

REPORT ON THE IMPLEMENTATION OF CHINA'S FISCAL POLICY IN 2022

Overview

The year 2022 was of extreme significance in the history of the Communist Party of China (CPC) and the country. The 20th CPC National Congress was successfully held, outlining the grand blueprint for building a modern socialist country in all respects. Faced with a turbulent international environment and arduous tasks of pursuing domestic reform, development and stability, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, the whole Party and nation have risen to the challenges and comprehensively implemented the requirements for pandemic control, successfully stabilizing economic development and ensuring security in development. We have taken both the domestic and international situation into consideration, coordinated pandemic control with socioeconomic development, and pursued development while ensuring security. We have reinforced macro regulation in response to the impact of unexpected factors, and steadily improved development quality, achieved fruitful results in scientific and technological innovations, comprehensively deepened reform and opening-up, stabilized employment and prices, effectively ensured food and energy security, safeguarded people's livelihoods, and maintained the overall stability of the economy and society.

Under the centralized and unified leadership of the CPC Central Committee, finance departments have thoroughly implemented the guiding principles of the 20th CPC National Congress, followed the decisions and arrangements of the CPC Central Committee and the State Council, adhered to the general principle of pursuing progress while ensuring stability, implemented the new development philosophy in a complete, accurate and comprehensive manner, accelerated the establishment of the new development paradigm, solidly promoted the package of policies and follow-up measures to stabilize the economy, and actively improved the effectiveness of fiscal policies, while paying attention to precision and sustainability. In budget execution, finance departments have taken the initiative, adapted to changes, overcome difficulties, strengthened their analysis and judgment of the economic situation, fiscal revenue and expenditure, and enhanced the coordination of fiscal resources, which have achieved the basic alignment between the execution of the national budget and the country's economic development throughout the year, and provided necessary fiscal support for the efficient coordination between pandemic control and socioeconomic development.

The first measure was to release fiscal policies early and quickly in order to help stabilize the macro economy. We have expanded the scope and accelerated the implementation of policies for providing the value-added tax (VAT) credit refund on a large scale, with a major part implemented in the first half of the year. This was followed by a policy

mix, including VAT exemptions for small-scale taxpayers, the phased deferral of social insurance premiums, the deferral of some administrative fees and deposits, and reductions in purchase taxes for some passenger vehicles. Those policies have resulted in a total of over 4.2 trillion yuan in tax cuts and refunds, fee reductions, and deferred tax and fee payments, with the VAT credit refund amounting to about 2.46 trillion yuan, making it the largest reduction in recent years. We have accelerated the issuance and use of local government special bonds, and legally mobilized and utilized the special debt quota of over 500 billion yuan, which has helped to expand effective investment.

The second measure was to fully support epidemic prevention and control and to relieve its impact on production and people's lives. We have arranged subsidies in a timely manner to support local authorities in dealing with the pandemic, and fully ensured necessary expenditures on pandemic control, such as vaccine inoculations, patient treatment, and temporary work subsidies for medical staff. Targeted support was provided to such industries as catering, retail, tourism, and civil aviation, as well as transportation services significantly affected by the pandemic, in order to help market entities overcome difficulties. The policy of expanding the coverage of unemployment insurance benefits was continued, the proportion of subsidies to enterprises for stabilizing employment was increased, the national coordination of basic pension insurance for enterprise employees was steadily advanced, and the interests on national student loans for economically disadvantaged

college graduates was temporarily waived, with repayments being allowed to be postponed, all of which have effectively guaranteed people's livelihoods.

The third measure was to allocate more fiscal resources to the grassroots in order to effectively ensure the smooth operation of local public finance. The central government has taken measures, such as increasing special remittances and arranging one-time transfer payments, to increase transfer payments to local governments. Funds closely related to the fiscal operation of county and district-level governments were included in the direct transfer range, with a funding scale of 4.1 trillion yuan. We strengthened the monitoring and early warning of local government fiscal operations, supported the resolution of hidden debt risks and risks to small and medium-sized banks, and accomplished tasks such as ensuring the delivery of pre-sold houses and safeguarding people's livelihoods.

The fourth measure was to support efforts in ensuring food and energy security and maintaining the stability of industrial and supply chains. The year 2022 saw a sharp increase in food and energy prices in the international market, which caused major imported inflation pressure on China. In response to the price increases of agricultural products, subsidies totaling 40 billion yuan were distributed to grain growers in three batches. A pesticide subsidy was provided to ensure the quality growth of summer grain and wheat, and additional funds were allocated

in a timely manner to support drought relief and ensure the autumn harvest. We improved the grain reserve system and adopted innovative measures to ensure supply through rotation and allocation adjustments. Efforts were made to ensure the stable supply and price of important energy resources, such as giving lump-sum reward and subsidy to key enterprises and regions engaged in winter heating and energy supply, applying a provisional zero tax rate for imported coal, and conducting research on establishing incentive and restraint mechanisms for coal production. We injected additional funds into three major domestic airlines, carried out a phased funding policy for domestic passenger flights, and supported efforts to improve the weak links of a group of national comprehensive freight hubs to ensure smooth transportation and logistics.

In 2023, finance departments will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully apply the guiding principles of the 20th CPC National Congress, uphold a systematic mindset, and stay true to these principles while promoting innovation. We will strive for better coordination between pandemic control and socioeconomic development, economic growth quality and quantity, supply-side structural reform and expanding domestic demand, economic policies and other policies, domestic circulation and international circulation, while taking into account both the present and the long-term factors. We will strengthen macroeconomic regulation, reinforce coordination among various policies, and form a joint force to

promote high-quality development.

I.Overall budget execution was good despite impact of factors such as the COVID-19 pandemic.

In 2022, facing a complex domestic and international environment, combined with the impact of multiple unexpected factors, fiscal operations stayed in a tight balance. The economy started relatively smoothly in the first quarter, with revenue in the national general public budget increasing by 8.6 percent. Entering the second quarter, due to impacts from repeated COVID-19 outbreaks and changes in the international situation, which inflicted sudden downward pressure on the economy, combined with the implementation of the VAT credit refund policy, fiscal revenue witnessed a sharp decrease. With the release and implementation of the stabilization policy, the negative trend of the economy was curbed. Moreover, as the major part of the VAT credit refund policy was implemented, the fiscal revenue witnessed an improvement in the second half of the year, with growth turning positive in August, increasing by 5.6 percent, and further increasing after September. Overall, the budget execution was good.

1.The growth rate of national fiscal revenue declined due to the impact of multiple factors.

In 2022, revenue in the national general public budget totaled 20.37

trillion yuan, an increase of 0.6 percent year-on-year, and a growth of 9.1 percent if the VAT credit refunds were included. Revenue in the central government's general public budget amounted to 9.4885 trillion yuan, an increase of 3.8 percent year-on-year, and a growth of 13.1 percent if the VAT credit refunds were included. Revenue in the local general public budget was 10.8818 trillion yuan, a year-on-year decrease of 2.1 percent, and a growth of 5.9 percent if the VAT credit refunds were included.

In 2022, the national tax revenue decreased by 3.5 percent, and saw a growth of 6.6 percent if the VAT credit refunds were included. Impacted by complex domestic and international factors, the economy in the second quarter of the year suffered increased downward pressure. Combined with the large-scale implementation of the VAT credit refund policy, tax revenue saw a sharp decline at one point. In the second half of the year, with the gradual implementation of the package of policies and follow-up measures to stabilize the economy, overall economic activities, such as industrial and service production and operation, recovered to an extent. Relevant tax revenues also achieved varying degrees of growth throughout the year. Domestic VAT increased by 4.5 percent if the VAT credit refunds were included. Domestic consumption tax increased by 20.3 percent, corporate income tax increased by 3.9 percent, and individual income tax increased by 6.6 percent. VAT and consumption tax for imported goods increased by 15.4 percent, while vehicle purchase tax decreased by 31.9 percent, resulting from a policy that was implemented on June 1, in which the vehicle purchase tax for some passenger vehicles was halved. Export tax rebates amounted to 1.6258 trillion yuan, and

considering such factors as the use of carried-over funds from previous years, the actual amount of export tax rebates processed across the whole year was 1.8678 trillion yuan, effectively promoting stable growth in foreign trade and exports.

In 2022, national non-tax revenue increased by 24.4 percent, among which, central non-tax revenue increased by 96.5 percent, mainly due to special factors such as certain state-owned financial institutions and state monopoly business operations turning over profits to the treasury, and the increase of special petroleum levy due to the rise in crude oil prices. After deducting those special factors, central non-tax revenue increased by about 3 percent. Local non-tax revenue increased by 17.8 percent, mainly due to local efforts to revitalize idle assets through multiple channels, and the increase in revenue related to mineral resources, which raised the growth rate of local non-tax revenue by 14.3 percentage points. Finance departments at all levels resolutely implemented various policies of fee reduction and deferral, continued to regulate enterprise-related fee charging, and prevented arbitrary charges, fines and apportionment, resulting in a 4.1-percent decrease in revenue from local administrative fees.

2.The scale of fiscal expenditure was maintained and expenditure in key areas was effectively ensured.

The central government strengthened its coordination of fiscal resources,

maintained an appropriate level of spending with the surplus profits of state-owned financial institutions and state monopoly business operations from recent years turned over in accordance with the law and funds transferred from the Central Budget Stabilization Fund. In 2022, expenditure in the national general public budget exceeded 26 trillion yuan, a year-on-year increase of 6.1 percent. Expenditure in the central general public budget was 3.557 trillion yuan, an increase of 3.9 percent over the previous year. Expenditure in the local general public budget totaled 22.5039 trillion yuan, an increase of 6.4 percent over the previous year. Meanwhile, we optimized the structure of fiscal expenditure to prioritize the major policies and reforms deployed by the CPC Central Committee and the State Council, as well as key projects included in the 14th Five-Year Plan (2021-25), and to increase support in key areas. In 2022, expenditure on social security and employment, education, health, transportation, and science and technology increased by 8.1 percent, 5.5 percent, 17.8 percent, 5.3 percent and 3.8 percent, respectively.

3. We adhered to frugality in Party and government organs, and improved the efficiency of fiscal resource allocation.

We resolutely implemented the requirement of “Party and government organs living on tight budgets”, solidified the awareness of hard work and frugality, and established a conservation-oriented fiscal guarantee mechanism. General expenditure was strictly controlled. Central government expenditure in 2022 decreased by 3.5 percent compared to

the previous year. The scrutinization of budgets for the “three public expenses” of government cars, overseas trips and official receptions was intensified, seeing the expenditure of the central government in 2022 decrease. We strictly implemented the budget approved by the National People’s Congress, controlled budget adjustments and allocations, and prohibited any expenditure beyond or without budget. We strictly regulated the use of revitalized idle funds and assets, prioritized expenditure aimed at stabilizing growth, supporting market entities, and ensuring employment, and improved the efficiency and effectiveness of fiscal resources allocation. We built a long-term mechanism for frugality by evaluating the frugality performance of central government departments on a quarterly basis and linking the results to their budget arrangements. Meanwhile, we guided and supervised local finance departments to adjust and optimize their expenditure structure, to ensure that the valuable funds were used for meeting urgent development needs and safeguarding people’s livelihoods.

II. We took targeted measures to meet the needs of market entities and enhanced efforts to keep overall economic performance stable

Market entities are an important force in economic development. Finance departments firmly implemented the decisions and plans of the CPC Central Committee and the State Council, took actions to meet market entities’ needs, and innovated policy instruments. Various policies and measures such as tax deductions and refunds as well as fee reductions and

deferrals were implemented in a timely and resolute manner. A new mix of policies for cutting taxes and fees, a policy package to stabilize the economy, as well as follow-up measures were introduced in batches. Fiscal macro-regulation played an effective and critical role in helping enterprises to overcome difficulties, ensuring the employment of market entities and sustaining stable macroeconomic performance.

1. We implemented tax cut and rebate policies on a large scale to reduce costs.

First, we accelerated the implementation of the VAT credit refund scheme on a large scale. We put more emphasis on micro and small-sized enterprises and major industries in increasing refunds. All eligible micro and small-sized enterprises and six major industries including manufacturing were covered by the policy, which was further expanded to seven other industries including wholesale and retail in July. All the above-mentioned enterprises and industries are now eligible for full refunds for newly-added VAT credits on a monthly basis as well as full refunds for outstanding VAT credits in one lump sum. We substantially advanced the tax refund date for medium and large-sized enterprises. Outstanding VAT credits were refunded for micro and small-sized enterprises before April 30 and June 30 respectively, for medium-sized enterprises before June 30 and for large-scale enterprises between June 1 and June 30. The major part of VAT credit refunding was achieved in the first half of 2022. A total of 2.46 trillion yuan was rebated

to taxpayers' accounts in 2022, 3.8 times more than the rebates in 2021.

Second, we further increased support for micro and small-sized enterprises and self-employed individuals. A temporary exemption on VAT payments was granted to small-scale taxpayers. The policy of reducing or waiving six local taxes and two fees was expanded to cover micro and small-sized businesses and self-employed individuals. For micro and small-sized enterprises, corporate income tax on annual taxable income between one million and three million yuan was halved once again. No overdue fine was charged for deferred payment for 14 items of administrative fees such as arable land reclamation fees and sewage treatment fees in the fourth quarter. For small and medium-sized enterprises, pre-tax deduction for equipment and appliances was increased. A temporary policy of deferred tax payment was implemented for micro and small-sized enterprises in the manufacturing industry. In 2022, newly-added tax cuts, refunds and deferrals and fee reductions for micro and small-sized businesses and self-employed individuals amounted to over 1.7 trillion yuan, accounting for about 40 percent of the total.

Third, we promoted the transformation and upgrading of enterprises.

We implemented the policy of granting an additional pre-tax deduction of 100 percent for high-tech enterprises on the cost of purchasing equipment and appliances in the fourth quarter of 2022. We raised the additional tax deduction on the R&D costs of small and medium-sized sci-tech

enterprises to 100 percent. For enterprises that currently enjoy a 75 percent additional pre-tax deduction for R&D costs, the percentage was raised to 100 percent in the fourth quarter of 2022. Enterprises' expenses in supporting basic research in non-profit scientific research institutions, institutions of higher education, and governmental natural science funds were eligible for 100 percent pre-tax additional deductions based on the actual cost. We granted an exemption on corporate income tax to the income from basic research funds received by non-profit scientific research institutions and institutions of higher education.

Fourth, we continuously optimized supporting policies for industries which were experiencing severe difficulties. We granted an exemption on VAT to public transportation services such as buses and express delivery services that ensure people get their daily necessities, suspended VAT prepayment by civil aviation and rail transportation enterprises for one year, and extended the VAT additional deduction policy for production and consumer service industries. We also encouraged local governments to exempt property tax and urban land use tax for taxpayers who were in difficulties.

Fifth, we implemented vigorous supporting policies to guarantee people's livelihoods, promote consumption, and prevent risks. We introduced personal income tax policies to support residents in purchasing new houses after selling old ones. We granted temporary preferential tax policies to banking financial institutions and financial

asset management companies for debt-to-asset swaps of non-performing loans. We also provided a temporary 50 percent cut of vehicle purchase tax for purchasers of passenger cars priced under 300,000 yuan with an engine displacement within two liters.

The above tax and fee policies and measures were implemented early and in a timely way and resulted in a combined effect. Over 4.2 trillion yuan of taxes and fees was reduced, refunded or deferred throughout the year, which is the largest volume in recent years. Of all, the accumulated VAT credit refunds rebated to taxpayers' accounts reached 2.46 trillion yuan; the newly-added tax cuts and fee reductions exceeded 1 trillion yuan, including more than 800 billion yuan in new tax cuts and more than 200 billion yuan in new fee reductions; and tax and fee deferrals exceeded 750 billion yuan, playing an important role in alleviating the burden of enterprises, stimulating innovation vitality, optimizing economic structure, and promoting consumer spending.

2. We implemented temporary policies for reducing and deferring payments of social insurance premiums to help enterprises overcome difficulties.

First, we continued the temporary policy of reducing social insurance premiums. Temporary policies to reduce premiums for unemployment and workers' compensation insurance were extended for one year, until April 30, 2023.

Second, we implemented a temporary policy to defer the payment of social insurance premiums for pensions, unemployment and workplace injury. The policy of temporary payment deferral of social insurance premiums covered 22 industries facing difficulties such as catering, retail, and tourism, as well as eligible micro, small and medium-sized enterprises.

Third, we carried out a temporary policy allowing enterprises to defer the payment of their contribution to employees' medical insurance premiums. Starting from July 2022, in areas under a unified health insurance plan where the accumulated payable balance can last more than six months, micro, small and medium-sized enterprises were allowed to defer the payment of their employees' medical insurance premiums for three months. The deferral will not affect the normal reimbursement of medical expenses for insured individuals, nor will it affect the personal account rights of insured individuals. The policy was implemented directly to benefit market entities without the need for application.

3. We strengthened efforts to stabilize employment.

First, we scaled up funding to support employment. The pro-employment policies were fully implemented. The central finance authorities allocated 61.758 billion yuan for employment subsidies, an

increase of 9.1 percent. The 2023 employment subsidy fund of 43.23 billion yuan was allocated in advance to facilitate the implementation of various employment and entrepreneurship supporting policies in various regions. More than 100 billion yuan of unemployment insurance funds was used to support job stability and training. Local governments were guided in the proper use of employment subsidies, vocational skill improvement action funds and unemployment insurance funds to improve funding effectiveness.

Second, we enhanced policies to help enterprises retain employees.

We continued the policy of refunding unemployment insurance to stabilize employment, with the refund ratio for large enterprises and micro, small and medium-sized enterprises increased from 30 percent to 50 percent and from 60 percent to a maximum of 90 percent, respectively. A total of 49.7 billion yuan was disbursed to 7.87 million enterprises, doubling the amount in 2021. A one-off training subsidy for retaining employees was provided through the unemployment insurance fund to all participating insured enterprises temporarily unable to resume normal operation due to the impact of the COVID-19 pandemic. In total, 30.3 billion yuan was disbursed to 5.3 million enterprises for retaining employees throughout the year.

Third, we ensured orderly employment for key groups. We introduced innovative policies to provide a one-off recruitment expansion subsidy and a one-off employment subsidy to encourage enterprises to recruit

college graduates. Since the graduation season, a total of 2.7 billion yuan in expansion funds has been provided to 520,000 enterprises, benefiting 1.92 million college graduates. The two channels of going out to work and seeking nearby employment were used to stabilize the employment of migrant workers, especially those who had been lifted out of poverty. Coordination efforts were made to promote entrepreneurship among key groups. We continued the support for large-scale vocational skills training, and included personnel recruited by self-employed individuals and flexible employees in the scope of training subsidies to upgrade workers' skills and capabilities.

In 2022, a total of 12.06 million new jobs were created in urban areas, exceeding the annual target of 11 million. The overall employment situation was stable, and the surveyed urban unemployment rate went down.

4. We enhanced government procurement to boost business vitality.

First, we gradually strengthened the policy guidance function. We increased the price discount for micro and small-sized enterprises' goods and services procurement items to 10 to 20 percent, and temporarily increased the reserved share of the government procurement projects for small and medium-sized enterprises to over 40 percent to improve the contract allotment of procurement projects for small and medium-sized enterprises. Together with relevant departments, we studied and drafted

regulations of engineering bidding to provide an institutional basis for the implementation of government procurement policies that support small and medium-sized enterprises in this field.

Second, the business environment was improved continuously. We urged all localities and departments to improve procurement demand management, standardize qualification requirements, and adopt flexible measures such as reserving the whole procurement project or reasonably reserving procurement packages for small and medium-sized enterprises, and requesting large enterprises to form consortia with or subcontract to small and medium-sized enterprises, to increase the share of government procurement contracts for small and medium-sized enterprises. We called for efforts of all localities to facilitate the participation of small and medium-sized enterprises in procurement by raising the proportion of advance payments, introducing credit guarantees, supporting small and medium-sized enterprises for carrying out contract financing, and providing free electronic procurement documents. Currently, the contract amount granted to micro, small and medium-sized enterprises in government procurement nationwide accounts for about 75 percent of total government procurement.

Third, supervision and management were earnestly strengthened. We rectified and cleared up problems such as differential treatment or discriminatory treatment for small and medium-sized enterprises in terms of their ownership structure and years of operation to guarantee their

equal participation in government procurement activities in accordance with the law. We entrusted third-party institutions to conduct special inspections of government procurement projects released on the China government procurement website by central and local budgetary departments and urged timely rectification to protect the lawful rights and interests of small and medium-sized enterprises.

5. We carried out reward and subsidy policies to provide strong support for financing.

First, we continued to implement the policy of providing rewards and subsidies to reduce financing guarantee fees for micro and small-sized enterprises. A total of 3 billion yuan was allocated to provide rewards and subsidies to reduce financing guaranty fees for micro and small-sized enterprises, with a focus on supporting related industries severely affected by the pandemic. Local governments were encouraged to continue to expand the scale of their guarantee operations for first-time loans, loans of less than 10 million yuan for a single borrower, and medium and long-term loans. For micro, small and medium-sized enterprises in transportation, catering, accommodation, tourism and other industries facing severe difficulties, financing guarantee support was increased to help them pull through.

Second, we stepped up efforts to expand the coverage and increase the efficiency of government financing guarantees. We made it clear

that the newly-added re-guarantee operations by the National Financing Guarantee Fund would exceed 1 trillion yuan in 2022. The actual newly-added re-guarantee operations of the National Financing Guarantee Fund for the year reached 1.2067 trillion yuan, a year-on-year increase of 60 percent. The number of enterprises benefiting from the newly-added re-guarantee operations amounted to 1.39 million, a year-on-year increase of 91.6 percent. As of the end of 2022, the cumulative volume of the re-guarantee operations of the National Financing Guarantee Fund had reached 2.67 trillion yuan, serving 2.57 million market entities, with the average guarantee fee rate falling to 0.67 percent.

Third, we launched the reward and subsidy policy for demonstration zones of inclusive finance development. In 2022, working with relevant parties, we launched the first group of 83 demonstration zones and allocated rewards and subsidies of 2.28 billion yuan to support local governments in building inclusive finance demonstration zones with distinctive characteristics based on local conditions and to guide inclusive finance services in increasing lending, expanding scope, reducing costs and enhancing effectiveness.

III. We accelerated efforts to issue local government special bonds and expand its supportive scope to give full play to the bonds' role in stabilizing investment and maintaining economic growth.

We appropriately planned the scale of local government special bonds, accelerated the issuance and use process, and reasonably expanded the eligible investment sectors and the scope of the bonds being used as the capital for projects, in order to achieve constant physical gains and create a driving force for new investment, and to ensure continuous government investment, which would help mobilize more private sector investment and promote the overall recovery of the economy.

1. We issued over 4 trillion yuan of newly-added local government special bonds to shore up weak links, increase development momentum and benefit the people.

We reasonably specified the scale of local government debt. The National People's Congress (NPC) approved the 3.65 trillion-yuan quota for the newly-added local government special bonds in 2022 to maintain the basic stability of the leverage ratio. We prepared plans for the issuance and use of the special bonds in advance, and, authorized by the NPC Standing Committee, issued 1.46 trillion yuan of the 2022 special bonds in December 2021, three months earlier than the issuance time for the previous year. By the end of March, 2022, the 3.45 trillion-yuan worth of bonds for project construction had all been issued. We encouraged and guided local governments in arranging the time for issuance in advance and speeding up the issuance process, so as to basically finish the issuance work before the end of June. During the COVID-19 pandemic, we improved the agent work related to issuance of local government

bonds, and guided provincial finance departments in making preparations for issuance, such as information disclosure and credit rating, so as to issue the bonds and put them into use as early as possible and ensure that the issuance would not be affected by the pandemic.

We improved the quality of reserved projects. We guided local governments in reserving special bond projects in key fields identified by the CPC Central Committee and the State Council. For the funding needs of special bond projects submitted by local governments, we examined them in groups and made sure that we had one group of projects in the pipeline, one group ready for immediate implementation and one group already under construction, so as to avoid funds waiting for projects. By the end of 2022, China had issued a total of 4.04 trillion yuan of newly-added special bonds, which provided strong support for about 30,000 important projects in shoring up weak links, increasing development momentum and benefiting the people.

2. We made full use of the balance quota of special bonds in accordance with the law and continuously boosted effective investment.

We supported local governments in making good and full use of the quota of special bonds and allowed them to use over 500 billion yuan of the balance of special bonds to issue newly-added special bonds in support of major projects. We appropriately expanded the scope of special bond use.

On top of the nine fields that were identified as eligible for the bond funding, which included transportation infrastructure, energy and government-subsidized housing projects, we also added new infrastructure and new energy projects as key projects. New energy projects, coal reserve facilities and national industrial park infrastructure were added to the existing ten sectors, such as railway and toll roads, where special bonds could be used as project capital, in an effort to give better play to the active role of special bonds in helping expand effective investment.

3. We strengthened supervision and management of the fund to constantly improve the efficiency of its use.

We monitored special bond projects in an all-round manner and reported expenditure status of special bonds on a monthly basis to promote early implementation and tangible progress of the projects. We guided local governments in including all the legal debt management in the integrated budget management system. We carried out special examinations on the use and management of special bonds on a regular basis and fully specified management responsibilities of competent authorities and project operators to ensure that the special bonds were used in accordance with laws and regulations. We strictly implemented the penalty mechanism where any malpractice involving special bonds would be severely punished. We also enhanced negative list management on the use of special bonds, and strictly prohibited the use of special bonds in the

construction of government buildings and vanity and image projects, as well as other non-public welfare projects.

IV. We intensified efforts to allocate more financial resources to local governments and enhance their fiscal capacity for the "three priorities" (the basic livelihoods of the people, payment of wages, and normal government functioning) at the grassroots level.

We have made persistent efforts to support the "three priorities" at grassroots level. Facing the prominent contradiction between government revenue and expenditure, we constantly intensified efforts to allocate more financial resources to grassroots level, urged provincial-level finance departments to fulfill their due responsibilities, and guided local finance departments at all levels in strictly managing expenditure budgets and enhancing supervision on financial operations in an effort to ensure that the "three priorities" at the grassroots level were fully secured.

1. We significantly increased transfer payments from the central government to local governments.

The central government stepped up efforts to increase financial support to local governments by optimizing expenditure structures, increasing special revenues and arranging one-time transfer payments. The transfer payments from the central government to local governments exceeded 9.71 trillion yuan in 2022, increasing by 1.42 trillion yuan or 17.1 percent

year-on-year, which was a significant increase from those of previous years. In terms of fund allocations, we gave priority to regions with financial difficulties as well as underdeveloped regions. For instance, the central government arranged special funds to support local governments for implementing policies of tax refunds and of tax and fee cuts, so as to ensure that counties and districts would have sufficient financial resources to ensure the people's basic livelihoods, payment of wages and normal government functioning while implementing such policies on tax refunds and tax and fee cuts.

2. We enhanced the connection of relevant departments at all levels regarding their responsibilities for the “three priorities”.

We established and improved a mechanism to ensure basic fiscal strength at the county level. Adhering to the principle of taking county-level financial resources as the main source, those from municipal and provincial governments as support and assistance, and the funds from the central government as incentives, we clarified responsibilities of finance departments at all levels and enhanced the whole-chain institutional arrangements of such processes as budgeting, budget implementation, dynamic monitoring and emergency response. While intensifying efforts in transfer payments, the central government further specified responsibilities of local governments and urged and guided them to include necessary expenditures on COVID-19 prevention and control such as vaccinations, nucleic acid tests, patient treatment and related

supplies. Taken as important expenditures for the "three priorities", they were prioritized in budget arrangement and expenditure sequence. Provincial-level finance departments assumed main responsibilities for the fiscal operation of administrative counties, and prefecture-level cities were responsible for the fiscal operation of their municipal districts. For some counties and districts facing tight budget balance in their fiscal operations in particular, the central government required efforts to enhance budget examination and enforcement supervision on the expenditure of the "three priorities" in an effort to find and deal with potential risks in a timely manner and remain committed to their responsibilities for the "three priorities".

3.We strengthened supervision and early warning on financial operations of local governments.

We established and improved the monitoring system on local finance operations and conducted dynamic monitoring and analyses on budget enforcement of expenditure on the "three priorities" by local governments. We launched the supervision and early warning mechanism to guarantee the treasury funds in key counties and districts across the country, and monitored the balance of treasury funds and its payment capacity on a daily basis. We issued early warnings to counties and districts with low treasury fund balances, urging them to take measures to prevent payment risks. We gave full play to the role of local regulatory bureaus subordinate to the MOF in monitoring and supervision, established a joint

consultation working mechanism in collaboration with provincial-level finance departments, and established a liaison mechanism with counties and districts that were specially monitored in a bid to follow and analyze the financial operations of those counties and districts dynamically. In the second half of 2022, we changed the monitoring pattern from a monthly basis to a ten-day basis and urged local finance departments at all levels to identify and address financial risks to the "three priorities" at grassroots level.

V. We implemented the direct transfer of fiscal funds on a regular basis, so that the fiscal funds would benefit businesses and the people in a more targeted and effective manner.

With characteristics of "promptness, precision and strictness", the mechanism for the direct transfer of fiscal funds is important in ensuring the precise use of funds for people's livelihoods. We took the mechanism for the direct transfer of fiscal funds on a regular basis as an important measure to improve the effectiveness of proactive fiscal policies, further expanded the scope of direct funds, sped up the allocation and use of funds, and strengthened monitoring management. As a result, funds were allocated more quickly and used more precisely and effectively, achieving improvement in both management and fund efficiency.

1. We further increased the quantity of funds to effectively ensure the steady operation of public finance at the grassroots level.

We further expanded the scope of the directly-allocated funds from the central government and included all eligible funds used for benefiting enterprises and the people, increasing the total to 4.1 trillion yuan, which accounted for over 40 percent of the central government's transfer payments to local governments. In particular, we included the one-time transfer payments of this year used to support tax and fee reductions and key livelihood projects at the grassroots level in the management of direct funds, to effectively support the smooth operation of public finance and the implementation of policies on benefiting enterprises and the people. Under the premise of keeping the existing fiscal management system, major responsibilities of local governments and fund allocation powers unchanged, we improved funds allocation processes, fully mobilized both the central and local governments with incentives, specified responsibilities of local governments and established a sound supervision and accountability mechanism, following the principle of the central government making fund allocation decisions, provincial-level governments refining detailed plans, keeping records as approved, and the funds being allocated directly and swiftly to the grassroots level.

2. We allocated the funds in a precise and fast manner, significantly benefiting both enterprises and the people.

First, direct funds were quickly allocated. We reserved eligible projects in advance and accelerated the refinement of detailed plans for the

allocation to ensure that the budget would be issued as quickly as possible. Except for few projects that would settle their expenditures based on actual cost after completion, all other funds had been distributed to local governments within one month after the NPC approved the budget so as to allow local governments more time to plan the fund use. The provincial-level finance departments allocated all the funds to lower level governments, except for those special transfer payments used to support the grassroots-level governments in implementing tax and fee reductions and addressing important livelihood issues.

Second, the overall use of funds was efficient. Local governments adopted multiple measures to make sure the budget was put into use as soon as it was issued, and coordinated spending plans based on the progress of project implementation, need for fund payment and the period for granting subsidies. In addition to the funds allocated to local governments to support tax refunds and tax and fee reductions throughout the year, local governments had implemented nearly 500,000 projects with direct funding, with a cumulative expenditure of more than 3.02 trillion yuan, or over 93 percent of the total budgetary funds, which was better than expected, taking into consideration both project carryover and pandemic impact. In terms of spending at different administrative levels, provincial expenditure accounted for 34 percent and those of cities and counties accounted for 66 percent of the total expenditure. Compared to 2021, more funds were channeled to grassroots level.

Third, the benefits of policies on assisting enterprises and the people were delivered at a faster pace. We effectively coordinated the supply of and demand for funds, and made efforts to channel more fiscal funds to the grassroots, with a focus on assisting enterprises in difficulties, guaranteeing people's livelihoods and implementing projects. In helping enterprises in difficulties and ensuring security in operations of market entities, we arranged special funds to support the implementation of policies on tax refunds and tax and fee reductions, benefiting the overall market entities in the most direct, effective and equitable manner. According to incomplete statistics, relevant expenditures on assisting enterprises exceeded 880 billion yuan, bringing benefits to over 1.51 million market entities of all kinds and more than 7.7 million individual beneficiaries. In guaranteeing basic livelihoods of the people, it was estimated that the expenditure on the people's livelihoods, such as elder care, employment, compulsory education, basic medical care and housing, amounted to about 1.96 trillion yuan, accounting for around 65 percent of total direct funds, which provided strong support for guaranteeing and improving the people's livelihoods. In terms of allocating financial resources to guarantee normal operation of grassroots-level governments, statistics showed that the direct fund used to supplement financial resources of local governments reached nearly 1.41 trillion yuan, effectively bridging the financial gap resulting from reduced government revenue and facilitating steady operation of public finance at the grassroots level. In pooling financial resources to ensure security in key projects, we implemented nearly 4,900 projects worth over 100 million

yuan each, with a total value of about 1.86 trillion yuan, so as to further shore up infrastructure weaknesses in public health, transportation, and agriculture and rural areas, as well as ecological conservation and environmental protection, and promoted expansion of effective investment to help stabilize the overall economy.

3. Financial supervision has been further strengthened, and fiscal funds were used in a safe and well-regulated manner.

First, we improved the monitoring system. To increase the coverage and effectiveness of direct fiscal funds, we optimized and enhanced the monitoring system by expanding its functions from data tracking to monitoring, early warning, and comprehensive analysis. We strengthened the integration and connection between the monitoring systems and budget management systems, conducted pilot simulations of transfer payment budget management, promoted the integration of central and local budget management systems, and advanced the incorporation of the monitoring system into the budget management system to provide robust management support.

Second, we reinforced daily monitoring and supervision. By differentiating the nature and characteristics of various categories of direct fiscal funds, we established a classified supervision system to improve supervisory efficiency. We enhanced dynamic monitoring through a comprehensive approach that includes daily supervision, key

monitoring, and on-site inspections to prevent and stop violations or non-standard operations, ensuring early detection and prompt resolution. In general, there were fewer violations involving direct fiscal funds, and their usage was relatively standardized.

Third, we worked to promote coordinated supervision among departments. We made the monitoring system accessible to people's congresses, auditors, and industry regulatory authorities at different levels, providing effective support for strengthening supervision. We established a supervision mechanism for multi-departmental collaboration to enhance coordination and cooperation, pay attention to project implementation and key stages of fund utilization, promote exchanges for regulatory information and problem clues, and urge actions on rectification. This would also help achieve chain-style supervision, and ensure that the direct fiscal funds would reach where they should be, and be used in a well-regulated and effective manner.

VI. We deepened efforts to implement the innovation-driven development strategy, ensuring the security, stability, and smoothness of industrial and supply chains.

We adhered to high-quality development, always considering technological self-reliance and self-improvement as strategic supports for national development, strengthening financial guarantees for major national strategic tasks, emphasizing the policy orientation of

"strengthening weak links" and "improving advantages," enhancing the continuity and competitiveness of industrial development, and accelerating the construction of a new development pattern.

1. We actively promoted scientific and technological innovation to continuously enhance new momentum for development.

First, we made new progress in basic research and key core technology breakthroughs. We significantly increased input in basic research, with the central government's general public budget expenditure on basic research in 2022 increasing by 13.5 percent. We emphasized the role of the National Natural Science Foundation, supporting basic research and scientific frontier exploration. We improved diversified investment mechanisms for basic research and actively guided and encouraged the entire society to increase investment in basic research. We established and perfected national-level financial management mechanisms that adapt to key core technological breakthroughs, supporting the implementation of a group of major scientific and technological projects, and strengthened research fund guarantees for COVID-19 control, especially for vaccine and drug research and development. We promoted faster organization and implementation of the "Sci-Tech Innovation 2030 Agenda" and completed the summary and acceptance of major special projects on technological investment to improve people's livelihoods.

Second, the growth of China's strategic scientific and technological strength has been accelerated. Focusing on building a national laboratory system with Chinese characteristics and promoting the restructuring of national key laboratories, we provided steady support to central-level scientific research institutes for their basic operation, independently initiated research programs, and development of research facilities, precisely assisting institutions like the Chinese Academy of Sciences and the Chinese Academy of Agricultural Sciences in implementing innovative projects and promoting the "institution-specific" development reform of large research institutes. To strengthen the leading role of enterprises in scientific and technological innovation, we promoted the use of the funding model such as "implementation first, funding later," and encouraged enterprises to take more responsibilities for national scientific and technological tasks.

Third, we elevated talent development to a new level. Through projects such as scientific and technological talent plans, postdoctoral funds, and the National Natural Science Foundation of China, we supported independent scientific research and created a group of strategic scientific and technological talents, first-class scientific and technological leading talents, and innovative teams. We increased the proportion of national scientific research tasks undertaken by young researchers, allocating more than half of the annual budget for basic scientific research operation expenses to young scientific research personnel. We implemented the "Three Areas" Talents Plan for scientific and technological personnel,

supporting the selection of excellent scientific and technological personnel to work or provide services in remote areas, ethnic minority areas, and old revolutionary base areas.

Fourth, the reform of research funds management achieved solid progress. We strengthened the connection between financial auditing and new policies on research funds management to avoid deviations in policy implementation. We carried out in-depth special investigations to refine several opinions on central financial research funds management reform, based on policy and performance benchmarks. We carefully reviewed the effects of the reform, analyzed problems, and worked on improvement measures to promote the implementation of reform measures in a comprehensive and accurate manner.

Fifth, we stepped up efforts to promote the development of regional innovation systems and the transformation of scientific and technological achievements. We advanced the management of central funds for guiding local technological development to enhance regional capacity in technological innovation. We improved the management of the National Fund for Guiding the Transformation of Scientific and Technological Achievements to allocate social and financial capital to the innovation field and promote the rapid applications of scientific and technological achievements. We strongly supported the free opening of science museums to further enhance science popularization.

With the efficient leverage of financial funds, the scale of R&D investment in China's entire society grew from 1.03 trillion yuan in 2012 to 3.09 trillion yuan in 2022, breaking the 3 trillion-yuan mark for the first time, the 2022 figure being an increase of 10.4 percent over the previous year. This double-digit growth has been sustained for seven consecutive years since the 13th Five-Year Plan period (2016-2020).

2. We supported the enhancement of the resilience of industrial and supply chains, and saw steady improvement in economic quality and efficiency.

First, we promoted the optimization and upgrading of industrial and supply chains. By utilizing special funds for high-quality manufacturing development, we focused on key industry chains such as 5G new generation information technology. We supported breakthroughs in several weak areas, developed urgently needed strategic basic products for industry, and constructed public service platforms that significantly enhanced the safety and stability of industrial and supply chains. We continuously implemented compensation and insurance policies for the first set of major technical equipment and key new materials applications. Taking a market-oriented approach, we supported the promotion and application of innovative products of major technical equipment and new materials. We leveraged government investment funds in the manufacturing sector to guide increased social capital investment in areas like integrated circuits, new materials, and new generation information

technology.

Second, we worked to stimulate the vitality of industrial and supply chains. We provided support for high-quality development of small and medium-sized enterprises (SMEs) and launched the selection of the third batch of national-level specialized, refined, distinctive, and innovative SMEs ("little giants"), with accumulated allocation of reward and assistance funds from the central finance in 2022 amounting to 3.361 billion yuan, including 1.086 billion yuan of newly added funds to support 543 key "little giant" enterprises. Among the newly supported enterprises, over 90 percent belong to manufacturing industries such as computers and aerospace, further reflecting cultivation priorities. We guided and accelerated SMEs' digital transformation, selected 98 digital public service platforms as pilot projects, and facilitated the digital transformation of over 2,000 "small lighthouse" enterprises, aiming to nurture model digital transformation enterprises.

Third, we spared no efforts to ensure the safety of industrial and supply chains. We worked to make sure that the supply and price of essential energy resources should remain stable, injected capital into central power generation enterprises, provided one-time reward assistance to key areas and businesses for heating and power supply, and implemented a temporary zero tax rate for coal imports. We supported the promotion and application of new energy vehicles, implemented a subsidy policy for new energy vehicle purchases, and promoted the

construction and operation of local charging infrastructure. The production and sales of new energy vehicles throughout the year reached 7.058 million and 6.887 million, with year-on-year growth of 96.9 percent and 93.4 percent, respectively, maintaining the world's number one position for eight consecutive years.

3. We strengthened policy support and funds guarantee to promote smooth transportation and logistics.

First, we increased support for integrated freight hubs and the logistics industry. We provided support for national integrated freight hubs in strengthening their supply chains, initiated a merit-based selection of the first batch of five city clusters and four cities, and allocated seven billion yuan to kick off related work. This allocation was aimed at improving recycling efficiency, enhancing recycling dynamics, and reducing recycling costs. We supported the construction of the agricultural product supply chain system by allocating 2.36 billion yuan to boost the development of cold chain logistics for agricultural products in seven provinces, including Heilongjiang and Jiangxi, and continued to support nine provinces such as Liaoning and Zhejiang. We allocated four billion yuan to support county-level commercial construction, focusing on overcoming the shortcomings of commercial facilities, improving county-level rural logistics distribution systems, and optimizing county-level consumption channels to promote the development of rural commercial circulation and unleash rural consumption potential.

Second, we strengthened relief and assistance to industries and enterprises severely affected by COVID-19. For enterprises facing difficulties in such industries as logistics, freight transportation, and aviation, we put in place policy measures at an earlier stage, and further stepped up implementation when timing was appropriate. Through a series of actions like refunding the full amount of incremental tax credits and a one-time full refund of stockpiled tax credits for industries such as transportation, warehousing, and postal services on a monthly basis, we exempted value-added tax for express delivery services, suspended prepayments of value-added tax for aviation and railway transportation enterprises for one year, provided phased reductions or exemptions of tolls for highway freight vehicles, allocated over three billion yuan to implement phased domestic passenger flight subsidy policies, and injected capital funds in the three major airlines and Beijing Capital International Airport. Our aim was to help find a way to overcome transportation and logistics "bottlenecks" and "sticking points" and provide support for smooth transportation and connection.

Third, we ensured the use of vehicle purchase tax revenues to assist local financial inputs. In 2022, despite the severe situation of a 32-percent year-on-year decrease in vehicle purchase tax revenue, the central finance maintained the same level of assistance from vehicle purchase tax revenue to support the local funds expenditures and guided the leverage of fixed assets investment of 2.99 trillion yuan in the fields of highways and water transportation.

VII. We maintained our efforts to prioritize the development of agriculture and rural areas and continued to optimize urban-rural regional development patterns.

Promoting the coordinated development of urban and rural areas is the key to addressing China's unbalanced and inadequate development. We took a comprehensive approach to implementing rural revitalization strategies, stepped up efforts in consolidating the foundation of food security, and expanded the achievements of poverty alleviation. We deepened our work on implementing major regional strategies and helped promote the construction of a new pattern for coordinated development between urban and rural areas.

1. We provided solid support to guarantee the stable and secure supply of grain and important agricultural products.

First, the enthusiasm of grain farmers and major grain-producing areas for crop cultivation was effectively mobilized. We improved the mechanism for ensuring income for grain farmers, and steadily implemented subsidy policies for protecting the fertility of farmland. We allocated subsidy funds of 120.485 billion yuan, which were directly distributed to households, thereby increasing the initiative of farmers in protecting farmland and improving soil fertility. We effectively ensured reasonable income for farmers by stabilizing the subsidy policies for corn,

soybeans and rice producers, implementing the minimum purchase price policy for rice and wheat and offering subsidies for the purchase of agricultural machinery. We optimized the compensation mechanism in major grain-producing areas, rewarding over 1,000 grain-producing counties each year on average. The grain yield of these counties accounted for about 80% of the country's total grain output and their grain commodity volume accounted for 90% of the total grain commodity volume in the country. We effectively responded to the impact of rising expenditure in grain growing brought about by the rising price of agricultural materials, and promptly and efficiently distributed subsidies totaling 40 billion yuan in three batches to actual grain-growing farmers at key points, sending a positive signal of support for grain production.

Second, we continuously consolidated and improved comprehensive grain production capacity. We promoted the improvement of farmland quality by allocating 86.498 billion yuan to support the construction of 80 million mu (about 5.3 million hectares) of high-standard farmland nationwide (including 15 million mu featuring high-efficiency water-saving irrigation), which accounted for 80% of the total construction task of high-standard farmland during the same period, and supporting the implementation of protective tillage on over 80 million mu of black soil in Northeast China as well as the launch of the third national soil survey while prioritizing the survey of saline-alkali land. We strengthened the support of agricultural science and technology equipment. To improve the level of agricultural mechanization the central

government allocated 21.2 billion yuan to support the purchase and application of agricultural machinery, optimize subsidy payment methods and support the pilot program to integrate research, development, manufacturing, and promotion of agricultural machinery. To help revitalize the seed industry we supported a census of germplasm resources, performance measurement of livestock, poultry and dairy cattle, and the protection of livestock and poultry genetic resources.

Third, we made coordinated efforts to promote agricultural disaster prevention and relief as well as water conservancy disaster relief. We took steps to ensure a bumper summer grain harvest, and set aside a total of 5 billion yuan to support the promotion of winter wheat. On this basis, we allocated an additional 1.6 billion yuan of funds to implement the new "one spray and three prevention" wheat subsidy policy, making up for the previous loss of about 1.51 billion kilograms due to weak seedlings. We took proactive measures to respond to the rare drought situation by allocating an additional amount of 10 billion yuan in funding to ensure the drought resistance of mid-season rice production as well as disaster prevention and stability of autumn grain production. Support was provided to ensure the prevention and control of major crop diseases and insect pests, and to help ride out the flood season and promote the prevention and relief of flood and water conservancy disasters.

Fourth, we took steps to ensure the stable supply of important agricultural products. The pilot program of strip intercropping of corn

and soybeans was carried out. Provinces in Northwest China, the Huang-Huai-Hai north China plain, Southwest China and the middle and lower reaches of the Yangtze River that undertook the task of promoting the strip intercropping of corn and soybeans were granted appropriate subsidies from central finance at a standard of 150 yuan per mu. The promotion and application of healthy and virus-free sugarcane seedlings was encouraged to stabilize the production of sugarcane in the main producing areas and to enhance overall production of natural rubber. We promoted the high-quality development of animal husbandry and fisheries, supported the overall improvement of dairy production capacity at designated counties, and took actions to increase the quantity and quality of cattle and sheep and to revitalize the dairy industry. A new round of fishery subsidy policies was implemented to modernize the fishery industry.

2. We comprehensively consolidated poverty alleviation achievements.

First, we made efforts to strengthen and consolidate the policy guaranteeing support for relevant funds. The central government allocated 165 billion yuan of supporting funds for consolidating and expanding rural revitalization ("supporting funds" for reference thereafter), up by 8.476 billion yuan or 5.4% from the previous year. With the joint issuing of the Guiding Opinions on the Management of the Central Finance Supporting Funds for Consolidating and Expanding Poverty Reduction Achievements and Promoting Rural Revitalization in

collaboration with related government departments, we urged and guided all localities to prioritize the key counties that needed help to consolidate and expand their achievements in poverty alleviation. A gradual increase in the proportion of central supporting funds used for industrial development year by year was required, to prioritize the support for the development of industries that cooperate with farmers, help them and increase their incomes, and to strengthen the project implementation and tracking of fund utilization. We promoted the implementation of pilot programs on the integration of agricultural-related funds in out-of-poverty counties, ensuring there was adequate financial support for the implementation work.

Second, we strengthened policy consolidation and linkage in key areas. Support was provided to the national key counties that needed help in their efforts to advance rural revitalization. We steadily promoted the follow-up support work for poverty alleviation relocation, provided interest subsidies for poverty alleviation relocation loans and local government bonds that were adjusted and standardized according to regulations during the 13th Five-Year Plan (2016-2020), and provided appropriate subsidies for public service positions hiring relocated residents and the construction of "one-stop" community comprehensive service facilities in concentrated resettlement areas. We supported ethnic minority areas to strengthen consolidation and linking work. We solidly carried out work on employment as a form of poverty relief, and promoted the consolidation and improvement of

underdeveloped State-owned farms and forestry farms.

Third, we underlined the work on tracking the effectiveness of the supporting fund policies. We comprehensively strengthened fund supervision and enhanced policy training and work supervision. We made detailed interpretations of the policies for the use and management of supporting funds. Relying on the direct-funds monitoring system, we watched the progress of project implementation and expenditure of the supporting funds on a regular basis, and urged on a one-to-one basis the provinces with slow progress or warning flags to make every effort to address the problems. To fully cooperate with the assessment work on the consolidation of poverty alleviation achievements, we organized third-party performance evaluations on the use and management of supporting funds in 28 provinces and the Xinjiang Production and Construction Corps.

3. We took solid steps to promote comprehensive rural revitalization.

First, we made efforts to ensure high-quality development of the agricultural industry. A total of 11.87 billion yuan was allocated to build a modern rural industrial system with a hierarchical layout from provincial to county to township levels that featured coordinated advancement in points, lines and areas. In 2022, support was provided for the establishment of 50 national modern agricultural industrial parks, 40 advantageous and characteristic industry clusters and 200 advanced

agricultural towns. Through methods such as compensation after construction and rewards in place of subsidies, we provided assistance to new agricultural operators to build cold storage and ventilated warehouse facilities to increase the elasticity and anti-risk capacity of agricultural production and supply by focusing on vegetables, fruits and local bestsellers. The assistance standard was set as no more than 30% of the total cost of infrastructure construction.

Second, we made significant progress in promoting green development in agriculture and rural areas. We proactively supported the treatment of agricultural non-point source pollution and the utilization of agricultural waste resources. We implemented a pilot project for the scientific use and recycling of plastic film in agriculture to promote the control of "white pollution" in farmland. We promoted the comprehensive utilization of crop straw and launched pilot projects for green and circular agriculture, forming sustainable industrial development patterns and efficient utilization mechanisms. A total of 16.482 billion yuan was allocated to support the implementation of the third round of grassland ecological protection assistance and reward policies in relevant provinces. Local governments were also supported and guided to steadily expand the coverage of rural sanitary toilets according to local conditions. By the end of 2022, the coverage rate of rural sanitary toilets exceeded 73% nationwide.

Third, we supported the accelerated construction of a modern

agricultural operation system. We promoted the development of moderate-scale operations and socialized agricultural services, facilitating the organic connection between smallholder farmers and modern agriculture. We supported the cultivation of high-quality farmers who are proficient in technology, good at management, and skilled in business. Efforts were made to improve the production and operational conditions for farmers involved in demonstration cooperatives and demonstration family farms at the county-level and above, as well as their technical application and production and operation capabilities. We made efforts to promote the development of a nationwide agricultural credit system, and improved the loan guarantee mechanism to address the difficulties and high cost of financing for farmers and various new types of agricultural operators.

Fourth, we strove to effectively improve the level of water conservancy infrastructure construction. We allocated 117.8 billion yuan to increase investment for its construction. We initiated pilot projects to enhance safety monitoring at small reservoirs, supported their reinforcement against risks and pressed water conservancy projects to improve their flood control and drought resistance capacity. A pilot program was carried out to improve waterway connectivity and the construction of beautiful water villages. We advanced the high-quality development of follow-up projects of the South-to-North Water Diversion Project, as well as the post-migration support work at the Three Gorges and other large and medium-sized reservoirs. We supported the control of

soil erosion and the remediation of silted-up reservoirs. We carried out comprehensive management of groundwater overexploitation, and construction of modern and water-saving facilities for medium-sized irrigation areas, accelerating improvement to make up for the shortcomings in water conservancy infrastructure.

Fifth, we comprehensively advanced rural reform. We fully leveraged the political function and organizational advantages of rural grassroots Party organizations to support the development and growth of the collective economy of more than 20,000 villages. We supported the building of 400 "Five Reds and Four Goods" beautiful red villages across the country. We implemented the financial incentives for rural public welfare programs and continued to improve rural production and living conditions. We carried out comprehensive rural reform pilot experiments, creating comprehensive rural reform pilot zones that integrate beautiful, digital, and well-governed villages.

4. We steadily implemented major strategies for regional development, improving the policy system for promoting coordinated and balanced regional development.

We implemented fiscal and taxation supporting policies for major regional strategies such as the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Yangtze River Economic Belt, the construction of the Guangdong-Hong Kong-Macao

Greater Bay Area and the ecological protection and high-quality development of the Yellow River Basin. We promoted the high-standard and high-quality construction of Xiongan New Area, as well as the construction of a regional economic layout with complementary advantages and high-quality development. The fiscal safeguard capacity of the special areas was enhanced. We strengthened support for old revolutionary areas to promote the development of their various social undertakings. We also gave priority to the support of ethnic areas and to the transfer payments to key ecological function areas. Transfer payments for border areas were increased to promote their economic development and social stability.

5. We effectively improved the quality of new urbanization development.

We supported the construction of sponge cities. A total of 15 billion yuan was allocated to demonstration projects for sponge city construction and their expanded coverage. In May 2022, 25 cities including Qinhuangdao in Hebei province and Jincheng in Shanxi province were included in the second batch of demonstration cities. We promptly allocated assistance funds to support the demonstration cities for addressing shortcomings in urban flood control and drainage infrastructure. We carried out the concentrated and contiguous protection of traditional villages. Jointly with relevant departments, we organized and carried out demonstration work for the concentrated and contiguous protection and utilization of

traditional villages. The 40 demonstration counties that passed the review were granted a fixed rewards and subsidies to encourage exploring suitable methods and paths for the protection and utilization of traditional villages in line with local conditions, and improving their public environment.

VIII. We beefed up efforts to ensure people's basic livelihoods and helped with sustained improvement of people's well-being.

Improving people's well-being is the fundamental goal of development. Acting on the people-centered philosophy of development, we continuously increased investment in people's livelihoods, and continued to improve the levels of basic medical care, education, and basic old-age care. We strove to ensure that the benefits of reform and development would be more evenly shared among the people to improve their living standards in a sustained way.

1. We strengthened our efforts to ensure sufficient fiscal support for COVID-19 control and emergency disaster relief in a bid to safeguard people's lives and health.

The pandemic prevention and control is effectively guaranteed. The funding for pandemic prevention and control was well executed, and temporary work subsidies were provided to medical staff and pandemic prevention workers according to policy requirements. We supported the

vaccination against COVID-19 and clarified the policy of continuing to provide free vaccination to residents for the two doses of immunization. The vaccine and vaccination costs were covered by the medical insurance fund, and appropriate subsidies were given to the medical insurance fund by the government. The policies of using the medical insurance fund and government subsidies to cover the treatment costs for COVID-19 patients were implemented to ensure that patients received medical treatment without being affected by the cost.

We efficiently promoted emergency disaster relief work. We closely monitored the changes in the flood and drought situations and the earthquake early warning information, initiated a rapid fund allocation mechanism in a timely manner, replenished emergency relief supplies, and made every effort to guarantee the emergency disaster relief needs after the flood in Datong Mountain of Qinghai Province and the earthquake in Luding of Sichuan Province. We improved the emergency management policy system, standardized distribution of disaster relief funds, formulated and issued policies for the meal allowance for firefighting and rescue teams, and improved the management system for central emergency rescue and disaster relief material reserves. We strengthened fund supervision, urged provincial finance departments to allocate funds to disaster-stricken areas at the grassroots level in a timely manner, established a long-term mechanism for tracking and evaluating the use of disaster relief funds, and implemented the policy of returning and auditing central fiscal subsidy funds. In 2022, a total of 10.905 billion

yuan of central funds for natural disaster relief was allocated.

2. We supported the development of education that meets the people's expectations for greater equity and quality.

First, the fiscal input in education maintained stable growth. Efforts were made to implement the requirements that "the proportion of fiscal education spending to GDP is generally not to be less than 4%", and that "the two education expenditures in the general public budget should increase year by year". The national general public budget for education expenditure in 2022 was 3.9455 trillion yuan, a year-on-year increase of 5.5%, and the national fiscal spending on education in proportion to GDP had stayed above 4% for 10 consecutive years. The allocation of funds was tilted towards compulsory education, the central and western regions, and "people", with a focus on shoring up weak links in the education sector. Fifty-six percent of central government transfer payments to local governments supported compulsory education, and 83% went to central and western regions. Sixty-six percent of national fiscal funds for education was used for teacher salaries and student grant.

Second, we made efforts to steadily promote educational equity. We consolidated and improved the funding guarantee mechanism for compulsory education in urban and rural areas, implemented policies such as "two exemptions and one subsidy," and increased the allocation ratio for updating and supplying textbooks for standard national courses.

Approximately 158 million students for compulsory education in both urban and rural areas were exempted from tuition and miscellaneous fees and received free textbooks. Approximately 14 million children of migrant workers who had moved to cities were eligible for related education expenses. We implemented a policy of providing daily nutritional meal subsidies of 5 yuan per student, benefiting approximately 37 million students. We promoted preschool education and general high school education reforms, increasing the supply of universal preschool education resources, improving the basic conditions for running county-level ordinary high schools, and eliminating "large classes." We implemented student grant policies such as national scholarships, exemption of tuition and miscellaneous fees. We exempted the interest on national student loans that should have been repaid within 2022 by graduates who graduated in 2022 and earlier, and allowed them to postpone the repayment of principal, benefiting nearly 4 million college graduates.

Third, we stepped up efforts to promote higher quality development in education. We increased the level of per-capita fiscal fund allocation for vocational education, supported the improvement of school conditions, and promoted the construction of high-level vocational schools and majors with Chinese characteristics. We optimized the structure of central university funding expenditures, improved the differentiated per capita funding mechanism for doctoral students, and tilted funding allocation towards the training of high-level talents, and talents that were most

needed in science, engineering, agriculture, and medicine, as well as the building of basic disciplines. We supported the launch of the second round of the "Double First-Class" initiative, adhered to the combination of delegation and regulation, guided universities to strengthen fund management, and steadily delegated more powers to universities for coordinating the use of funds.

3. We further improved the social security system, and continuously increased the level of social security.

First, the pension security system was continuously improved. In the implementation of a nationwide pooling system for basic old-age insurance for enterprise employees, we mobilized about 244 billion yuan of nationwide pooling and adjustment funds from 18 provincial regions including Beijing, and then allocated the whole amount to 14 beneficiary provincial regions including Tianjin, effectively resolving the current shortfall of local funds in 2022. Policies were introduced to promote the development of personal pension plans. We increased the basic pension level for retirees from enterprises, government agencies, and public institutions by 4%, and raised the minimum national basic pension for urban and rural residents from 93 yuan per person per month to 98 yuan. The central finance allocated 927.8 billion yuan in transfer payments for basic old-age insurance, increased subsidies for local basic pension insurance funds, and ensured that basic pension insurance benefits were paid in full and on time.

Second, we further strengthened our efforts to ensure that the basic needs of the vulnerable groups were met. We arranged 161.683 billion yuan in assistance and subsidy funds for people in need, supporting local governments to do a good job in coordinating low-income assistance, assistance and support for those in extreme difficulty, temporary assistance, assistance for vagrants and beggars, and basic living guarantees for orphans. We improved the basic living guarantee system for vulnerable groups, requiring local governments to promptly include eligible families with living difficulties into the low-income assistance scope and to provide one-time living subsidies for low-income population and people in extreme difficulty, as well as temporary assistance for those suffering from temporary living difficulties due to the impact of the epidemic. We expanded the scope of the price subsidy linkage mechanism in stages, and clarified that the central finance would provide subsidies to regions with additional expenditures through assistance funds for the groups in difficulty, with 30% subsidies for eastern regions, 60% subsidies for central regions, and 80% subsidies for western regions.

Third, we effectively supported preferential treatment and bereavement assistance. We significantly increased the standards for preferential treatment and life subsidies for entitled groups, and properly gave priority to those who participated in the revolution at an early age, made significant contributions during military service, and had a high disability rating. We allocated 2.38 billion yuan in medical security funds

for preferential treatment, which supported local governments in resolving special medical difficulties faced by entitled groups beyond the scope of their current medical insurance, and allowed medical benefits for those entitled to preferential treatment.

4. We made all-out efforts to promote the building of a Healthy China and the capability to ensure medical security was further enhanced.

We significantly improved the level of health and medical services. The per-capita fiscal subsidy standard for basic public health services was increased by 5 yuan, with the total amount reaching 84 yuan per person per year. We allocated 68.45 billion yuan for basic public health service subsidies, supporting key population groups such as children aged 0-6, pregnant women, and the elderly in health management, vaccination services, and "two-cancer" checks for women in rural areas. We promoted comprehensive reform of public hospitals, training of health personnel, and capacity building of medical and health institutions to enhance medical service capabilities. We also promoted the construction of teams of traditional Chinese medicine (TCM) professionals with distinctive features and the development of community-level TCM clinics to enhance TCM diagnosis and treatment services. In addition, we allocated 20.379 billion yuan for prevention and control of major infectious diseases including AIDS and tuberculosis, and expanded the national immunization program, among other things. We promoted the implementation of a basic drug system in primary medical and health

institutions and village clinics.

We beefed up efforts to promote steady development of healthcare security. The funding standard for urban and rural residents' medical insurance was reasonably increased to no less than 610 yuan per person per year. We strengthened medical assistance as a safeguard, allocating 31.63 billion yuan for medical assistance subsidies, supporting eligible groups in need to participate in medical insurance, providing subsidies for basic medical out-of-pocket expenses that are not affordable for them, and carrying out emergency disease relief, among other things. We supported the informationization of medical insurance, fund supervision, reform of medical insurance payment methods, centralized procurement of drugs and consumables, and price reforms of medical services.

5. We made active efforts to promote public cultural undertakings, and people's spiritual and cultural lives became increasingly enriched.

We worked to improve the modern public cultural service system and implemented innovative cultural projects. We supported local governments in implementing national basic public cultural service standards, promoted the implementation of projects such as public digital culture construction, public welfare performances of traditional Chinese opera, and the construction of emergency broadcasting systems in old revolutionary bases, border areas, underdeveloped areas and areas

inhabited by ethnic minorities. We coordinated support for more than 50,000 public libraries, art museums, cultural centers (stations), museums, and memorial halls across the country to provide free access and basic public cultural services such as public lectures and exhibitions in accordance with regulations. We supported the organization of folk festivals and events, such as square dance performances and village gatherings, and strengthened the construction of the public cultural service personnel team at the grassroots level. We continued to strengthen the guidance of literary and artistic creation through the National Arts Fund, the National Publishing Fund, the National Film Industry Development Special Fund, and the Chinese Literature and Art Development Special Fund, and launched more high-quality works. We promoted the construction of a strong sports nation and supported the development of nationwide fitness activities in various regions. We implemented the requirements of simplicity, safety, and excellence in organizing sporting events, and supported the successful holding of the Beijing 2022 Winter Olympics.

IX. We increased investment in the ecological and environmental protection sector to promote a green and low-carbon transformation in production and lifestyle.

We thoroughly implemented Xi Jinping Thought on Ecological Civilization, firmly established the concept that "lucid waters and lush mountains are invaluable assets", adhered to the main line of winning the

prevention and control battle against pollution with significant results, and the people's sense of gain, happiness, and security from the improvement of ecological environment continued to grow.

1. We provided strong support for the defense of blue skies, clear waters, and clean land.

First, we continued to advance the battle for protecting the blue sky.

We allocated a total of 33 billion yuan for the prevention and control of atmospheric pollution, an increase of 20% compared to the previous year, ensuring policy stability and effective work promotion. We further expanded support for clean winter heating in northern regions, selecting 25 new supported cities including Qingdao and Harbin through competitive evaluation, ensuring the supply of heating during winter and promoting energy consumption transformation and upgrading. We continued to carry out capacity building activities for atmospheric environmental governance and management, coordinated control of fine particulate matter (PM_{2.5}) and ozone (O₃) pollution, and helped efforts to achieve the goal of carbon peaking and neutrality. In 2022, the PM_{2.5} concentration in 339 cities at the prefecture level and above in China decreased by 3.3% compared with the previous year, and the proportion of days with excellent air quality reached 86.5%.

Second, we continued to defend clean waters. We allocated 23.7 billion yuan for water pollution prevention and control, a 9% increase from the

previous year, with a focus on increasing investment in joint efforts across regions such as those along the Yangtze River and the Yellow River. We coordinated efforts for treatment of water resource, water environment, and water ecosystem, and provided support for local initiatives on watershed water pollution control, watershed water ecosystem protection and restoration, centralized drinking water source protection, groundwater ecosystem environmental protection, and water pollution prevention and control supervision capacity building. These efforts helped to improve the quality of the ecological environment in the basin on an ongoing basis. In 2022, the proportion of excellent water quality sections for surface water nationwide reached 87.9%, a three-percentage-point increase year-on-year, while the proportion of the fifth class of water quality (the worst level) decreased by 0.5 percentage points to 0.7% year-on-year.

Third, we continued to deepen the battle against soil pollution. A total of 4.4 billion yuan was allocated for soil pollution prevention and control, and the funding arrangements remained stable. With a focus on preventing and controlling soil pollution at its source and risk management, we increased support for the treatment of historical mining slags that involve heavy metal and pose high pollution transmission risk. We stepped up efforts to optimize the distribution procedures for key funds, directly allocating funds to specific projects to improve the targeting and efficiency of fund allocation, and ensure the safe and efficient use of construction land. The overall soil environment

for agricultural land remained stable.

2. We continued to make progress in major projects for ecological protection and restoration.

First, the integrated protection and restoration of mountains, rivers, forests, fields, lakes, grasslands, and deserts achieved substantial results. We added nine new projects to this initiative. Key ecological areas, including the Qinling Mountains, Erhai Lake, Dongting Lake, Jingjiang River, Lijiang River, the Three Gorges Reservoir Area and the east route of the South-to-North Water Diversion Project (Grand Canal), were included in the scope of support. The integrated protection and restoration of mountains, rivers, forests, fields, lakes, grasslands, and deserts has been recognized by the United Nations as one of the first 10 “World Ecological Restoration Flagship Projects” and has been hailed as “one of the most hopeful, ambitious and inspiring large-scale ecological restoration models in the world.”

Second, we pioneered the development of a fiscal security system for the construction of national parks. We made active efforts to improve fiscal policies for further building a natural reserve system with national parks as the mainstay. We submitted the Guidelines of the Ministry of Finance and National Forestry and Grassland Administration (National Park Administration) on Advancing Fiscal Policies for the Construction of National Parks to the State Council for approval, revised the fund

management measures, and studied and drafted performance management measures and financial management rules. A preliminary “1+N” fiscal security system for national park construction was established.

Third, the demonstration projects for the ecological restoration and treatment of abandoned mines were launched and implemented.

Funds had been allocated from the central finance to launch the demonstration projects, and the first batch of 11 projects were selected, with a fund of 2 billion yuan. The fund was used to facilitate local authorities to restore damaged mountain bodies and surface vegetation, with the aim of enhancing the quality of the ecosystem and its carbon sequestration capacity.

Fourth, the ecological protection and restoration of the marine environment was carried out vigorously.

The central finance allocated 4.05 billion yuan for the protection and restoration of marine ecosystems, supporting 16 coastal cities in carrying out all-round and full-process marine ecological protection and restoration projects, so as to improve the quality of the marine ecological environment and enhance the carbon sequestration capacity of marine ecosystems.

Fifth, the protection and restoration of forest and grassland ecosystems was carried out solidly in a standardized manner.

We promoted the construction of a natural reserve system with national parks as the mainstay, supporting the implementation of pilot and

demonstration projects in land greening in 20 prefecture-level regions. We strengthened the protection of natural forest resources and the restoration and management of grassland ecology, supported the cultivation of oil-tea trees, consolidated the achievements of returning farmland to forests and grasslands, and implemented policies of forest ecological benefits compensation and ecological forest rangers. Efforts were also made to intensify protection and restoration of wetlands and protect national key wildlife, to strengthen forest and grassland fire prevention and to control forestry pests and diseases. We rewarded regions with significant outcomes in the implementation of the forest chief system, and provided support for the protection and restoration of forest and grassland ecosystems.

3.Efforts to achieve carbon peaking and carbon neutrality were proactively advanced.

We issued the Opinions on Fiscal Support for Carbon Peaking and Carbon Neutrality, which clarified the goals, key directions and fields of fiscal support for carbon peaking and carbon neutrality. Leveraging various policies on fiscal funds, taxation and government procurement, we accelerated the establishment of a sound fiscal and taxation policy system that promotes the efficient use of resources and green, low-carbon development and guided local governments at all levels to actively formulate and implement supporting measures according to local conditions.

X. Through coordinated efforts to advance reform of the fiscal and taxation system and strengthen the oversight of fiscal management, fiscal governance has been steadily improved.

We worked actively to leverage the leading role of fiscal reform in making breakthroughs, continuously deepening the reform of the fiscal and taxation system.

1. We intensified efforts to deepen the reform of the fiscal and taxation system and established a modern fiscal system.

First, the budget management system became sounder gradually. We pushed for the implementation of the Opinions on Further Deepening the Reform of the Budget Management System and brought the budget management to a new level. We deepened efforts in disclosing budget information and budget transparency was further improved as a result. We improved the performance management system, and accelerated the establishment of a comprehensive and whole-process budget performance management system that covers all sectors, with the efficiency of the allocation and use of fiscal resources improved. We issued the General Accounting System for Finance, improved the accounting system for fiscal revenue and expenditure, assets and liabilities, and net assets. China's unified government accounting standards system was further improved. We solidly carried out the preparation of government fiscal

reports. The integration of budget management was deepened, accelerating the comprehensive operation of the integrated budget management system, and optimizing the national unified budget management integration standards and system.

Second, reform of the taxation system was further deepened. We implemented a package of tax-and-fee policies on a larger scale, improved the system for refunding VAT credits and expanded the policy of fully refunding VAT credit to more industries. We further improved the comprehensive and classified personal income tax system, and set up a special additional deduction of personal income tax on childcare for infant and small children under the age of three. We introduced personal income tax policies to support residents in purchasing new homes and implemented deferred tax preferential policies for individual pension plans. We have endeavored to make related preferential policies coherent since the stamp duty law came into effect, and further clarified the policy implementation of the principle of law-based taxation and made proactive efforts to advance legislation on VAT, consumption tax, tariff and other taxes. We continued our efforts to improve the local tax system.

Third, the fiscal system has been further improved. We thoroughly implemented the reform plan already introduced for defining fiscal powers and expenditure responsibilities between the central and local governments in sectors such as healthcare, transportation and natural resources, took further steps to clarify the scope of responsibilities

between the central and local governments, and worked to improve management measures for transfer payments. We improved balanced transfer payment methods from the central government to local governments, and regulated the management of transfer payments from the central government to local resource-exhausted cities and key eco-functional areas. The Guidelines on Furthering the Reform of the Fiscal System below the Provincial Level was submitted to the State Council and issued to further rationalize the fiscal relationship between governments below provincial level.

Fourth, positive progress has been made in the reform of state-owned assets (SOAs) and state-owned enterprises (SOEs). We comprehensively completed the final stage of the three-year action plan for the reform of SOEs, and promoted enterprises under supervision to accelerate the improvement of a modern enterprise system with Chinese characteristics. We strengthened the management of SOAs in administrative institutions and issued guidance on revitalizing SOAs in administrative institutions. We improved the reporting systems of SOAs management. We conscientiously fulfilled our duties of shareholder and stepped up our work of deepening the reform of the management of State-owned financial capital.

Fifth, the government procurement system reform has been effectively promoted. The legal system of government procurement was improved. We actively promoted the revision of the government

procurement law, coordinated the government procurement law and the law on tenders and bids, and solicited public opinions on the draft amendment to the government procurement law for the second time. We have issued the Interim Measures for the Administration of Procurement under the Government Procurement Framework Agreement, as well as supporting notifications, improving the government procurement system and regulating procurement activities of high frequency and small scale. We strengthened government procurement supervision and management, thoroughly integrating government procurement into budget management, in a bid to improve the performance of government procurement management.

2. We have earnestly performed fiscal and accounting supervision and fiscal discipline was strictly and effectively enforced.

First, the institutional construction of a fiscal and accounting supervision system has been effectively promoted. We actively promoted the joint issuance of the Guidelines on Strengthening Fiscal and Accounting Supervision by the General Office of the CPC Central Committee and the General Office of the State Council. We made efforts to promote the establishment of a fiscal and accounting supervision system with finance departments as the main supervisory body, relevant departments as responsible supervisors, internal supervision within each unit, professional supervision by relevant intermediary agencies, and self-discipline supervision by industry associations. A work mechanism has been formed, which involves horizontal collaboration among

different supervisory entities, vertical interaction between central and local governments, and the seamless coordination and cooperation between fiscal and accounting supervision and other forms of supervision. We made continuous efforts to enhance the rule of law in fiscal and accounting supervision, advance the development of teams and information technology, and promote the high-quality development of fiscal and accounting supervision in the new era.

Second, the supervision of fiscal and taxation policies has been further strengthened. We carried out supervision and inspections on key areas, such as tax and fee reductions, and the Party and government organs living on tight budget. Behaviors violating laws and regulations have been strictly investigated and punished, and violations have been made public, to strengthen the binding role of fiscal disciplines. We took resolute action against borrowing and debt underwriting by local governments that violate the law and regulations and held them accountable. We issued two public notifications, each of which included 8 typical cases of accountability for hidden debts of local governments, departments and financing platforms. Multiple measures were taken to ensure the requirements of the notifications were implemented, which acted as a deterrent by “holding one accountable, alerting many and promoting progress in the whole region.”

Third, the authority of accounting supervision and management was effectively established. We accelerated the revision of the Accounting

Law and the Law on Certified Public Accountants. We promoted industry governance and conducted special campaigns against prominent illegal activities in the certified public accountant industry, such as CPAs who were registered but not practicing, practicing beyond competence, “unlicensed business operations” and the online sale of audit reports. Two types of illegal activities in the agency accounting industry - “unlicensed operations” and “false promises”- were also targeted in the campaign. We established and improved the closed-loop mechanism for enterprise accounting standards, promoting the organic connection and mutual promotion among the three links of formulating, guiding and implementing, and strengthening supervision, and improving the effectiveness of standard execution and accounting quality. We strengthened the quality supervision of intermediary agency practices, and severely cracked down on such illegal activities as corporate financial fraud and the issuance of fraudulent reports by intermediary agencies. We organized quality inspections of 35 accounting firms and 10 asset appraisal agencies, with the quantity, scope and intensity of inspections being the highest in history. We organized local finance departments to inspect 1,854 accounting firms, resulting in administrative penalties on 156 accounting firms and 370 CPAs.

Fourth, the quality and efficiency of budget performance evaluation continued to show improvement. Focusing on areas such as technology, agriculture and rural areas, ecological protection, inclusive finance, culture, entrepreneurship and innovation, we conducted key fiscal

performance evaluations on 72 projects, and expanded the types of projects for evaluation and the scope of overall expenditure performance evaluations for departments and units. We continued to promote "full coverage" of self-evaluations of transfer payment performance, enhance the rigor of spot checks and reviews of the self-evaluations, and improve their quality. We also continued to deepen the application of performance evaluation results, improve the mechanism for finding and rectifying problems through performance evaluation, and promote the use of performance evaluation results as an important basis for budget allocation, management improvement, and policy refinement, effectively improving fiscal efficiency.

Fifth, we continued to deepen the work on internal control and auditing. We promoted the construction of internal control systems, formulated implementation measures and work guidelines for economic responsibility audits, and issued work procedures for internal accountability for audit results. For the first time among central government departments, we have established a mechanism for internal accountability for audit results. We strengthened the implementation of internal control, effectively carrying out internal control inspections, evaluations, and other work, and continuously improving the level of internal management of finance departments. We promoted the establishment of internal control contact points and guided the local finance departments in their work on internal control.

3. We stepped up efforts to prevent and diffuse major risks and firmly held the bottom line of preventing systemic risks.

First, we worked to prevent and resolve the risk of local government debts. Adhering to the principle of "opening the front door" and "strictly guarding the back door," we took active measures to prevent and resolve the risk of local government debts. We reasonably calculated the debt limit for each region and controlled the scale of the debt limit for high-risk regions, resolutely curbed the growth of hidden debt, cleared existing hidden debts in a prudent and orderly way, and investigated and held accountable any fraudulence in creating new hidden debts and failing to resolve hidden debts in a true manner. We strengthened information sharing and collaborative supervision among departments to form a joint supervision force, and promoted the disclosure of information on local government debt to improve its transparency.

Second, we ensured the safe and stable operation of the government bond market. We clarified the requirements for custody and management of government bonds, and reiterated that the centralized, unified, first-tier and look-through custody system applies to government bonds. We established a monitoring mechanism for foreign investors holding government bonds in the government bond market and scientifically created monitoring indexes so as to provide support for the orderly opening of the government bond market to the outside world. We fully leveraged the leading role of the cross-department coordination

mechanism for government bond futures, studied and promoted the entry of foreign banks into the market, enriched the structure of investors of government bond futures, and strengthened the market's risk hedging function.

Third, we properly addressed the hazards of financial risks. Focusing on key areas and weak links such as revenue and expenditure management, asset safety, and the main responsibilities of state-owned financial enterprises, we improved their financial regulatory system, regulated their financial behavior, and protected the equity of state-owned financial capital. We steadily promoted the high-quality supplementation of capital for small and medium-sized banks through special bonds, improved the financial stability guarantee system, coordinated the promotion of financial stability laws, cooperated in establishing a financial stability guarantee fund, and supported risk reduction in high-risk financial institutions.

XI. Fiscal Policy Outlook

In 2023, the MOF will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implement the spirit of the 20th CPC National Congress, and solidly press ahead with the Chinese path for modernization. We will adhere to the guideline of making progress while maintaining stability, fully, accurately and comprehensively implement the new development philosophy, accelerate

efforts to foster a new development paradigm, and focus on promoting high-quality development. We will also better coordinate pandemic prevention and control with economic and social development, better coordinate development with security, and enhance the effectiveness of fiscal macro-regulation, while highlighting efforts to ensure stable growth, employment, and prices. We will promote overall improvement in the quality of economic performance, as well as reasonable growth in its quantity so as to provide strong support for a good beginning in building a modern socialist country in all respects.

1. We will further improve tax and fee support policies and focus on helping enterprises ease their difficulties.

We will take into account the fiscal capacity and the need to help enterprises out of difficulties. On top of implementing the policies previously introduced, we will further improve tax and fee reduction measures according to the actual situation, enhance precision and targeted support for small and medium-sized enterprises, individual businesses, and industries facing severe difficulties, promote enterprise transformation and upgrading, and enhance innovation capabilities to increase the dynamic vitality of enterprises.

2. We will strengthen the overall coordination of fiscal resources and maintain the intensity of expenditures.

We will coordinate the needs for macro-regulation and fiscal risk prevention, increase the coordination of fiscal funds, optimize the combination of fiscal deficits, special bonds, interest subsidies and other tools, concentrate fiscal resources to accomplish major tasks, and increase investment in laying a solid foundation, benefitting long-term development, shoring up weak links, and promoting structure adjustment, in a bid to provide financial support for the implementation of major national strategic tasks. We will thoroughly implement the major decisions and plans made by the CPC Central Committee and the State Council, play a more direct and effective role in implementing proactive fiscal policies, and strengthen coordination with monetary, employment, industry, technology, and social policies in a joint effort to promote high-quality development.

3. We will vigorously optimize expenditure structure and continuously improve expenditure efficiency.

Sticking to the efforts in maintaining spending on some while curbing or even scaling back expenditures on others, we will make sure that Party and government organs live on tight budgets, strictly curtail general expenditures, strengthen budgetary management of spending on official hospitality, vehicles and overseas trips, and strive to reduce administrative costs. To promote high-quality development, we will actively support key areas such as technological innovation, rural revitalization, major regional strategies, education, basic livelihoods, and

green development. We shall improve the mechanism of direct allocation of fiscal funds, strengthen budget constraints and performance management, and promote the standardized and efficient use of fiscal funds. We will give better play to the role of fiscal funds in guiding and leveraging the effective expansion of social investment and stimulating consumption.

4. We will balance the level of fiscal resources between regions and promote equal access to basic public services.

We will continue to increase central government transfers to local governments, give more priorities to underdeveloped regions and those facing difficulties, promote the reform of the fiscal system below the provincial level, and improve the long-term financial security mechanism at the county level to ensure fiscal support for the “three priorities” at the grassroots level. We will promote the construction of a standard system for the provision of basic public services, improve the regional expenditure cost difference system, promote coordination between the allocation of transfer payments and the cost of public services, and enhance the scientific and reasonable allocation of funds.

5. We will continue to deepen fiscal and tax system reforms and enhance the modernization level of fiscal management.

We will work to improve the modern budget system, strengthen budget

performance management, promote the full application of the integrated budget management system, and strengthen the monitoring and early warning of fiscal operations. We will enhance our efforts to deepen fiscal system reform, further streamline intergovernmental fiscal relations below the provincial level so that it is more reasonable in the division of power and responsibility, more standardized in income distribution, relatively balanced in distribution of fiscal resources, and stronger in safeguarding grassroots interests. We will further improve the fiscal transfer payment system and establish a sound mechanism for regular evaluation and adjustment. We will improve the tax system, strengthen the management of State-owned assets and capital, enhance accounting management, and comprehensively increase the level of fiscal management modernization.

6. We will strictly enforce financial discipline and effectively prevent fiscal risks.

We will adhere to law-based administration and financial management, strengthen budget constraints, rigorously manage financial revenue and expenditure, establish sound supervision and monitoring mechanisms, further strengthen financial and accounting supervision, and resolutely investigate and punish illegal and irregular activities. We will curb the increase in local government hidden debt, prudently resolve existing debt, firmly put a stop to illegal fund raising, and strengthen comprehensive governance of financing platforms, firmly guarding against systemic risks

as a bottom line.