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HIGHLIGHT

- Gao Peiyong: identify the focuses and priorities for the establishment of a modern fiscal and tax system
- Finance Minister Liu Kun met with Hideo Tarumi, the new Japanese Ambassador to China
- Ministry of Science and Technology and MOF published a circular on the *Administrative Measures for the Construction and Operation of National Technological Innovation Centers (Interim)*
- The State Council published the guidelines on accelerating the establishment and improvement of an economic system featuring green, low-carbon and circular development
- China issued 362.3 billion RMB of local government bonds in January

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. People's Bank of China and MOF jointly published a circular on the issuance of the *Measures for the Administration of Savings Bonds (Certificate-Type)*

On February 1, the People's Bank of China and MOF jointly published a circular on the issuance of the *Measures for the Administration of Savings Bonds (Certificate-Type)*, which provided the following. First, the savings bonds (certificate-type) refer to the non-marketable RMB treasury bonds issued by MOF in China and sold to individual investors through underwriting syndicate members. Second, the savings bonds (certificate-type) are issued to individuals, with a face value, starting at 100 RMB, in multiples of 100 RMB. Third, MOF may set a single (or single-period) individual purchase limit for savings bonds (certificate-type), and stipulate the time for underwriting syndicate members to sell the current treasury bonds to investors and the commission rate to be redeemed in advance.

2. Ministry of Human Resources and Social Security and MOF jointly issued a Notice on *Giving Full Play to the Special Account Funds of Vocational Skills Enhancement Actions to Promote Vocational Skills Enhancement Actions*

On February 4, the Ministry of Human Resources and Social Security and MOF jointly issued a Notice on *Giving Full Play to the Special Account Funds of Vocational Skills Enhancement Actions to Promote Vocational Skills Enhancement Actions*, which provided the following. First, establish a dynamic evaluation and adjustment mechanism to reasonably determine and adjust training subsidy standards. Second, do a good job of expanding and stabilizing employment through training of workers, and allow enterprises to apply for subsidies for training of workers without the need to provide training plans and issue training certificates. Third, increase training subsidy funds to directly subsidize enterprises, with a focus on strategic emerging industries and advanced manufacturing industries. Fourth, use special account funds to carry out government subsidized training programs and fund the living expenses and transportation subsidies during the training period. Fifth, the

finance authorities should strengthen the supervision of training funds, establish a supervisory system covering the entire process of the use and management of special account funds, and further improve the management of the real-name system for subsidized training.

3. MOF published the guidelines on entrusting third-party agencies to participate in budget performance management

On February 5, MOF published the guidelines on entrusting third-party agencies to participate in budget performance management, which provided the following. First, the guidelines have reasonably determined the responsibility relationship between clients, third-party agencies and budget units subject to performance management by specifying scope, standardizing management, providing effective guidance and strengthening supervision, so as to ensure the orderly participation of entrusted third-party agencies in budget performance management. Second, the guidelines have set out the priority work of the entrusted third-party agencies participating in budget performance management, clarified the scope of entrusted third-party agencies' participation in budget performance management, outlined the matters that cannot be entrusted to third-party agencies, required that the third-party agencies be selected on merit basis and in light of laws and regulations, provided safeguards for third-party agencies to conduct work in a normal way, and sought to strengthen the guidance and supervision of third-party agencies. Third, the guidelines have also indicated that the finance authorities should formulate administrative measures, implementation rules or operating specifications for entrusted third-party agencies to participate in budget performance management in their jurisdictions, promote the disclosure of budget performance information, and strengthen the development of an integrity system for third-party agencies to participate in budget performance management.

4. MOF published a circular on launching the preparation of the 2020 government financial report

On February 9, MOF published a circular on launching the preparation of the 2020 government financial report, which provided the following. First, earnestly move

forward with the preparation of government financial report, ensure close coordination and cooperation between the fiscal treasury authorities and the asset and debt management authorities, strictly implement the government accounting standards, strengthen the analysis and utilization of government financial report, and improve the local government financial reporting information system. Second, make efforts to improve the quality of government financial report preparation, prepare comprehensive financial report for local governments, accurately define the scope of preparation, do a good job of reconciliation and offsetting, disclose the funds of special fiscal accounts, and further strengthen the audit work.

5. MOF published the *Measures for the Administration of Local Government Bond Information Disclosure Platform*

On February 9, MOF published the *Measures for the Administration of Local Government Bond Information Disclosure Platform*, which provided the following. First, the local government bond information disclosure platform refers to the nationally unified platform for official disclosure of local government debt information as organized and constructed by MOF in accordance with relevant documents of the CPC Central Committee and the State Council. Second, MOF is responsible for the construction and administration of the platform and for providing guidance on the work of local government debt information disclosure. Third, local finance authorities should promptly disclose local government debt limit and balance, issuance, projects, principal and interest repayment, major matters and management of local government bond, as well as economic and social development indicators, financial status and other relevant information in the related sections of the platform in accordance with the regulations of disclosure.

6. MOF and the National Cultural Heritage Administration jointly published the opinions on strengthening the administration of funds for national cultural heritage protection

On February 10, MOF and the National Cultural Heritage Administration jointly published the opinions on strengthening the administration of funds for national

cultural heritage protection, which provided the following. First, effectively enforce the responsibilities for administering funds for national cultural heritage protection, raise awareness of the work of administering funds for national cultural heritage protection, and implement the respective responsibilities of central and local governments for fund administration. Second, strengthen and standardize the administration of funds for national cultural heritage protection, improve the quality of project protection plans and budget preparation, strengthen project budget review and constraints, and enhance project budget execution. Third, improve government procurement management, and reasonably select appropriate procurement methods and set procurement stages. Fourth, ensure sound performance management of funds for national cultural heritage protection, and allow MOF and the National Cultural Heritage Administration to set overall performance targets and issue regional performance targets in tandem with the fiscal funds.

7. MOF published the *Measures for Strengthening the Joint Supervision of the Asset Appraisal Industry*

On February 19, MOF published the *Measures for Strengthening the Joint Supervision of the Asset Appraisal Industry*, which provided the following. First, launch joint supervision by administrative agencies and industry associations in accordance with laws under the unified leadership of MOF to coordinate supervisory resources and improve supervisory efficiency. Second, conduct joint supervision in keeping with the principles of “unified inspection plan, unified and standardized procedures, unified standards and system, unified organization and implementation, unified handling of penalties, and unified disclosure and announcement”, establish a joint inspection team to carry out annual practice quality inspections, conduct joint hearings on problems found during inspections, and make administrative penalties and industry self-discipline penalties on relevant institutions and personnel in accordance with laws and regulations. Third, allow local regulatory bureaus, under the unified organization of MOF, to give full play to their advantages in strengthening the supervision of asset appraisal business of central SOEs and listed companies, and require local finance authorities and asset appraisal associations to establish and improve relevant working mechanisms and cooperate closely with MOF’s local

regulatory bureaus to foster supervisory synergy.

8. The State Council published the guidelines on supporting the revitalization and development of old revolutionary base areas in the new era

On February 22, the State Council published the guidelines on supporting the revitalization and development of old revolutionary base areas in the new era, which provided the following. First, we should effectively synchronize our efforts to consolidate and expand the achievements of poverty alleviation while advancing rural revitalization, and enhance the coordinated development of small, medium and large-size cities, which would be aligned with major national strategies of regional development. Second, we should move fast to improve infrastructure in old revolutionary base areas, develop industrial systems with local characteristics, enhance innovation capabilities, cultivate new drivers of revitalization and development in old revolutionary base areas, and work to improve economic quality, efficiency and core competitiveness. Third, we should strengthen the basic public service system, improve the quality of people's life, enhance the level of social governance, develop the red culture, promote the harmonious coexistence between human and nature, and strengthen the sense of gain, happiness, and security of people in the old revolutionary base areas. Fourth, we should adhere to the goal-oriented and problem solution-oriented approach, and improve the long-term and inclusive support mechanism and the targeted, effective and differentiated support mechanism to stimulate the endogenous driving force for the revitalization and development of the old revolutionary base areas.

9. Four ministries published a document on further expanding the pilot work of the electronic reimbursement, entry and filing of electronic VAT invoices

On February 22, MOF, the Ministry of Commerce, the National Archives Administration and the State Administration of Taxation jointly published a document on further expanding the pilot work of the electronic reimbursement, entry and filing of electronic VAT invoices, which provided the following. First, the pilot work aims to carry out electronic reimbursement and entry of electronic VAT invoices, and launch a

pilot program for electronic filing of electronic VAT invoices. Second, the pilot unit must meet the following three conditions: (1) Scientifically designing the plan for electronic collection, reimbursement, entry and filing of electronic VAT invoices. (2) Ensuring the necessary human resources and funds. (3) Being willing to play a leading role in the promotion and application of electronic invoices. Third, MOF is responsible for guiding the pilot work and checking and accepting the pilot work at the headquarters of central SOEs.

10. Ministry of Science and Technology and MOF published a circular on the *Administrative Measures for the Construction and Operation of National Technological Innovation Centers (Interim)*

On February 23, the Ministry of Science and Technology and MOF published a circular on the *Administrative Measures for the Construction and Operation of National Technological Innovation Centers (Interim)*, which provided the following. First, the new centers are divided into two categories: comprehensive centers and sectoral centers. Comprehensive innovation centers, which are pivoted toward implementing major national strategies of regional development and promoting the innovation and development of key regions, will carry out cross-regional, cross-field and cross-disciplinary collaborative innovation and open cooperation, with the aim to evolve into a strategic link in the national technological innovation system, a major engine of high-quality development, and an important driver for supporting the construction of an innovative country, enhancing the national innovation capability and strengthening the national core competitiveness; the sectoral innovation centers, which are pivoted toward implementing major national strategic tasks of scientific and technological innovation, will carry out key technological research, provide services of commercialization of technological innovation for enterprises in the industry, especially high-tech small and medium-sized enterprises, and help enhance the innovation capabilities and core competitiveness of China's key industries. Second, MOF, in light of the needs for innovation-driven development and regional scientific and technological innovation, will make available post-subsidies based on the performance evaluation results for innovation centers, and conduct performance evaluation on policy implementation when necessary.

11. The State Council published the guidelines on accelerating the establishment and improvement of an economic system featuring green, low-carbon and circular development

On February 23, the State Council published the guidelines on accelerating the establishment and improvement of an economic system featuring green, low-carbon and circular development, which provided the following. The first aspect is to improve the production system for green, low-carbon and circular development, promote green upgrading of industries, accelerate green development of agriculture, enhance the level of green development in the service industry, strengthen the green and environmental protection industry, improve the circular level of industrial parks and industrial clusters, and build a green supply chain. The second aspect is to improve the circulation system for green, low-carbon and circular development, foster green logistics, strengthen the recycling and utilization of renewable resources, and establish a green trading system. The third aspect is to improve the consumption system for green, low-carbon and circular development, promote the consumption of green products, and advocate for a green and low-carbon lifestyle. The fourth aspect is to accelerate the green upgrading of infrastructure, promote the green and low-carbon transformation of energy system, advance the upgrading of urban environmental infrastructure, improve the level of green development of transportation infrastructure, and improve the urban and rural living environment. The fifth aspect is to build a market-oriented green technology innovation system, encourage research and development of green and low-carbon technologies, and accelerate the commercialization of scientific and technological findings.

12. MOF published a circular on adjusting the relevant indicators of the monthly report on the economic performance of state-owned enterprises

On February 25, MOF published a circular on adjusting the relevant indicators of the monthly report on the economic performance of state-owned enterprises, which provided the following. First, adjust the indicators by adding “capitalized interest expenditure”, “fixed asset investment” and “R&D expenditure investment” to the main indicators of economic performance and cash flow. Second, adjust the calibers

to make capitalized interest expenditure reflect all the borrowing interests of the enterprise that meet the capitalization confirmation conditions and are included in the costs of related assets in the current year; to make the fixed asset investment reflect the total new fixed asset investment of the enterprise in the current period; and to make the R&D expenditure refer to all expenditures actually incurred for the implementation of scientific research and experimental development. Third, the three indicators added this time need to be filled in by state-owned and state-holding enterprises as well as public institutions enforcing corporate management that possess legal personality, independent accounting status, and ability to prepare complete accounting statements.

II. Facts & Figures

1. China's manufacturing PMI in January was 51.3%

The data published by the National Bureau of Statistics on January 31 showed that China's manufacturing PMI in January was 51.3%, a decrease of 0.6 percentage points from the previous month. By the scale of enterprises, the PMI of large and medium-sized enterprises was 52.1% and 51.4% respectively, down by 0.6 and 1.3 percentage points month on month, but both were above the critical point; the PMI of small-sized enterprises was 49.4%, up by 0.6 percentage points month on month, and was still below the critical point. By the sub-indexes, among the five sub-indexes that make up the manufacturing PMI, the production index and the new order index were all above the critical point, but the raw material inventory index, the employee index, and the supplier delivery time index were all below the critical point.

2. China's CPI fell by 0.3% year on year and increased by 1.0% month on month in January

The data published by the National Bureau of Statistics on February 10 showed that China's CPI in January fell by 0.3% year on year. Among them, prices in urban areas fell by 0.4%, and prices in rural areas fell by 0.1%; food prices rose by 1.6%, and non-food prices fell by 0.8%; consumer goods prices fell by 0.1%, and service prices fell by 0.7%. The CPI increased by 1.0% month on month. Among them, prices in urban areas rose by 1.0%, and prices in rural areas rose by 1.1%; food prices rose by 4.1%, and non-food prices rose by 0.3%; consumer goods prices rose by 1.5%, and service prices rose by 0.2%.

3. China's PPI rose by 0.3% year on year and increased by 1.0% month on month in January

The data published by the National Bureau of Statistics on February 10 showed that China's PPI rose by 0.3% year on year and increased by 1.0% month on month in

January. Among them, prices of extractive and processing industries both rose by 1.0%, and prices of raw materials industries fell by 0.8%. Prices of daily consumption commodities fell by 0.2%.

4. China issued 362.3 billion RMB of local government bonds in January

The data published by MOF on February 25 showed that China issued 362.3 billion RMB of local government bonds in January. Among them, 212.7 billion RMB were general bonds and 149.6 billion RMB were special bonds; and all of them were refinancing bonds by purposes. The average maturity of local government bonds was 8 years, including 7.6 years for general bonds and 8.6 years for special bonds; and the average interest rate was 3.37%, including 3.35% for general bonds and 3.41% for special bonds.

5. Balance of China's local government debt was 26.0208 trillion RMB in January

The data published by MOF on February 25 showed that as of the end of January 2021, balance of China's local government debt was 26.0208 trillion RMB. Among them, general debt was 12.9495 trillion RMB, and special debt was 13.0713 trillion RMB; government bonds were 25.8457 trillion RMB and government debt in the form of non-governmental bonds was 175.1 billion RMB. The average remaining maturity of local government bonds was 6.8 years, including 6.2 years for general bonds and 7.4 years for special bonds; the average interest rate was 3.51%, including 3.51% for general bonds and 3.50% for special bonds.

III. MOF Events

1. On January 27, Finance Minister Liu Kun met with Hideo Tarumi, the new Japanese Ambassador to China. The two sides exchanged views on China-Japan relations, China-Japan multilateral and bilateral financial cooperation, China-Japan macroeconomic situation, fiscal policy and pandemic response. Vice Finance Minister Zou Jiayi also attended the meeting.

IV. Local Finance

1. Ningxia Finance: concrete actions to effectively manage the funds directly funneled from the central government

According to the news released by the Finance Department of Ningxia Hui Autonomous Region on February 1, the finance authorities of Ningxia have acted proactively, fully optimized the fund allocation plan and sped up the disbursement of funds to ensure that the funds directly funneled from the central government are effectively allocated, soundly managed and used well and transparently. First, the finance authorities have quickly set up special taskforces, promptly built a management system for directly funneled funds and put in place a full-coverage, full-chain and full-process monitoring system. Second, the finance authorities accurately grasped the policy intention of funds directly funneled from central government, accurately targeted the priority areas supported by the funds, and accurately connected with relevant government departments. Third, the finance authorities have effectively used the funds directly funneled from central government to ensure stability on the six fronts and security in the six areas and deliver full benefits of the funds to enterprises and the people.

2. Shanxi Finance: efforts on six fronts to deliver success in the fiscal work of 2021

According to the news released by the Finance Department of Shanxi Province on February 3, Datong City has further required the finance authorities in Datong to do a solid job in the following six key areas. First, make every effort to increase fiscal revenues and reduce expenditures, support taxation authorities in tax administration and collection, tighten the budgetary expenditures, and secure the bottom line of the “three priorities”. Second, make concerted efforts to support the high-quality development of the city, continue to advance tax and fee cut, actively expand effective investment, deepen the reform of investment and financing system, vigorously support the development of the “six new” areas, and stimulate the vitality of market

entities. Third, promote the effective synergy between poverty alleviation and rural revitalization, and move forward the transition from unconventional measures to normalized assistance and from phased program to sustainable development. Fourth, make every effort to safeguard people's basic livelihood, strengthen the employment-first policy, support the development of education and culture, improve medical and health services, and strengthen social security. Fifth, advance the reform of the modern fiscal and tax system, improve the budget management system, move forward the reform of government procurement system, improve the directly-distributed fund management mechanism, deepen the reform of budget performance management, strengthen local government debt management, strictly administer temporary payments, and strengthen fiscal supervision and management. Sixth, vigorously strengthen the Party governance with enhanced accountability requirement.

3. Shandong Finance: notable achievements made in IT-based management of public finance in Shandong during the 13th Five-Year Plan period

According to the news released by the Finance Department of Shandong Province on February 9, the finance authorities in Shandong have accelerated the IT-based management of public finance, which provided strong support for fiscal reform and development. First, tangible results have been achieved in creating a unified system for management of core fiscal business, basically putting in place an integrated budget management system, and establishing a large-scale and centralized application system to support cloud operation of public finance business. Second, the integration of data resources has been accelerated and a well-connected platform for fiscal big data has been initially built to further move forward with the development and application of fiscal big data. Third, efforts have been continued to optimize and improve cyber network infrastructure, strengthen cyber network security system, and accelerate the construction of disaster recovery backup center, in order to improve the cyber network security guarantee system of public finance.

4. Anhui Finance: advance fiscal reform to enhance the level of treasury

management

According to the news released by the Finance Department of Anhui Province on February 18, Hefei City has actively studied and came up with new goals and new measures for the high-quality development of the fiscal treasury, and has worked hard on the four fronts of “innovation, consolidation, improvement and implementation”. First, take the lead in launching electronic fiscal account reform and build a safe and efficient fund collection and payment system. Second, strengthen the development of account management system of budgetary units to consolidate the operational foundation of single treasury account system. Third, improve the level of financial data sharing and deepen the reform of government financial reporting system. Fourth, enhance monitoring and management of directly funneled funds, and implement the decisions and arrangements related to special transfer payment.

5. Guangxi Finance: new chapter in the critical battle of pollution prevention and control

According to the news released by the Finance Department of Guangxi Zhuang Autonomous Region on February 22, finance authorities of Guangxi have taken the initiative to increase fiscal investment in ecological and environmental protection, so as to vigorously support the three critical battles for blue sky, clean water, and pollution-free soil and ensure the sound development of Guangxi’ ecological environment. The first measure was to enhance responsibilities and take on the fiscal mission of pollution prevention and control. The second measure was to increase fiscal investment to help deliver notable outcomes in pollution prevention and control. The third measure was to innovate the fiscal system, establish a sound and long-term mechanism for supporting pollution prevention and control, advance the reform of the division of fiscal powers and expenditure responsibilities in ecological environment, improve the vertical management system for monitoring and law enforcement of ecological environment agencies, establish a horizontal ecological compensation mechanism in key river basins in the region, and promote the establishment of the Guangxi Soil Pollution Prevention and Control Fund. The fourth measure was to promote joint efforts to fight the battle of pollution prevention and control.

6. Qinghai Finance: “two wheels” of public finance and financial sector in supporting reform and promoting development

According to the news released by the Finance Department of Qinghai Province on February 23, finance authorities of Qinghai have given full play to the roles of public finance and financial sector as “two wheels” in supporting the prevention and control of financial risks, thus effectively ensuring the sustained and healthy development of Qinghai’s economy. The first effort was to advance the reform of local state-owned financial capital management in an orderly manner, build an institutional framework, strengthen basic management, and require officials to effectively perform duties. The second effort was to continuously enhance the ability of financial sector in serving the real economy, further strengthen inclusive finance, support more active and effective development of local financial sector, and give full play to the role of agricultural insurance in supporting agriculture. The third effort was to regulate and promote the sound development of the PPP model, and gradually set PPP onto a path of healthy development. The fourth effort was to strengthen the supervision over the financial management, debt and fund management of government foreign debt projects, and further include government foreign debts into budget management and quota-based management.

V. Remarks & Opinions

1. Liu Shangxi: macro-policies to make progress while maintaining stability and to stabilize expectations

On January 23, Liu Shangxi, President of the Chinese Academy of Fiscal Sciences, pointed out that in face of the pandemic, a public health risk, as well as the economic and social risks brought about by the pandemic, the public finance has played its basic role in hedging against risks. Although deficit and debts have risen and fiscal risks have increased, risks of pandemic, economic risks, social risks and risks related to people's livelihood have been hedged against.

Regarding how to handle the policy transition between 2020 and 2021, Liu Shangxi pointed out that it is important to “keep stable”, but “transition” is still necessary. We need to optimize and adjust some areas in 2021 according to the requirements of the 14th Five-Year Plan, but we should not do it in a hasty way, still less disrupt expectations. In order to stabilize various expectations, such as social expectation, market expectation, consumer expectation and investor expectation, it is necessary to promptly set clear timetable for the exit of some temporary policy arrangements. “Stabilizing expectations” should be placed at the core of the policy adjustment and improvement process, and the impact on the expectations of relevant actors should be fully considered. If the policy expectations are not clear, it would be difficult for enterprises to plan for the next step and would lead to a wait-and-see attitude, which may delay time and cripple the endogenous driving force of economy. In addition, it is necessary to combine policy adjustment and improvement with reform measures, or best to embed policy adjustment and improvement into relevant reform plans, so that reform could serve as a guide to help adjust and improve relevant policies. Policies have a transmission mechanism, which is based on the institutional arrangement. If the institutional arrangement is well-founded, the policy transmission would be relatively good, and policy effects would be relatively better. In this connection, we must incorporate policy adjustment and improvement into the reform plan, and integrate the short-term and long-term considerations, with a view to helping stabilize and guide expectations.

2. Gao Peiyong: identify the focuses and priorities for the establishment of a modern fiscal and tax system

On February 9, Gao Peiyong, Vice President of the Chinese Academy of Social Sciences, pointed out that at the new historical juncture of building a modern socialist country in an all-round way, the 5th Plenary Session of the 19th CPC Central Committee has made comprehensive deployment on the establishment of a modern fiscal and tax system, which would surely have significant and far-reaching impact on the reform of China's fiscal and tax system and lead to historic changes in the functioning of China's fiscal and tax system. Identifying the focuses and priorities for the establishment of a modern fiscal and tax system during the period of the 14th Five-Year Plan on the basis of in-depth understanding of the spirit of the 5th Plenary Session of the 19th CPC Central Committee is the key to making a good start in building a modern socialist country in an all-round way. First, connect the establishment of a modern fiscal and tax system with the drive to modernize the national system and capabilities for governance, foster a high-level socialist market economic system, and integrate into the process of building a modern socialist country in an all-round way, in order to identify the focused and priority areas of establishing a modern fiscal and tax system. Second, grasp the basic characteristics of modern fiscal and tax system, deepen the reform of budget management system, improve the fiscal relationship between the central and local governments, and improve the modern tax system. Third, take fiscal development and security as strategic consideration, improve government debt management system, enhance coordination of fiscal resources, and strengthen mid-term fiscal planning and management.

3. Liu Shangxi: establish risk-oriented thinking on budget management

On February 21, Liu Shangxi, President of the Chinese Academy of Fiscal Sciences, pointed out that risk-oriented budget thinking should be established. First, use a risk analysis framework to review plans and budgets. From the perspective of risk analysis framework, review of plans and budgets should be focused on the three concepts of public risk, fiscal risk and debt risk. Second, improve the link between budgets and

the five-year plans with public values at the core. Public values are synthesis of economic, social, ecological and spatial values. Single-dimensional values are not public values as the latter must ultimately be embodied by people, not things. The realization of public values depends on hedging against public risks while enhancing certainty. In this sense, the risk analysis and value orientation of preparing and reviewing plans and budgets are equivalent expressions. Third, adhere to holistic view and give play to the decisive role of budgets in the allocation of public resources. In the public domain, budgets should play a decisive role in the allocation of public resources, and public finance should play a coordinating role in the allocation of financial resources such as funds, assets and resources.

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