



中国财政科学研究院
Chinese Academy of Fiscal Sciences

Green Subsidy Policy of China

- Taking Competitive Allocation of
Fiscal Funds as an Example

Chinese Academy of Fiscal Sciences

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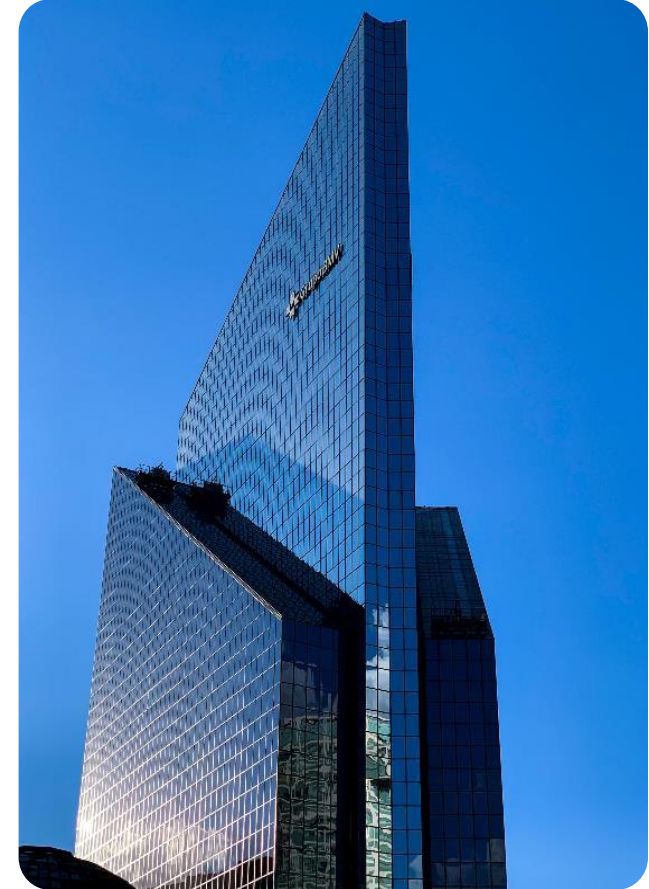
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Overview of green subsidy policy of China

01

Background

- ✓ **Promoting a green and low-carbon transition and addressing global challenge of climate change**
- ✓ **Contributing to achieving China's Goals on Carbon Peaking and Carbon Neutrality**
- ✓ **China's green subsidy policy plays an important role in the green transformation of economy.**





Supporting Area	Examples
Establishing a clean, low-carbon, safe and efficient energy system to promote usage of clean and renewable energy	<ul style="list-style-type: none">• Special Fund for the development of clean energy Subsidy for the exploitation and utilization of shale gas
Supporting the green and low-carbon transition in the industries of manufacturer, transportation, construction, etc	<ul style="list-style-type: none">• Preferential tax treatment on new energy vehicles, i.e. exemption from vehicle purchase tax.• Special Fund for Air Pollution and Control, i.e. subsidy on Clean Heating in Winter in Rural Areas of North China
Supporting Research and Development of green, low-carbon technology and Building basic capacity	<ul style="list-style-type: none">• Subsidy fund for energy conservation and emission reduction to support innovation in energy conservation and emission reduction systems to promotion, transformation and upgrading of key energy conservation and emission reduction technologies.
Encouraging a life style of green and low-carbon and resource saving	<ul style="list-style-type: none">• Preferential tax treatment for enterprises with comprehensive utilization of resources
Supporting the consolidation and promotion of carbon sink capacity	<ul style="list-style-type: none">• Integrated conservation and restoration of mountains, forests, lakes, grass and sand



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Practice of competitive allocation of fiscal funds

02



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The concept of competitive allocation of fiscal funds

The competitive allocation of fiscal funds is a reform innovation, which breaks the previous model of average allocation and assignment of fiscal funds from one level to the next lower one and introduces competitive mechanism in the secondary distribution. It effectively incentivize the enthusiasm of all parties and improves the effectiveness of the use of fiscal funds, which is conducive to the intergration of equity and efficiency.

Procedures on Competitive allocation of fiscal funds

1

MOF issues notices of Funding Opportunity for application

The Ministry of Finance (MOF) works with relevant line ministries to develop relevant eligibility criteria and application procedures, etc, and then issue notice of funding opportunity for application.

2

Recommendation from the provincial-level governments

- The list of candidate cities shall be recommended by the provincial finance departments and relevant competent authorities.
- Each applicant province and city shall prepare the proposal according to the requirements and submit it through the information platform.

3

Competitive Review

- The MOF and relevant line ministries shall organize experts to carry out written assessment of the applicant cities, and select the eligible cities to get into the competitive assessment which would be performed in manner of oral defense.
- The shortlist would be determined according to the results and announced immediately.

4

Public notification of the assessment results

- The shortlist will be determined according to the results of the expert review, and published with an announcement.
- If there is no objection, the city will be designated as a demonstration city.
- If there is objection, the city will be disqualified.

5

Funds allocation

- The central government provides a fixed amount of subsidies to demonstration cities by region.
- The use of funds is clearly stipulated.

6

Performance management

- Budget Law of the People's Republic of China
- Opinions on Comprehensively Implementing Budget Performance Management



Features on Competitive allocation of fiscal funds

Establishing an expert review and competition mechanism

- Increase fairness to set up experts database for random selection.
- Reduction of the discretion of the financial authorities
- Increasing competition among the cities

Combination of incentive and constraint

- The results of the performance evaluation will be linked to the allocation of funds from the central government and the number of application cities for follow-up batches of demonstration cities.
- Rewards and penalties would be implemented according to the results of the performance evaluation.



Diversification of funding sources

- Fixed amount of grants from the central government
- Awards from the central government if passing the performance evaluation
- Local supporting funds from local governments
- Social capital, such as PPP

Increasing transparency

- The process of reporting, reviewing, publicizing, and performance evaluation is open and transparent.



Case 1: Sponge City construction pilot



A

Policy Objectives

- Effective prevention and control of urban waterlogging and ensuring urban ecological security

B

Pilot Selection

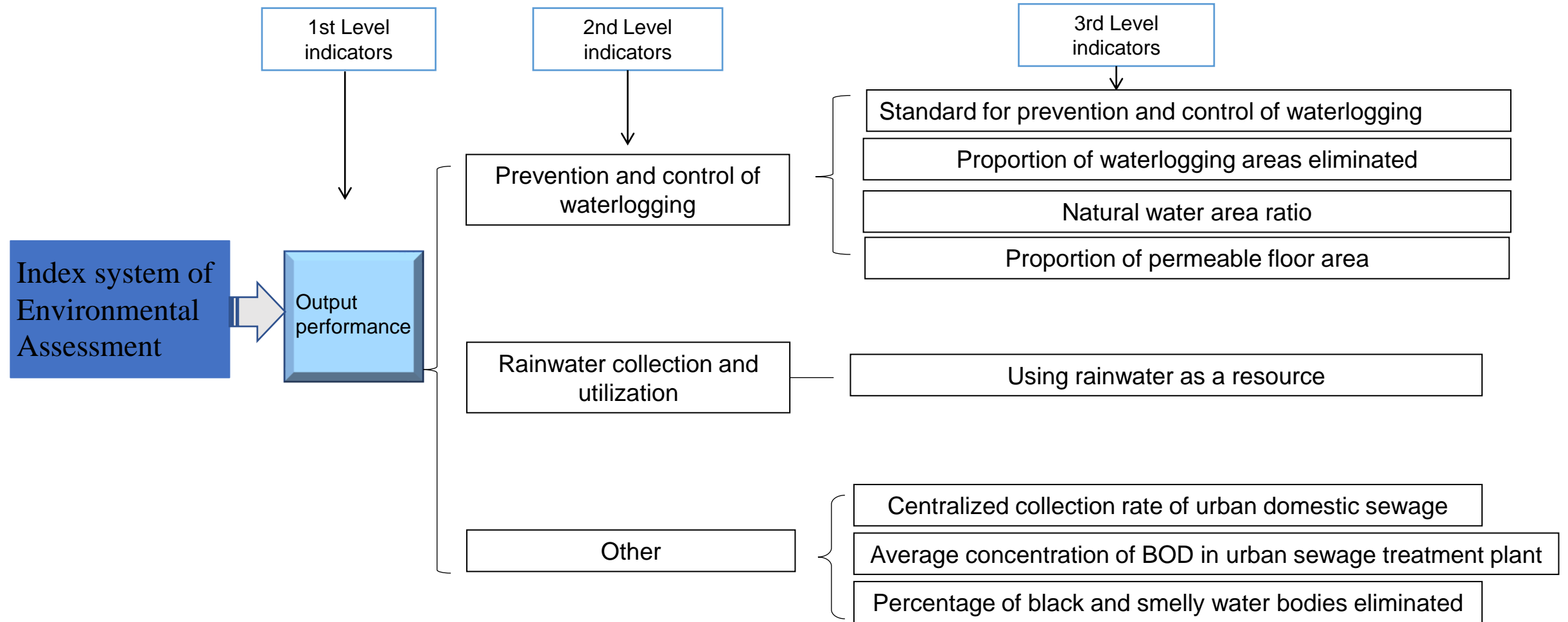
- The Ministry of Finance, the Ministry of Housing and Urban-Rural Development, and the Ministry of Water Resources jointly organized a pilot project of central fiscal support for the construction of sponge cities, which was declared by all provinces in accordance with requirements and standards. The central government will provide special fiscal subsidies for the Sponge City pilot projects for a period of three years.
- The target control rate of annual total runoff in the pilot cities should meet the requirements of *Technical Guide for construction of Sponge City*.

C

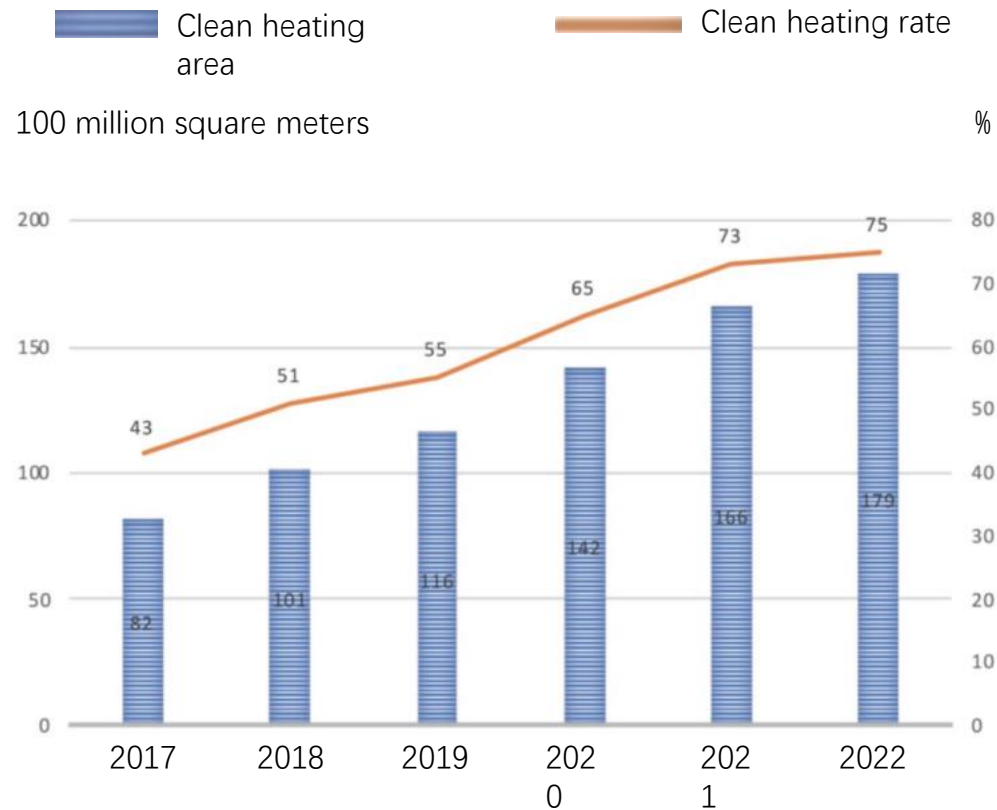
Performance Evaluation

- The Ministry of Finance, together with the Ministry of Housing, Urban-Rural Development and the Ministry of Water Resources, shall conduct performance evaluation in accordance with the relevant requirements of budget management.
- Rewards and penalties would be conducted according to the results of performance evaluation. If the result is good, a certain rewards would be given according to the base of the central fiscal subsidy.
- On the contrary, the central fiscal subsidy shall be withheld when the result is poor.
- Those who achieve a certain percentage in PPP mode will receive additional rewards.

How to assess the environmental impact of subsidy policies



Case 2: Pilot project for clean heating in northern cities



Results of a pilot project for clean heating in northern China

Key practices

- **Policy Objectives**
promoting use of clean energy
- **To whom the subsidy is provided**
selected northern cities with cold weather and heating needs
- **The amount of subsidy**
Varies depending on the scale of the selected city
- **Procedures**
The MOF works with relevant line ministries to organize the performance evaluation and conduct rewards and penalties according to the results of the performance evaluation.
- **Implementation Period**
2017-2022 In 5 batches



Case 3: Comprehensive demonstration City of national energy conservation and emission reduction fiscal policy

- Since 2011, the central government has selected three groups of demonstration cities to carry out comprehensive demonstration of energy-saving and emission-reduction fiscal policies.
- Policy Impact: Green, circular and low-carbon development concepts will be adopted in the demonstration cities.
- Six comprehensive demonstrations: Low-carbon industry, clean transportation, green buildings, intensive services, major pollutants reduction, renewable energy utilization scale.
- Performance Evaluation and mechanism for reward and penalty : the Ministry of Finance and the State Oceanic Administration regularly organize performance evaluation and conduct rewards and penalties according to the results of performance evaluation. Those with good performance will be rewarded according to the above criteria. If the evaluation result is bad, part or all of the subsidy funds will be deducted as appropriate.
- Policy effect: significantly reduce the carbon emission level of the demonstration city, reduce the emission of sulfur dioxide and industrial waste water and other non-carbon indicators, and promote local economic growth.

Major results of the competitive allocation of central government funds

- **Achieve the integration of economic, social and ecological benefits.**
- **Prevent and resolve public risks such as ecological, energy and food risks.**
- **Improve fiscal governance.**





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THANK YOU!