Consolidate the Outcomes of Returning Farmland to Forest and Grassland*, which provided the following. First, after the expiration of the second round of cash assistance for returning farmland to forest and grassland, which began in 2014, the central government will arrange funds, extend the assistance period, and continue to give appropriate assistance. Second, the cash assistance period for returning farmland to forest will be extended for 5 years, and the assistance standard will be 500 RMB per mu and 100 RMB per mu per year; the cash assistance period for returning farmland to grassland will be extended for 3 years, and the assistance standard will be 300 RMB per mu, and 100 RMB per mu per year. Third, where land owned by farmer collectives is involved, cash assistance shall be paid in principle to the original land contracting right holders, and in the case of the transfer of cultivated land that returned to forest and grassland, cash assistance shall be paid in accordance with the contract. Fourth, if the existing cash assistance policy

has expired, a one-time cash assistance should be handed out in 2022.

8. MOF published a circular on further promoting the regulated development and transparent operation of public-private partnership (PPP)

On November 18, MOF published a circular on further promoting the regulated development and transparent operation of public-private partnership (PPP), which provided the following. First, it is important to do a good job in the preliminary preparation of project, conduct financial affordability assessment in a regulated way, enhance the accountability for project pipeline management, and improve the joint evaluation and review mechanism for entry into project pipeline. Second, it is necessary to ensure full competition of private capital, regulate the transfer of the stock of assets, improve project performance management, enhance project contract fulfillment, and promote well-regulated project implementation. Third, efforts should be made to strengthen the review of project contracts and the review of project implementation information, standardize project budget management, and strictly prevent hidden debt risks. Fourth, it is imperative to promote the disclosure of project information, strengthen the dynamic monitoring of financial affordability as well as the supervision and management of information disclosure.

II. Facts & Figures

1. China's PMI was 49.2% in October

The data published by NBS on October 31 showed that China's PMI was 49.2% in October, down by 0.9 percentage points from the previous month, and stood below the critical point. By the size of enterprises, PMI of large enterprises was 50.1%, down by 1.0 percentage points from the previous month and was still above the critical point; PMI of small and medium-sized enterprises was 48.9% and 48.2% respectively, down by 0.8 and 0.1 percentage points from the previous month, and continued to stay below the critical point.

2. China's CPI rose by 2.1% year on year in October

The data published by NBS on November 9 showed that China's CPI rose by 2.1% year on year in October. Among them, prices in urban areas rose by 2.0%, and prices in rural areas rose by 2.5%; food prices rose by 7.0% and non-food prices by 1.1%; consumer goods prices rose by 3.3% and services prices rose by 0.4%.

3. China's PPI fell by 1.3% year on year in October

The data published by NBS on November 9 showed that China's PPI fell by 1.3% year on year in October. Among them, prices of extractive industries fell by 6.7%, prices of raw material industries rose by 1.2%, prices of processing industries fell by 3.5%, food prices rose by 4.6%, apparel prices rose by 2.5%, prices of general daily necessities rose by 1.6%, and prices of durable consumer goods rose by 0.2%.

4. China's cumulative general public budget revenue from January to October was 17.3397 trillion RMB

The data published by MOF on November 17 showed that China's cumulative general

public budget revenue from January to October was 17.3397 trillion RMB, an increase of 5.1% after adjusting for the factor of VAT refund and a decrease of 4.5% on natural terms. Among them, the central general public budget revenue was 8.0005 trillion RMB, an increase of 4.8% after adjusting for the factor of VAT refund, and a decrease of 5.5% on natural terms; the local general public budget revenue was 9.3392 trillion RMB, an increase of 5.4% after adjusting for the factor of VAT refund, and a decrease of 3.6% on natural terms. Nationwide tax revenue was 14.2579 trillion RMB, an increase of 2.4% after adjusting for the factor of VAT refund, and a decrease of 8.9% on natural terms; non-tax revenue was 3.0818 trillion RMB, an increase of 23.2% year on year.

5. China's cumulative general public budget expenditure from January to October was 20.6334 trillion RMB

The data published by MOF on November 17 showed that China's cumulative general public budget expenditure from January to October was 20.6334 trillion RMB, an increase of 6.4% year on year. Among them, the central general public budget expenditure was 2.8341 trillion RMB, an increase of 7.2% year on year; the local general public budget expenditure was 17.7993 trillion RMB, an increase of 6.2% year on year.

III. MOF Events

1. On October 27, Vice Finance Minister Wang Dongwei attended the AIIB flagship seminar on Sustainable Infrastructure toward a Connected World via video link. At the seminar, he exchanged views with participants on topics such as improving infrastructure investment and financing mechanisms, enhancing infrastructure resilience, and the role of multilateral development banks in infrastructure investment, and made suggestions on the future development of the AIIB's infrastructure investment operations.

2. On November 3, Vice Finance Minister Wang Dongwei held a video meeting with Ajay Seth, G20 Finance Deputy of India which assumes G20 presidency in 2023. The two sides exchanged views on the priority work and agenda design of the G20 finance track in 2023, as well as the preparations for the first Finance and Central Bank Deputies' Meeting during India's G20 presidency.

3. On November 12, Vice Finance Minister Wang Dongwei attended and addressed the 2nd G20 Joint Finance and Health Ministers' Meeting in 2022. The meeting discussed topics such as the Pandemic Fund, G20 finance and health coordination arrangements, etc.

IV. Local Finance

1. Yunnan Finance: work on three fronts to effectively advance the reform of budget indicator accounting and management

According to the news released by the Finance Department of Yunnan Province on October 28, finance authorities of Yunnan have proceeded from the reality in Yunnan and actively explored the reform of budget indicator accounting and management. Notable outcomes have been achieved. First, actively build the “three major systems” of budget index accounting and management featuring whole-process recording, all-round control and full-coverage report as the core, in order to achieve the management goals of “forwardly controllable and reversely traceable” throughout the whole process of budget indicators. Second, innovate the centralized payment control and verification mechanism of treasury, the management mechanism of special fiscal account funds (education fees) and the management mechanism of departmental funds. Third, continue to deepen the reform of budget management, improve the functions of the system, and further increase publicity and training.

2. Yunnan Finance: further strengthen and regulate government purchase of services

According to the news released by the Finance Department of Yunnan Province on November 9, finance authorities of Yunnan have continuously regulated government purchase of services and further strengthened the reform of government purchase of services. First, accurately define the entities participating in government purchase of services, and clarify the purchasers and suppliers in government purchase of services. Second, scientifically define the content and scope of government purchase of services, including the public services provided by government to the public, as well as auxiliary services required by government to perform its duties. Third, strengthen the management of the guiding catalogue of government purchase of services, and implement dynamic adjustments of such catalogue. Fourth, strictly regulate the budget management of government purchase of services, strictly enforce budget constraints,

and optimize the budget structure. Fifth, strictly implement the relevant regulations on government procurement, and highlight the implementation and supervision of the procurement process in government purchase of service. Sixth, strengthen the management of enforcement of government service purchase contracts, and strictly prohibit illegal financing by using or forging government service purchase contracts in violation of laws and regulations. Seventh, improve the performance management of government purchase of services, and regularly carry out performance evaluation of the implementation of purchased services.

3. Fujian Finance: provide targeted fiscal support for building Beautiful Fujian

According to the news released by the Finance Department of Fujian Province on November 10, finance authorities of Fujian have fully leveraged policies, funds and management to accelerate green development. First, establish and improve the investment funding mechanism that matches the task of pollution prevention and control, include the environmental protection input level indicator into the assessment of the effectiveness of the pollution prevention and control battle, and ensure that the environmental protection investment in various localities is not lower than the level of the previous year, in order to effectively support the endeavor of protecting blue skies, clear waters and clean lands. Second, establish a provincial-level financial transfer payment system for ecological protection, and implement a forest ecological protection compensation system with close link between provincial and national public welfare forests as well as a river basin compensation mechanism oriented to improve the quality of water environment in the river basin and promote the development of the underdeveloped areas in the upper reaches. Third, promote the establishment of a fiscal expenditure system for ecological and environmental protection with clearly defined powers and responsibilities, appropriate allocation of financial resources and greater regional balance, and effectively improve the level of fiscal fund management.

V. Remarks & Opinions

1. Liu Kun: China will work with all members to make AIIB a new force that contributes to the common development of the world and the building of a community with a shared future for mankind

On October 26, Finance Minister Liu Kun attended and addressed the 7th Annual Meeting of the AIIB Board of Governors via video link. Liu Kun stated that President Xi Jinping hosted the High-level Dialogue on Global Development in this June to promote the implementation of Global Development Initiative, injecting strong impetus into the implementation of the UN 2030 Agenda for Sustainable Development. As a new platform to promote the common development of its members and the building of a community with a shared future for mankind, AIIB should adhere to the principle of cooperation and consultation for shared benefits, practice true multilateralism, orient to the needs of members, and serve more members at different stages of development and with different development needs by further promoting country programing and enriching financing toolbox. At the same time, it needs to step up institutional capacity building in the fields of infrastructure connectivity, digital infrastructure and climate change, promote the synergy between “hard connectivity” and “soft connectivity”, and enhance the new momentum of development of all members.

Liu Kun pointed out that the recently concluded 20th CPC National Congress clearly set out that China will comprehensively advance the great rejuvenation of the Chinese nation by following the Chinese path to modernization, and continue to offer new opportunities for the world with China’s new development. As an important shareholder of AIIB and host of its headquarters, China will work with all members to support AIIB and run AIIB well, so as to make AIIB a new force that contributes to the common development of the world and the building of a community with a shared future for mankind.

2. Liu Kun: Improving the modern budget system

On November 4, Finance Minister Liu Kun pointed out in his published article entitled *Improving the Modern Budget System* that to improve the modern budget system, it is imperative to further remove the institutional barriers and make up for the institutional shortcomings, work towards complete and science-based budget preparation, standardized and efficient budget execution, strict and strong budget supervision, and advanced and well-conceived management methods, and put in place a modern budget system that is comprehensive, standardized, transparent, performance-oriented, sustainable and secure with binding constraints.

(1) Optimize the structure of tax system and stick with the revenue division system with shared tax as the mainstay.

The fact that shared tax takes up a relatively high portion of China's tax revenue is due to the objective need to tackle the imbalance of development between regions, reflecting the revenue distribution features under socialism with Chinese characteristics. The division of relevant tax revenues needs to be improved on the premise of maintaining the overall stability of the structure of financial resources between central and local governments. VAT, enterprise income tax and individual income tax will continue to be treated as revenue shared between central and local governments, so as to soften the impact of economic fluctuations on local revenue, and properly eliminate the irrationality of inter-regional benefit sharing brought about by uneven distribution and mobility of tax base, i.e., to make the "pie" bigger and better divided. The tax structure needs to be optimized on the premise of maintaining the stability of the basic tax system. The direct tax system with income tax and property tax as the main body will be improved to appropriately increase the proportion of direct tax and raise the progressivity of the tax system. The individual income tax system will be improved to appropriately expand the scope of comprehensive income taxation and improve special additional deduction items. The reform of the VAT system will be deepened to smooth out the chain of VAT deduction and optimize the design of the excess input VAT credit refund system. The local tax system will be improved to accelerate the cultivation of local tax sources. The

principle of law-based taxation will be fully enforced to regulate preferential tax policies and further strengthen the management of non-tax revenue.

(2) Incentivize both central and local governments to improve the fiscal transfer payment system.

In line with the principle of ensuring expenditure responsibilities match with fiscal powers, the classification of transfer payments will be regulated to clarify the boundaries and functional positioning. The transfer payments for common fiscal powers have distinctive Chinese characteristics and aim to protect and improve people's livelihood and enhance local government's capabilities in providing basic public services. The transfer payments for common fiscal powers will be rationally arranged, and differentiated subsidy policies will be implemented to ensure greater equalization of basic public services between regions. The special transfer payments aim to support the implementation of the major decisions and deployments of the CPC Central Committee, and the funds will be used in a targeted and accurate manner to strengthen guidance and incentives to local governments and be gradually withdrawn from areas where market mechanism can effectively play its role. Special transfer payments will be arranged on a factual basis, without emphasis on their scale or size. General transfer payments are aimed at balancing the allocation of basic financial resources between regions, and as such, their scale will be increased in light of the financial situation, and be tilted towards areas with weak financial resources in the central and western regions, old revolutionary base areas, ethnic minority areas, border areas, underdeveloped areas, as well as functional areas that are critical to national defense security, food security, energy security, ecological security, so as to promote a more balanced distribution of financial resources. Management will be made more science-based across the board. Transfer payment items will be established in strict compliance with procedures and the regular assessment and withdrawal mechanisms will be improved. Overall planning and coordinated implementation of transfer payments that support the same strategy, the same field, and the same industry will be strengthened. Distribution methods will be optimized, tools and methods for assessing expenditure cost differences and financial hardship

degree will be improved, and the establishment of regional balance assessment mechanism and indicator system will be explored to gradually increase the weight of the resident population.

(3) Strengthen financial support for major decisions and deployment and improve mechanisms for mobilizing financial resources.

For now and for years to come, in order to maintain the basic stability of the macro tax burden and the corresponding tight balance of public finance, it is necessary to strengthen the overall mobilization of resources and concentrate financial resources on priorities. The overall coordination of the “four budgets” will be strengthened. The provisions on determining expenditure according to revenue, as set out in the general public budget, will be fully abolished. The governmental fund items that ought to be planned and used by government will be transferred to the general public budget. The proportion of state-owned capital gains to be handed over will be reasonably determined, and the overall level of social insurance fund pooling will be steadily raised. Budget allocation authority will be gradually unified to reduce overlapping and duplication of arrangements. The coordination of incremental and existing resources will be strengthened. The mechanism for the recovery and reuse of surplus funds will be improved to closely link the existing funds with the budget arrangements for the next year. Revenue obtained by relying on administrative powers and state-owned resource assets will be fully incorporated into budget management, and the long inefficient and idling assets will be transferred and used. The coordination of fiscal appropriation revenue and non-fiscal appropriation revenue will be strengthened. All departments and units shall include the business income obtained and the operating income of government-sponsored institutions into budget management in accordance with laws and regulations, and in principle, shall not re-apply for fiscal appropriation when the non-fiscal appropriation income can meet the expenditure needs. On the basis of strengthening revenue mobilization, the expenditure structure will be optimized to ensure that “the national priorities” are well funded. Fiscal support for key areas such as education, science and technology, employment and social security, health care, agriculture and rural areas, and ecological and environmental protection,

will be enhanced to ensure that major decisions and deployments are effectively implemented.

(4) Improve the effectiveness of funds and efficacy of policies, and further improve the budget management system.

Key links in budget management will be strengthened to promote safe and efficient use of funds and accurately and effectively implement proactive fiscal policies. Budget performance management will be deepened. The scope of key performance evaluation will be expanded to improve the quality of performance evaluation. The overall expenditure performance evaluation of departments and units will be promoted, and government revenue performance management will be explored. Performance evaluation results will be put to good use to generate a virtuous circle of evaluation, feedback, rectification and improvement. Spending standardization will be promoted. Basic expenditure standards will be improved to accelerate the establishment of project expenditure standards and improve basic public service funding systems and standards. The budget execution management system will be improved. Budget control, accounting and final accounts will be strictly conducted to fully reflect the flow of budgetary funds and the whole life cycle of budgetary items. Government procurement demand management and transaction system will be optimized to strengthen the policy functions of government procurement. The yield curve of government bonds will be improved, and the role of government bond financial instruments will be further played. The mechanism for direct allocation of fiscal funds to prefecture and county-level governments will be improved. The scope of directly allocated funds will be optimized to maintain a reasonable and moderate scale. The principal responsibilities of local governments will be consolidated to enhance local autonomy in allocating funds. Classified management of funds will be carried out and the whole-process supervision mechanism will be improved. The integrated budget management will be advanced on all fronts. The connectivity of information between central and local fiscal systems will be promoted to dynamically reflect the budgetary arrangement and execution at all levels. The information connectivity and sharing between finance and competent authorities will be

strengthened to realize full operation of an integrated system in finance authorities and budget units of all levels. The disclosure of budget and final accounts will be strengthened to further expand the scope, refine the content, improve the method, and improve the timeliness, completeness, standardization and accessibility of disclosure.

(5) Enhance fiscal sustainability and build solid risk prevention systems and mechanisms.

Immediate and long-term considerations will be balanced to place greater emphasis on fiscal sustainability, and prevent and resolve government debt risks. High-pressure supervision will be conducted to resolutely curb the increase of hidden debts and properly resolve the stock of debts, and efforts will be made to gradually regulate local government debts according to unified rules. Illegal borrowing will be subject to intensified investigation and penalty, and the closed-loop management mechanism for accountability and the centralized disclosure mechanism will be improved. The corporate governance of local government financing vehicles will be strengthened and the entrenched expectation for government bailout will be broken. To ensure that county-level finances run smoothly, county-level government should shoulder the primary responsibility, while the city-level government provides assistance, provincial-level government provides back-up and central-level government offers incentives, so as to ensure that the expenditures for the “three priorities” be fully funded in the first place. The monitoring and early warning of grassroots fiscal operations will be strengthened to detect and deal with potential risks as early as possible. Fiscal affordability assessment mechanisms will be established and improved. Before major policies involving increase of fiscal expenditures are introduced and before major government investment projects are implemented, fiscal affordability assessments will be conducted in accordance with regulations to prevent excessive commitments and excessive funding. Except for the unified requirements and the part to be borne by the lower level of government for enforcing common fiscal powers, the higher-level government and its departments must not require the lower-level one to provide matching funds or any such funds under disguise. Cross-year budget balance will be strengthened. Cross-cyclical and counter-cyclical

adjustment will be strengthened to scientifically arrange the scale of deficits and debts, and control the government leverage ratio at a reasonable level. Medium and long-term expenditure items and cross-year projects will be included in medium-term fiscal planning and management, and the connection with the annual budget will be strengthened. The mechanism of the budget stabilization fund will be improved to prevent the occurrence of pro-cyclicality.

(6) Strengthen financial discipline and optimize the financial and accounting supervision system.

It is imperative to fulfill the principal responsibility of financial and accounting supervision, and give play to the important role of financial and accounting supervision in the supervision system of the Party and the state. Supervision mechanisms will be improved. Efforts will be made to accelerate the issuance of guidelines on further strengthening financial and accounting supervision to put in place a financial and accounting supervision system in which finance authorities are primarily responsible for supervision, relevant competent authorities conduct supervision according to their due responsibilities, all institutions enforce internal supervision, intermediary agencies conduct supervision over practices, and industry associations carry out self-disciplinary supervision, so as to improve the working mechanism featuring horizontal coordination of various supervisory entities and vertical connection between central and local governments. The focus of supervision will be highlighted. The supervision of the implementation of major fiscal and tax policies will be stepped up to carry out closed-loop supervision of departmental budgets, full-chain supervision of transfer payments, and continuous monitoring of local government debts, fiscal operation, and “three priorities”. Supervision over the quality of accounting information and the practice quality of intermediary agencies will be enhanced to strictly investigate and deal with cases of financial fraud and accounting fraud. The effectiveness of supervision will be improved. Financial and accounting supervision will be better coordinated with all kinds of supervision to realize information sharing and results sharing and promote the implementation of joint penalty. Human resources for financial and accounting supervision will be

further developed, and the use of modern information technology methods such as “Internet + supervision” and big data will be explored. Strict accountability for problems identified by supervision will be enforced to make economic and financial discipline an uncrossable red line.

3. Wang Dongwei: China will continue to work with all parties to advance international exchanges and cooperation on the fight against pandemic

On November 12, Vice Finance Minister Wang Dongwei attended and addressed the 2nd G20 Joint Finance and Health Ministers’ Meeting in 2022. Wang Dongwei stated that China has been actively implementing the Global Development Initiative and the call for building a community of common health for mankind as proposed by President Xi Jinping, and is the first country that has promised to make COVID-19 vaccines a global public good, the first country that has supported waiving intellectual property rights for vaccines, and the country that has provided the largest number of vaccines to the rest of the world. The launch of the Pandemic Fund is an important outcome of the unity and cooperation of all relevant parties, including China, to build a community of common health for mankind. In the next step, the operation and development of the Fund should continue to implement the leaders’ consensus, maintain the central coordinating role of WHO, focus on the most urgent needs of developing countries, and effectively enhance the pandemic prevention, preparedness and response capacity of developing countries.

Wang Dongwei pointed out that in the face of the pandemic, all G20 parties should uphold the concept of community of common health for mankind and pull together to get through difficulties. The G20 Joint Finance and Health Ministers’ Meeting and the G20 Joint Finance-Health Task Force established by virtue of leaders’ consensus are well functioning, and we may continue to promote cooperation and support WHO-led reform and development of the global health governance system through these mechanisms. China will work with all parties to continue to advance international exchanges and cooperation on the fight against pandemic.

Journal Title: China Finance Monthly

Editor: International Economics and Finance Institute

Publisher: Editorial Office, China Finance Monthly

Mailing Address: IEFI, Ministry of Finance, China, 100820

Telephone: 86-10-68141100

Fax: 86-10-68527620

E-mail: iefi@iefi.org.cn

未经许可 不得转载

Copyright Reserved.

Publishing Date: December 2022