

This is a draft translation of China's Finance Minister Liu Kun's article in the People's Daily on Friday, February 18, 2022. Translation by Swayamsiddha Samal from the Takshashila Institution.

Continue to improve the effectiveness of active fiscal policy (People's Opinion)

Liu Kun

"People's Daily" (page 07, February 18, 2022)

The Central Economic Work Conference held at the end of last year summarised the economic work in 2021 and deployed the economic work in 2022, proposing that "proactive fiscal policy should improve efficiency and pay more attention to precision and sustainability." This has provided the fundamental direction and follow-up for the fiscal work in 2022. We must diligently study and implement General Secretary Xi Jinping's important speech and the spirit of the Central Economic Work Conference in order to effectively improve political judgement, political understanding, and political execution. Implement a proactive fiscal policy, strengthen cross-cycle adjustment, maintain "six stability" and "six guarantees," and celebrate the Party's 20th National Congress victory with outstanding results.

Taking the financial responsibility for stabilising the macroeconomy from the political height of practising "two safeguards".

According to the Central Economic Work Conference, in 2022, economic work must take lead and move forwards while maintaining the status quo, and all regions and departments must assume responsibility for macroeconomic stabilisation. Finance is the foundation and an important pillar of national governance, and the financial department plays an important role in macroeconomic management. It must considerably enhance its political position, comprehend the new situation, tasks, and requirements scientifically, and enhance its responsibility for cross-cycle adjustment and macroeconomic stability. Encourage long-term, healthy economic development and social stability.

2021 will be a watershed moment in the history of both the party and the country. In the face of significant and severe domestic and international situations, as well as numerous challenges and issues, the CPC Central Committee, led by Comrade Xi Jinping, united and led the entire party and the people of all ethnic groups in the country to forge ahead and promote new and great achievements in the party's and the country's various undertakings. The financial department diligently implemented the CPC Central Committee and State Council's decisions and arrangements, coordinated epidemic prevention and control, economic and social development, and proactively executed fiscal policies to improve quality and efficiency. The national general public budget revenue in 2021 will be 20.25 trillion yuan, a 10.7 percent increase over the previous year; the national general public

budget expenditure will be 24.63 trillion yuan, a 0.3 percent increase year on year. Expenditures in critical areas like guarantee basic livelihood, wages, and operation have effectively been guaranteed. Enhance cross-cycle adjustment to promote long-term and stable economic recovery. The effect of tax cuts and fee cuts is obvious, and the total amount of new tax cuts and fee cuts exceeded 1 trillion yuan for the entire year. People's livelihood guarantees are strong and effective if they abide by the government. The direct financial capital mechanism was expanded in scope and implemented on a regular basis, and the efficiency of the central government's 2.8 trillion yuan direct capital continued to improve. Debt risks were gradually eliminated, and fiscal sustainability was greatly improved.

At the moment, the century's epidemic and changes are interconnected and superimposed, and the global factors have become more complex, severe, and uncertain. My country's economic development is being hampered by the triple pressures of demand contraction, supply shock, weakening expectations, and the fiscal revenue-to-expenditure gap remains prominent. In terms of fiscal revenue, the economy's steady recovery has persisted to consolidate, laying a strong foundation for future fiscal revenue growth. The new decline in the economy, however, has limited fiscal revenue growth. The ongoing evolution of the epidemic situation heightens the uncertainty surrounding fiscal revenue growth. Key expenses such as scientific and technological research, rural revitalization, ecological environmental protection, and basic people's livelihoods must be strengthened in terms of financial expenditure, and additional expenditures are also required to do a good job of carbon peaking and carbon neutralisation and to promote coordinated regional development.

In the face of complex situations and difficult tasks, we must remember the "big man of the country," temper our fighting skills, and solidify overall financial planning. In-depth understanding of the decisive significance of the "two establishments," continuous enhancement of the "four consciousnesses," strengthening of the "four self-confidences," achievement of the "two maintenances," and unification of thoughts and actions into the Party Central Committee's judgement and decision-making of the economic situation come up. It is necessary to confront the challenges, but also to boost confidence and fully recognise that the fundamentals of my country's long-term economic improvement will not change, that there are tools and space for macroeconomic policies, and that there are foundations and conditions for stabilisation for the macroeconomic market. Simultaneously, it is necessary to plan ahead of time, think strategically based on a comparative analysis of historical long-term cycles, gain insight into the marginal changes of things from subtle points, and consciously place fiscal work in the overall situation of building a new development pattern. Practical development actions forge a new path.

Accurately Grasp the Connotation Requirements of Active Fiscal Policy.

To implement a proactive fiscal policy in 2022, we must "improve efficiency and give greater attention to accuracy and sustainability." To make it more efficient, funds must be coordinated, budget preparation, review, expenditure, and performance management must be strengthened, an organic link between performance results and budget arrangements must be promoted, and coordination with monetary policies must be strengthened to guarantee that macro policies are stable and reliable. Accuracy means focusing on the high-quality development of the manufacturing industry, the bailout of small and medium-sized enterprises, and technological innovation, as well as integrating new and stronger tax and fee reductions; further optimising the framework of fiscal expenditures, implementing tight living requirements, bolstering people's livelihood and financial support for key areas and localities, especially the grassroots. To improve sustainability, we must coordinate requirements and possible fiscal expenditure provisions, assert guaranteeing and enhancing people's livelihoods during the development process, and avoid being overly ambitious and increasing appetite; properly determine the deficit ratio, scientifically arrange the scale of debt, and effectively prevent and defuse risks. We must pay close attention to the following details.

To boost the vitality of market participants, we will implement more aggressive tax and fee reductions. The economic "engine" can only have power if market entities are dynamic. It is essential to integrate a combined large-scale tax cut and fee reduction policy in order for more market participants to benefit. Adhering to the principle of phased policies, combining them with institutional measures, taking into account financial affordability and the needs of assisting enterprises, and increasing tax and fee reductions, focus on key industries such as small, medium, and micro enterprises, individual industrial and commercial households, and manufacturing. Simultaneously, we will enforce the various tax and fee reduction policies that have been initiated in detail, and on the basis of doing a good job in assessing the influence of the policies, we will research and bring succession policies after some preferential policies for enterprises expire.

Retain the appropriate level of spending intensity while improving spending accuracy. The Central Economic Work Conference emphasised the importance of maintaining fiscal intensity and accelerating expenditure progress. To that end, the fiscal deficit should be kept to a manageable level, and fiscal spending should be increased. Maximise the expenditure structure, with a focus on scientific and technological research, ecological and environmental protection, people's livelihood, major regional strategies, modern agriculture, and major projects in the "14th Five-Year Plan." Improve the direct access mechanism for financial funds, strengthen distribution plan filing and review, enhance the direct fund monitoring system, and encourage the standardised, efficient, and safe use of financial funds. In full compliance with the "funds follow the project" principle, we will make thorough and complex project reserves, reasonably accelerate use progress, make sure that bond funds form a physical workload as soon as possible, and better play a role in stimulating investment.

Boost transfer payments from the federal government to local governments, and ensure the "three guarantees" at the grassroots level. The scale of central government transfer payments to local governments, particularly general transfer payments will be greatly increased, with a focus on difficult and underdeveloped areas. Intensify efforts to sink financial resources, with provincial finance taking on the primary responsibility and directing financial resources to the grassroots. Grassroots finance should strictly implement major national fiscal and taxation policies, strengthen fiscal management, and make overall expenditure arrangements. Keep on making good use of the direct mechanism of financial funds, broaden the scope in accordance with the current situation, and improve the efficiency of allocation and use of direct funds. Accelerate the closing of the regional per capita expenditure gap, as well as encourage coordinated regional development and the equalisation of basic public services.

Obey the strictures of the party and government organs. Our party's fine traditions are hard work, dedication, and thrift. Ongoing reduction of non-key and non-rigid expenditures, strict control of general expenditures, strengthening of budget management of "three public" funds, and efforts to reduce administrative operating costs are required. Help bolster the evaluation of the tight days' implementation, strictly regulate the expenditure threshold, and free up more financial resources to improve basic people's livelihoods and support market players' development.

Stringent financial discipline and financial order restoration. "It is essential to boost the power supervision system, as well as the disciplinary and law enforcement system," said General Secretary Xi Jinping. Financial discipline must be strengthened further, various financial regulations and management systems must be strictly implemented, and financial discipline has to become an untouchable "high-voltage line." Effectively strengthen financial management, standardise income and expenditure behaviours, refrain from illegally constructing buildings, grant subsidies and subsidies, refrain from engaging in performance and image projects, and firmly crack down on numerous tax evasion.

Fiscal policy efforts should be appropriately advanced.

The year 2022 marks the beginning of a new journey toward the overall goal of constructing a modern socialist country and reaching the second centennial. We must follow the guidance of Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, prioritise stability, seek headway while maintaining stability, prioritise fiscal policy, prioritise macroeconomic market stabilisation, prioritise a healthy and stable economic environment, and celebrate the party's 20th anniversary Great Victory.

Enhance market participants' support. Strictly enforce the state's various tax and fee reduction policies, and swiftly study and resolve outstanding issues raised by market participants. Finish the tasks in the three-year campaign for state-owned enterprise reform. Fortify the rescue and assistance for small, medium, and micro enterprises,

incorporate the incentive and subsidy policy for the demonstration zone of inclusive finance development, maintain the financing guarantee for small and micro enterprises, reduce fees, awards, and subsidies, and newly support a group of national-level specialised, special, and new "little giant" enterprises. Encourage local governments to set up relief funds for small businesses. We will strive to establish the unemployment insurance policy of job stabilisation, modify and enhance some policies to reduce burdens, stabilise jobs, and expand employment, and optimise interest discounts and incentives for start-up guaranteed loans.

Allow finance to play its full role in stabilising investment and boosting consumption. Improve cooperation and coordination with relevant departments, as well as the management and use of special bond funds, and encourage effective investment. Give government investment a guiding role, appropriately raise investment in central infrastructure, and inspire and guide private capital to take part in the development of municipal, transportation, environmental, social, and other projects that make up for shortcomings. Increase taxation, social security, transfer payments, and so on; improve the subsidy policy for the purchase of new energy vehicles; begin construction of the county-level commercial system; and improve the county-level consumption environment.

Encourage technological innovation aggressively. Keep increasing support for basic research while fully funding key core technology research. Allow the central government to play its full role in directing local scientific and technological development funds, and foster the growth of regional innovation highlands with distinct characteristics. Broaden the reach of the scientific research funding contract system's implementation, and encourage and mentor relevant departments, localities, and units to develop and revise management systems on time. Work on specific industrial chains, fully utilise relevant fiscal special projects and government investment funds, and coordinate "replenishing short boards" and "forging long boards" to improve the industrial chain's independent and controllable capabilities. Improve the government procurement support innovation policy system that conforms to international rules.

Carry on working on improving people's well-being. Maximise the framework of education expenditures and contribute to the development of an elevated education system. Proceed to strongly support scientific research on epidemic prevention and control, vaccine and drug development, and free vaccination. Raising the financial subsidy standards for medical insurance for urban and rural residents, as well as improving the medical insurance and assistance system for major diseases. We will elevate basic pensions for retirees moderately, begin the implementation of national pooling of basic pension insurance for enterprise employees, enhance the stratified and classified social assistance system, and keep raising pensions and living allowances for those receiving special care. Endorse and strive for the improvement of the public cultural service system.

Ensure that agriculture and rural areas receive priority development. Wholeheartedly endorse stable production and supply of essential agricultural products, improve agricultural subsidy policy, strenuously support the construction of high-quality farmland, the safety and utilisation of black land, and strengthen agricultural machinery subsidy policy. Raise the minimum purchase price of rice and wheat appropriately, and enhance the ability to control purchase and storage. Thoroughly consolidate and expand poverty alleviation achievements, maintain the stability of major assistance policies, actively ensure investment guarantees, and prioritise areas where the task of consolidating poverty alleviation achievements is massive and rural revitalization promotion is frail.

Optimise fiscal and taxation policies in favour of ecological civilization. We will encourage comprehensive efforts to prevent and control pollution, bolster funding for clean heating policies in the northern region during the winter, focus on the Yangtze River, Yellow River, and other river basins in the fight for clean water, methodically encourage the treatment of black and odorous water bodies in cities, and assist the prevention and control of soil pollution. Continue supporting the execution of the integrated mountain, river, forest, field, lake, grass, sand, and ice protection and restoration project, and enhance large-scale land greening actions. Significantly raise the advancement and use of green building in government procurement. Improve clean energy support policies, based on the basic national conditions of coal-based, and steadily and orderly promote carbon peaking and carbon neutrality.

Fortify accounting quality control and the development of the certified public accountant industry. Conform to the promotion of financial and accounting supervision as an important political task, concentrate on key areas to deepen supervision, concentrate on key industries related to the national economy and people's livelihoods, and improve the quality of accounting information and accounting firm practice. Create a unified industry supervision platform and raise the level of industry supervision. Accelerate the revision of the Accounting Law and the Certified Public Accountants Law, and improve industry supervision and regulations.

Consistently improve risk prevention and control. Persist in ensuring overall national security and long-term financial development, and perform well in risk mitigation in critical areas. Strive to restrict and resolve local government hidden debt risks, strengthen the long-term mechanism for preventing and resolving hidden debt risks, and do an excellent job of piloting low-risk regions free of hidden debts. Collaborate to avoid and defuse financial risks.

Accelerate the implementation of a modern fiscal and taxation system. Intensify the fiscal and taxation system reform, continue pushing forward with the restructuring of the post-shifting consumption tax collection link, and facilitate the adoption of fiscal system reform below the provincial level. Proceed to intensify budget management system reform, speed up budget management integration, improve an all-around, whole-process, and

full-coverage budget performance management system, and improve fiscal fund performance. We will continue to advance the reform of "delegating power and improving services" in the financial sector, steadily progressing the compilation of the Ministry of Finance's list of powers and responsibilities.