

# **REPORT ON THE IMPLEMENTATION OF CHINA'S FISCAL POLICY IN THE FIRST HALF OF 2022**

## **Summary**

The year 2022 is an important year for China as it embarks on a new journey of building a modern socialist country in all respects and forges ahead toward the second Centenary Goal. In the first half of 2022, facing a complex and grim situation abroad and formidable tasks of advancing reform, promoting development and maintaining stability at home, under the strong leadership of the Communist Party of China (CPC) Central Committee with Comrade Xi Jinping at the core, local authorities and government departments across the country earnestly implemented the decisions and plans of the CPC Central Committee and the State Council, effectively coordinated COVID-19 prevention and control with social and economic development, intensified macroeconomic regulation, effectively implemented a package of policies and measures and did a solid job in ensuring “stability on six fronts” and maintaining “security in six areas”. The COVID-19 resurgence has been effectively contained, the national economy has stabilized with an upward growth, people's livelihoods have been effectively guaranteed, the momentum for high-quality development has continued, and overall social stability has been maintained. In the first half of 2022, China's gross domestic product (GDP) grew by 2.5 percent year-on-year, with the GDP in the second quarter increasing by 0.4 percent year-on-year. Major indicators stopped their downward trend and achieved positive growth.

Since the beginning of 2022, finance departments at all levels have followed the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, carried forward the great founding spirit of the CPC, upheld the underlying principle of pursuing progress while ensuring stability, pursued the full, accurate and comprehensive implementation of the new development philosophy and accelerated the fostering of a new development paradigm. We have earnestly implemented the requirements of “proactive fiscal policy with higher efficiency, accuracy and sustainability”, strengthened the coordination of financial resources, implemented a new package of tax-and-fee policies to support enterprises and balanced stable growth and risk prevention. We have appropriately reduced the fiscal deficit ratio, rationally arranged the scale of debts, ensured the intensity of fiscal expenditures, optimized the focus and structure of expenditures, increased funding allocations to governments at lower levels, continued to improve people's livelihoods, strictly enforced fiscal and economic disciplines, and striven to sustain stable macroeconomic performance.

**1. We intensified efforts to boost the vitality of market entities by easing their financial burdens and difficulties.** We integrated temporary measures with institutional arrangements and applied policies on tax reductions, refunds and deferrals at the same time. We vigorously improved the value-added tax (VAT) credit refund scheme and refunded VAT credits on a large scale. We raised the tax deduction coverage of R&D costs for small and medium-sized sci-tech enterprises to 100

percent. We granted a temporary exemption on VAT payments to small taxpayers and a temporary reduction to part of the vehicle purchase tax. We extended tax and fee reduction policies that supported the manufacturing sector, micro and small-sized enterprises and self-employed individuals and expanded the scale and scope of the policies. We strengthened financing support for micro, small and medium-sized enterprises (MSMEs) and comprehensively used financing guarantees, interest subsidies, and relevant rewards and fiscal assistance to guide and leverage the flow of financial resources to the MSMEs. We enhanced and expanded temporary deferrals of social insurance premiums. We intensified efforts to implement the employment-first policy, continued the policy of refunding unemployment insurance premiums for enterprises that make no cuts or minimal cuts on staff numbers, and provided interest subsidies as well as relevant rewards for guaranteed loans for startups. Tax refunds and cuts are expected to total 2.64 trillion yuan this year, where VAT credit refunds will account for about 1.64 trillion yuan.

**2. We maintained appropriate expenditure intensity and optimized the structure of fiscal expenditures.** The fiscal deficit ratio for 2022 was appropriately reduced to around 2.8 percent. Boosted by the profit remittances of state-owned financial institutions and state monopoly business operations in recent years turned over in accordance with the law, plus the funds transferred from the Central Budget Stabilization Fund, the expenditures in the national general public budget were set at 26.71

trillion yuan, an increase of more than 2 trillion yuan over last year, putting significantly greater fiscal resources at our disposal. We optimized the structure of fiscal expenditures, gave priority to key projects that have been included in the outline as well as key special plans of the 14th Five-Year Plan (2021-25), made appropriate and proactive investments in infrastructure, and increased support for scientific and technological breakthroughs, environmental protection, people's basic livelihoods and modern agriculture as well as for major regional development strategies.

**3. We rationally arranged special-purpose local government bonds to ensure the construction of key projects.** We kept the government leverage ratio generally stable and set the quotas for the newly-added special-purpose local government bonds at 3.65 trillion yuan, equal to that of the previous year. After being reported to the Standing Committee of the National People's Congress (NPC) for the record, 1.46 trillion yuan of special-purpose bond was issued in advance in December 2021, and all the special-purpose bond funds used for project construction had been allocated to the local governments by the end of March 2022. We stressed the principle of “funds following projects”, and called for efforts to prepare sufficient projects eligible for special-purpose bonds, take full policy advantage of using special-purpose bonds as the capital for major projects, optimize the investment fields of special-purpose bonds and include new infrastructure and new energy projects for priority support. We urged localities to put the use of funds under strict supervision, avoid

“spreading the funds too thin” and give priority to the projects that are under construction or can be started as soon as possible with a view to increasing effective investment. From January to June in 2022, local governments issued a total of 3.41 trillion yuan of special-purpose bonds, nearly equal to their committed quotas.

**4. We increased funding allocations to governments at lower levels and supported local governments in safeguarding the "three priorities" of people's basic well-being, payment of salaries and normal government functioning.** We substantially increased the scale of the transfer payments, especially the transfer payments, from the central government to local governments, -and gave priority to regions with financial difficulties and underdeveloped regions. Transfer payments from the expenditures in the central general public budget to local governments reached 9.8 trillion yuan, which represented a growth of 18 percent, or around 1.5 trillion yuan, and was the largest increase in recent years. Provincial-level financial departments also maximized fiscal support for lower level governments by implementing policies to help enterprises alleviate difficulties and to ensure people's basic well-being, payment of salaries and normal government functioning. Efforts were also made to improve a regular mechanism for direct fiscal fund allocation, expand the scope of direct funding and promote the rapid and accurate allocation and use of funds.

**5. We persisted in living on a tight budget and advanced the frugality**

**campaign in government departments.** The central government departments took the lead in tightening the belt, focused on ensuring mandatory and urgent expenditures, strictly controlled general expenditures, and strengthened budgetary management of the “three public expenses” (official expenses on buying and using cars, overseas travel and hosting meetings), to reduce administrative operating costs and cut the expenditures in departments of the central government by 2.1 percent in 2022. Local governments at all levels kept public expenses on a tight budget to set aside more financial resources for improving people’s basic livelihoods and supporting the development of market players. We improved the mechanism for restraint of fiscal expenditures, made good use of the fiscal reserves and assets sitting idle, promoted the sharing and pooling of assets among administrative institutions, constantly enhanced the system for living under tight budgets, and strengthened evaluation of related implementation.

**6. We tightened fiscal and economic disciplines and rectified the financial order.** We strictly implemented fiscal and economic laws, regulations and administrative provisions, tightened institutional constraints and resolutely safeguarded the authority of the discipline system. We properly managed and used budgetary funds and regulated revenues and expenditures. We improved the tax collection and management system and severely cracked down on tax evasion and fraud in accordance with the law. We further regulated financial auditing and curbed financial fraud. We launched special campaigns to rectify local

fiscal and economic order, strictly investigated and punished violations, and set red lines for financial and economic disciplines that cannot be crossed.

In the next step, the finance departments will conscientiously implement the decisions and plans of the CPC Central Committee and the State Council, adhere to the principles of stability first and seeking progress while maintaining stability, implement the requirements of bringing COVID-19 under control, stabilizing economic growth and ensuring the security of development, efficiently coordinate COVID-19 prevention and control with economic and social development, and ensure both development and security. We will strengthen macroeconomic policy regulation, prepare incremental policy tools, make arrangements ahead of time, speed up the pace, and intensify efforts in a timely manner. We will continue to ensure “stability on six fronts” and maintain “security in six areas”, make constant efforts to improve people's lives, keep the major economic indicators within the appropriate range, and take concrete actions to prepare for the successful convening of the 20th CPC National Congress.

## **I. Budget implementation generally performed well, despite negative impacts including the COVID-19 pandemic.**

China's economy got off to a steady start this year, with revenues in the national general public budget growing by 10.5 percent year-on-year in

January and February. In March, due to the influence of the complicated situation at home and abroad and the COVID-19 pandemic, the growth rate of revenues fell back to 3.4 percent year-on-year. In April and May, fiscal revenues declined due to the additional impact of the implementation of the VAT credit refund policy. With the COVID-19 pandemic under better control and the increasing effects of economic stabilization policies, fiscal revenues stabilized and rebounded in June, rising by 5.3 percent including VAT credit refunds, and the growth rate resumed a positive trend. A total of 25 provincial-level regions recorded positive growth in fiscal revenues in June. On the whole, the budget implementation in the first half of 2022 was generally good.

### **1. Growth rate of national fiscal revenues decreased due to the impact of several factors including the COVID-19 pandemic.**

In the first half of 2022, revenues in the national general public budget totaled 10.5221 trillion yuan, up 3.3 percent including VAT credit refunds and fell 10.2 percent year-on-year in natural terms. Affected by the COVID-19 pandemic, industrial structure and other factors, the regional differentiation of fiscal revenues is relatively obvious. After deduction of VAT credit refunds, the revenues of the central and local general public budgets increased by 1.7 percent and 4.7 percent respectively, with those of the central and western regions growing by 13.7 percent and 16.5 percent respectively. The revenues of the eastern and northeastern regions fell slightly by one percent and 3.5 percent respectively. Revenues in the



central and western regions saw relatively high growth rates, mainly driven by those of the energy and resource industry. Among them, revenues in Shanxi Province, Inner Mongolia Autonomous Region, Shaanxi Province and Xinjiang Uygur Autonomous Region increased by 44 percent, 49.4 percent, 34.7 percent and 40.9 percent respectively, maintaining a rapid growth trend. In the eastern region, Fujian Province, Shandong Province and Zhejiang Province maintained steady growths, with growth rates of 6.7 percent, 6.3 percent and 4.2 percent respectively after deduction of VAT credit refunds. Guangdong Province saw a slight decrease of 0.5 percent, a drop that was 2.5 percentage points lower than that of the period from January to May, with an increase of 8.9 percent in June.

In the first half of 2022, national tax revenues increased by 0.9 percent after deduction of VAT credit refunds, showing a gradual recovery trend, and decreased by 14.8 percent in natural terms. The domestic VAT revenues decreased by 0.7 percent after deduction of VAT credit refunds, which saw a decrease of 1.1 percent in June, less significant than those in April and May, mainly due to the gradual improvement in industrial added values, service industry production indexes and other relevant economic indicators. Revenues of corporate income tax, personal income tax and value-added tax on imported goods and consumption tax increased by 3.2 percent, 8.7 percent and 14.9 percent respectively. The efforts of putting idle assets into use through various channels led to an increase in non-tax revenues. In the first half of 2022, the national

non-tax revenues reached 1.9657 trillion yuan, an increase of 18 percent.

## **2. We maintained intensity of expenditures and ensured spending in key areas.**

We enhanced the overall planning of budgetary funds, and maintained appropriate intensity of expenditures by making good use of the profit remittances from the state-owned financial institutions and state monopoly business operations in recent years in accordance with the law, plus the funds transferred from the Central Budget Stabilization Fund. In the first half of 2022, the expenditures of the national general public budget amounted to 12.89 trillion yuan, a year-on-year increase of 5.9 percent, higher than the growth of fiscal revenues. Expenditures in the central general public budget reached 1.563 trillion yuan, a year-on-year increase of 5.8 percent; expenditures in the local general public budget stood at 11.3257 trillion yuan, an increase of 5.9 percent compared with the same period in 2021.

We optimized the structure of fiscal expenditures, gave priority to key projects that have been included in the outline and key special plans of the 14th Five-Year Plan (2021-25), and increased support for scientific and technological breakthroughs, environmental protection, people's basic livelihoods and modern agriculture as well as for major regions. The expenditures in science and technology totaled 434.5 billion yuan, a year-on-year increase of 17.3 percent; the transportation expenditures

reached 635.5 billion yuan, an increase of 12 percent year-on-year; the expenditures in agriculture, forestry and water conservancy amounted to 1.0383 trillion yuan, an increase of 11 percent year-on-year; and healthcare expenditures added up to 1.1259 trillion yuan, an increase of 7.7 percent year-on-year. The education expenditures came to 1.9208 trillion yuan, an increase of 4.2 percent year-on-year; the expenditures in social security and employment reached 2.0197 trillion yuan, up 3.6 percent year-on-year.

We sped up the process of making budgetary funds available for fiscal expenditures. After the National People's Congress endorsed the budget plan, the central finance authorities completed the approval of budgets on the same day, and promptly issued transfer payment budgets. Up to now, all the qualified transfer payments have been allocated except for the funds for actual settlement. We closely tracked the implementation of local and departmental budgets and supervised and guided the improvement in budget implementation management to ensure that the funds and policies deliver results as soon as possible.

### **3. We continued the requirement to live on a tight budget and put financial resources where they could be better used.**

We persisted in fulfilling the requirement of living on a tight budget throughout the whole process of budget implementation, not only by fully guaranteeing the necessary expenditure needs but also by strictly

controlling budget expenditures. We tightened budget constraints, controlled general expenditures and fully ensured expenditures in key areas. The central government departments took the lead in tightening their belt. After expenditures registered negative growth for two consecutive years, the budgetary spending of central government departments will be further reduced by 2.1 percent. In budget implementation, we strictly controlled supplementary budgets. For new and urgent expenditure needs, we coordinated the resources within the existing budget framework. For expenditure needs that had to be added as new items in the budget by finance departments, a strict review followed by the State Council's approval was required before issuing an adjusted budget. We vigorously made full use of departments' existing funds and idle assets, and took back surplus funds and unused funds carried forward for two consecutive years for coordinated use in accordance with regulations to avoid funds sitting idle. We evaluated the central government departments' tight budget implementation on a quarterly basis and linked the evaluation results with budget planning, in order to strengthen the awareness of frugality. Meanwhile, the MOF has also guided local governments to be strict on budget implementation to ensure that the precious funds are used in areas that are critical to sustaining development and to meeting the urgent needs of the people.

## **II. We intensified efforts to ease the difficulties of businesses and keep overall economic performance stable**

To meet market entities' needs, we improved fiscal macro-regulation and coordinated multiple policy instruments. By implementing a new package of tax-and-fee policies, we stepped up efforts to ease market entities' financial burdens. In the first half of 2022, newly introduced tax and fee reductions as well as tax refunds totaled 507.4 billion yuan, and total processed tax refunds reached 1845.5 billion yuan, which effectively boosted market entities' confidence, enhanced the endogenous driving force for development, and ensured stable and healthy economic development.

### **1. We accelerated the implementation of tax cut and rebate policies.**

#### **First, VAT credit refunds were issued ahead of time on a large scale.**

Priority was given to 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 scheme, which was then further expanded to seven other industries including wholesale and retail. 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. New tax refunds would reach 1.64 trillion yuan for the whole year.

We accelerated the tax refund process, gave priority to micro and small-sized enterprises and substantially advanced the tax refund date for

medium and large-sized enterprises. Outstanding VAT credits were refunded for micro and small-sized enterprises before the end of April and June respectively, for medium-sized enterprises between May 1 and June 30 and for large-scale enterprises between June 1 and June 30, to ensure that these policies would benefit businesses as soon as possible.

We strengthened the guarantee of the treasury funds. The central finance authorities have completed all the special transfer payments of 1.2 trillion yuan arranged to support tax cuts and fee reductions and improve people's livelihood at the grassroots level. We established a separate pre-allocation mechanism for VAT credit refunds where funds were allocated in advance and settled on a monthly basis so as to secure the funds needed for local tax rebates. The refunds were included in the monitoring system for directly allocated funds to ensure timely settlement.

From April 1 to June 30, we refunded more than 1.722 trillion yuan to 1.865 million taxpayers. Together with the refunded 123.3 billion yuan in the first quarter, a total of 1845.5 billion yuan was rebated to taxpayers' accounts, which was 2.9 times the scale of VAT credit refunds in the first half of last year, successfully getting a large proportion of job done for the implementation of the tax refund policy.

**Second, we extended the tax cut and fee reduction policies that support the manufacturing industry, 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 low-profit small 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, reducing the current tax rate to five percent. The MOF also increased the additional tax deductions for R&D costs. The deduction proportion of R&D expenses for small and medium-sized science and technology-driven enterprises rose to 100 percent, while the policies on accelerated depreciation of equipment and tools were improved. In the first half of 2022, the policies of reducing or waiving six local taxes and two fees, reducing or canceling VAT for small-scale taxpayers, and reducing corporate income tax rates for small and micro businesses have resulted in tax and fee cuts of 83 billion yuan, 79.3 billion yuan, and 47.7 billion yuan, respectively.

**Third, we provided targeted support for industries which are experiencing severe difficulties.** For public transportation services such as buses that have been greatly affected by the pandemic and express delivery services that ensure people get their daily necessities, VAT has been exempted. The MOF suspended VAT prepayment by civil aviation and rail transportation enterprises for one year, and extended the VAT additional deduction policy for the production and consumer service industries. To stabilize car consumption, purchasers of passenger cars

priced under 300,000 yuan with an engine displacement within 2 liters may enjoy a temporary 50 percent cut of vehicle purchase tax. The policy is expected to benefit some 8.7 million passenger vehicle purchasers. We also encouraged local governments to exempt urban land use tax for taxpayers who are in difficulties.

## **2. We extended the coverage and duration of temporary policy of deferred payment of social insurance premiums.**

**First, we included more industries in the policy.** On top of the existing policy for enterprises in the five sectors of catering, retail, tourism, civil aviation, and road, water and rail transportation that are undergoing extreme difficulties to defer the payment of their employees' insurance for pensions, unemployment and work-related injury, 17 more industries undergoing difficulties, including the agricultural and sideline food processing and textile industries, were included in the scheme. The deferral of employees' insurance premiums for pensions is extended to the end of 2022, and the deferral of employees' insurance premiums for unemployment and workplace injury is extended for no more than one year. No overdue fine will be charged during the period.

**Second, we extended the deferral time limit.** In areas severely affected by the pandemic, businesses that have temporary difficulties in production and operation, including all micro, small and medium-sized enterprises and self-employed individuals who participated in the social



insurance program as business units, can apply for deferral of unit contribution in the payment of related insurance premiums for pensions, unemployment and workplace injury. The payments can be postponed until the end of 2022, and no overdue fine will be charged. Self-employed individuals who participated in the pension insurance program as individuals and had difficulty in paying pension insurance premiums in 2022 can voluntarily defer the payment until the end of 2023.

**Third, we studied and rolled out more deferral policies.** The MOF implemented a temporary policy allowing enterprises to defer the payment of their contribution to employees' medical insurance premiums. The policy clarified that 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 and self-employed individuals who participated in a medical insurance program as business units are allowed to defer the payment of their employees' medical insurance premiums for three months starting from July 2022. No overdue fine will be charged during the period. The MOF fully implemented the deferred payment policy in such a way that those eligible can enjoy the benefit without applying.

### **3. We made greater efforts to ensure effective policy support for stable employment.**

**First, we further enhanced funding to support employment.** We

underlined the implementation of the employment-first policy. The central finance authorities budgeted 61.758 billion yuan for employment subsidies, 5.168 billion yuan more than last year. So far, 59.758 billion yuan has been issued to assist local governments in implementing the employment and entrepreneurship support policies.

**Second, we offered policy support for enterprises to further stabilize employment with greater effects.** Temporary policies such as reductions to premiums for unemployment insurance and workers' compensation were extended until April 30, 2023. We also continued the policy of refunding unemployment insurance premiums for enterprises that make no cuts or minimal cuts on staff numbers, raising the proportion of refunds for large-scale enterprises from 30 percent in 2021 to 50 percent, and for micro, small and medium-sized enterprises from 60 percent to a maximum of 90 percent. In cities and counties with medium and high-risk areas in 2022, all the insured enterprises that are unable to resume production and operation difficulties due to the pandemic can get a one-off job retention subsidy of no more than 500 yuan for each employee covered by unemployment insurance. The policy will be in place until the end of 2022.

**Third, we made solid progress in ensuring the employment of key groups.** For enterprises that recruit college graduates in their graduation year, sign labor contracts and enroll them in unemployment insurance program, a one-off recruitment expansion subsidy of no more than 1,500

yuan per person was issued to them. A one-off employment subsidy will be given to micro, small and medium-sized enterprises that recruit college graduates in their year of graduation and sign labor contracts of more than one year. Those two subsidies will be implemented until the end of 2022, but cannot be enjoyed at the same time. We established a new Central Government's Special Public Welfare Lottery Fund-Supported College Students Innovation and Entrepreneurship Education Program, and allocated 100 million yuan to promote college students innovation and entrepreneurship development. We also rolled out policies that allow college students with financial difficulties to apply for interest exemption and repayment deferrals of student loans. Loan interest payments due in 2022 would be exempted for Students who would graduate in the year or graduated in the previous year. The finance authorities would cover the cost of interest payment exemption, and the repayment of the principal can be deferred for one year without penalty interests. The deferral policy is expected to benefit more than four million college graduates.

With the gradual recovery of the economy and the implementation of various employment stabilization policies, the rising trend of the surveyed urban unemployment rate has been reversed. In the first half of 2022, 6.54 million new jobs were created in urban areas, with an average surveyed urban unemployment rate of 5.7 percent. The overall employment situation has improved.

#### **4. We made government procurement more targeted.**

**First, we facilitated the participation of small and medium-sized enterprises in procurement.** We urged all localities and departments to strengthen 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 make sure that small and medium-sized enterprises get their share of procurement contracts.

We facilitated 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. We strictly followed the regulations to pay procurement funds in a timely manner, effectively reducing financial pressure on small and medium-sized enterprises.

**Second, we adjusted the price review discount for micro and small-sized enterprises.** We increased the price deduction discount for micro and small-sized enterprises' goods and services procurement items from the original 6-10 percent to 10-20 percent; that is, 10-20 percent of the quotations for micro and small-sized enterprises was deducted in the procurement bidding, and the contract was signed according to their actual quotations after the enterprises won the bid.

We increased the review discount for large and medium-sized enterprises that form a consortium with small and micro enterprises, or that subcontract to micro and small-sized enterprises, from the original 2-3 percent to 4-6 percent. These measures increased orders, created new growth momentum and stabilized expectations for small and medium-sized enterprises.

**Third, we increased contract allotment of government procurement projects.** In principle, procurement projects worth less than four million yuan are reserved for small and medium-sized enterprises. For procurement projects of more than four million yuan that are suitable for small and medium-sized enterprises, under the premise of adhering to the principles of openness and fairness, fair competition and unified quality standards, the reserved share for small and medium-sized enterprises in the second half of 2022 will be increased from 30 percent to more than 40 percent, further expanding their share of project contracts.

Backed by the above-mentioned policies and measures, the contract value of government procurement projects assigned to micro, small and medium-sized enterprises currently accounts for 75 percent of the total.

## **5. We continuously enhanced financial support.**

**First, we further strengthened support for development of inclusive financing.** In 2022, the central finance authorities arranged a special fund

budget of 10.707 billion yuan for development of inclusive financing to continuously enhance the financing capacity for serving the real economy. In collaboration with relevant parties, we launched a first group of 83 demonstration zones for inclusive financing development supported by the central government, and allocated 2.28 billion yuan to support local governments in building characteristic inclusive financing demonstration zones in light of their local conditions to enable inclusive financial services to expand coverage, increase operation, reduce costs and improve effectiveness.

**Second, we continued the policy of providing rewards and subsidies to reduce financing guaranty fees for small and micro businesses.** A total of three billion yuan was allocated to provide rewards and subsidies to reduce financing guaranty fees for micro and small-sized businesses. We focused efforts to guide the expansion of guarantee operations for the first loans, single-family loans of less than 10 million yuan, medium- and long-term loans as well as business guarantees for innovative micro and small-sized enterprises. We stepped up measures to intensify support for micro and small-sized enterprises with special difficulties in such sectors as transportation, catering, accommodation and tourism and helped reduce the rates charged for financing guarantees to make financing more accessible and affordable for micro and small-sized enterprises.

**Third, we took measures to expand the coverage and increase the efficiency of government financing guarantees.** We expanded the

coverage of government financing guarantees over micro and small-sized enterprises. We made it clear that the newly-added funding of cooperating businesses re-guaranteed by the National Financing Guarantee Fund would exceed 1 trillion yuan in 2022, so as to better support counter-cyclical adjustments. In the first half of the year, the National Financing Guarantee Fund completed 596.2 billion yuan worth of re-guarantee operations, a year-on-year increase of 85 percent, and served 780,000 market entities of all kinds, a year-on-year increase of 214 percent. The Fund provided 588.9 billion yuan for agricultural and small businesses, a year-on-year increase of 86 percent. The proportion of its re-guarantee operations for agriculture and small businesses was 98.78 percent of its total business activity, an increase of 0.09 percentage point year-on-year.

### **Ⅲ. We accelerated issuance and use of special-purpose local government bonds and enlarged their support scope to guide and expand effective investment.**

We accelerated the issuance and use of special-purpose bonds, optimized investment fields and continuously enhanced management of special-purpose bonds so as to better guarantee local authorities' reasonable financing needs and give full play to the active role of special-purpose local government bonds in guiding and increasing effective investments and stabilizing the macro economy.

**1. We basically completed the issuance of newly-added special-purpose bonds to ensure that the projects involved would generate physical gains as quickly as possible.**

Based on the requirement of keeping the government's overall leverage ratio basically stable, the National People's Congress approved a limited increase of 3.65 trillion yuan in special-purpose local government bonds in 2022, the same level as the previous year. We made plans for the issuance and use of special-purpose bonds in advance. In December 2021, authorized by the Standing Committee of the National People's Congress, newly-added special-purpose bonds totaling 1.46 trillion yuan were issued, three months earlier than last year. The newly-added special-purpose bonds for project construction, which totaled 3.45 trillion yuan, were all issued at the end of March. Measures were taken to optimize the allocated quotas of special-purpose bonds. We took into full consideration local fiscal strength, debt risk levels, and readiness of projects in the pipeline in making the allocations, with preference for regions with strong solvency and sufficient project reserves. To take full advantage of the policy to allow special-purpose bonds to be used as the capital for major projects and optimize investment fields of special-purpose bonds, we required local governments to use the special-purpose bond funds first for important projects included in the 14th Five-Year Plan (2021-25) and major regional development strategies and firmly avoid spreading the funds too thin. We guided local authorities in arranging the time of issuance in advance, accelerating the process of



budget adjustment, and allocating the newly-issued quotas to cities and counties in time to enable the projects involved to generate physical gains as soon as possible.

From January to June, we issued a total of 3.41 trillion yuan of newly-added special-purpose bonds. Among the bonds issued, 1,169.1 billion yuan was used for supporting municipal construction and industrial park infrastructure, 577.7 billion yuan for transportation infrastructure, 638.9 billion yuan for social undertakings, 529.6 billion yuan for government-subsidized housing projects, 283.2 billion yuan for agriculture, forestry and water conservancy, 127.6 billion yuan for environmental protection, and 80.2 billion yuan for energy and urban and rural cold chain logistics infrastructure. These bonds have played an important role in stabilizing the macro economy. Among them, over 240 billion yuan in special-purpose bonds was used as capital for major projects by local authorities, which effectively leveraged the role of government investment. In accordance with laws, regulations and risk management, we guided commercial banks in providing counterpart funding support for qualified special-purpose bond project construction entities.

**2. We included new infrastructure and new energy projects in the scope of support and prepared for key projects in advance.**

**First, we further expanded the scope of preferential support for**

**special-purpose bonds.** Following the arrangements and requirements of the State Council, we made a study on expanding the scope for using special-purpose bonds in a reasonable manner. On top of the existing fields such as transportation infrastructure, energy, environmental protection, and government-subsidized housing projects, we included qualified government investment projects of new energy and infrastructure in the supportive scope of local government special-purpose bonds to bolster the development of emerging industries.

**Second, we took measures to improve the preparation of projects ready for implementation.** We guided local governments in normalizing reservation of the special-purpose bond projects in accordance with the requirements of "one batch of projects put in the pipeline, one batch of projects committed for the bonds issued, and one batch of projects already under construction". In 2022, 71,000 special-purpose bond projects were prepared and reserved in two separate groups. New special-purpose bonds issued supported over 23,800 projects in the first half of the year, including nearly 10,800 projects under construction and approximately 13,000 new projects.

### **3. We enhanced supervision and management of special-purpose bonds and improved efficiency of funds utilization.**

We strictly implemented the management of the negative list of special-purpose bonds. It was strictly prohibited to use the funds for

government buildings, vanity projects, prestige projects and non-public welfare capital expenditures. We strengthened daily supervision and management, and implemented a thorough monitoring of special-purpose bond projects in which reporting of the progress of special-purpose bond expenditures on a monthly basis was required, and conducted targeted verification of the use and management of special-purpose bonds on a regular basis. We also comprehensively consolidated the management responsibilities of authorities and project units, strictly implemented the punishment mechanism related to special-purpose bonds, and enhanced the rigid constraints on irregularities so as to promote the proper use of special-purpose bonds in accordance with relevant laws and regulations.

#### **IV. We improved direct allocation of fiscal funds on a regular basis to ensure the funds were dispensed and used efficiently and accurately.**

We further expanded the scope of directly allocated funds, accelerated their disposal and use, and strengthened supervision management. The direct allocation of fiscal fund mechanism worked well, policy effects were remarkable, and the role of the funds in delivering benefits to enterprises and the people was fully played out.

##### **1. We expanded the scope of directly distributed fiscal funds, with the total amount reaching about 4 trillion yuan.**

We included all eligible funds that would benefit enterprises and the

people in the scope of the direct allocation mechanism, which totaled about 4 trillion yuan, 1.2 trillion yuan more than last year. In particular, we included the direct transfer payments for supporting tax and fee cuts as well as people's key needs in grassroots areas in the scope of the directly-distributed fiscal funds, giving full play to the role of the direct fiscal fund distribution mechanism in guaranteeing the people's livelihoods and supporting the normal functioning of grassroots communities. In the meantime, we required local authorities to incorporate local fiscal funds corresponding to central government's direct funds into the scope of the direct fiscal fund allocation mechanism, and encouraged local authorities to include also their own funds that would benefit enterprises and the people in the direct allocation system, based on local circumstances, to further amplify the effect of the mechanism.

## **2. We distributed the direct fiscal funds in a quick manner and with positive results.**

### **First, we allocated and implemented the budget funds in a fast way.**

In the first half of the year, the central finance authorities allocated 3.992 trillion yuan out of the about 4 trillion yuan, or 97.9 percent of the total. All qualified funds were allocated. The remaining funds were mainly used for actual settlements. Local authorities allocated 3.625 trillion yuan to fund users, accounting for 90.8 percent of the directly distributed funds from the central finance authorities.

**Second, the funds were spent in a quick manner.** In the first half of the year, except for the funds used in support of tax and fee cuts, local governments arranged implementation of 357,000 projects using 1.848 trillion yuan worth of direct fiscal funds, which accounted for 57.9 percent of 3.192 trillion yuan allocated by the central government, 7.9 percentage points higher than scheduled fund spending and with the total fund usage progressing almost one month faster than the plan. The expenditure was mainly targeted at the grassroots level, with expenditure at the provincial level reaching 0.646 trillion yuan, accounting for 35 percent, and that at county level reaching 1.202 trillion yuan, accounting for 65 percent of total spending.

**Third, the policies to benefit enterprises and the people achieved notable results.** To help market entities maintain operation, local governments also provided fiscal expenditure support, apart from tax and fee cuts. Statistics, though incomplete, show that the relevant direct expenditures for benefiting enterprises reached about 350 billion yuan, bringing benefits to 680,000 market entities through 2.56 million specific distributions. In terms of maintaining job security, based on a preliminary calculation the direct expenditure on employment exceeded 20 billion yuan, facilitating the implementation of the employment priority policy and stabilizing the employment situation. In terms of ensuring people's basic livelihoods, according to preliminary calculations, the expenditure reached 1.17 trillion yuan and covered matters such as pensions, compulsory education, medical care and housing, helping meet people's

basic living needs.

### **3. We strengthened supervision to ensure standardized and efficient use of direct fiscal funds.**

#### **First, we optimized the monitoring system for direct fiscal funds.**

Based on the requirement to expand and improve the efficiency of direct funds, the system was extended from data tracking to monitoring and early warning. We strengthened integration and comparison of the data between the monitoring and the integrated budget management systems to accelerate the integration process and provide strong support for enhancing direct fund management.

**Second, we enhanced daily monitoring and supervision.** We took strict measures to manage allocation and use of funds and strengthened online supervision and offline inspection. We monitored every link throughout the whole process of fund allocation, appropriation and use to achieve synchronization of allocation and monitoring “from the top to the primary level”. Measures were taken to encourage local authorities to manage the expenditure progress rationally in a bid to ensure early and standardized use of funds.

**Third, we promoted cross-department coordination.** A classified supervision system was established based on characteristics of different funds. We strengthened work coordination among departments of

auditing, competent authorities and finance. We adopted a problem-oriented approach and focused on fund use in projects. We enhanced monitoring and supervision in key areas and of critical links in fund expenditures to ensure the money is put in place and takes effect.

**V. We safeguarded the "three priorities" to maintain normal operation of local finance.**

Safeguarding the "three priorities" remained, as always, our major task. Despite an obvious imbalance between fiscal revenue and expenditure, we further enhanced financial support to local authorities, specified their responsibilities, and enhanced supervisory guidance as well as monitoring and early warnings so as to ensure sufficient expenditures on the "three priorities" and maintain smooth and orderly operation of local finance.

**1. We maximized our efforts to channel fiscal resources to local levels of government, and the transfer payments were increased in a large scale.**

We pooled financial resources to intensify transfer payments to local authorities. In 2022, the central government allocated nearly 9.8 trillion yuan to local authorities, an increase of about 1.5 trillion yuan, or 18 percent, over the previous year. We further optimized the payment structure, increasing the general transfer payment by 8.7 percent, and allocated a great share of those payments to central and western regions

as well as grassroots communities. We accelerated the process of transfer payments from the central government to local authorities. By the end of June, the rate of such payments reached 92.7 percent, providing strong support for local authorities in fulfilling their work on the "three priorities" and other tasks.

**2. We fulfilled our responsibilities and gave priority to expenditures on ensuring people's basic well-being, payment of salaries and normal government functioning.**

Based on the principle of county-level governments as the main pillars, municipal governments offering assistance, provincial governments providing guarantees, and the central government giving incentives, we assigned responsibilities to authorities at different levels, with the provincial finance bearing major responsibilities for the fiscal operation of designated counties including county-level cities, and the local prefecture-level finance bearing major responsibilities for the fiscal operation of municipal districts under their direct administration, to make sure that the responsibilities for safeguarding "three priorities" were carried out in a well-rounded way. We stepped up efforts to improve the incentive and restraint mechanism, allowing central finance, when arranging general transfer payments, to reward the local regions that achieved remarkable results in strengthening guarantees for the "three priorities" and improving the fiscal strength and equilibrium at the county level. We intensified work guidance and supervision, urged local



governments to focus their budget arrangements on the “three priorities”, keep them in the preferred order of spending list, and take concrete measures to make sure that the wages, pensions and other benefits of key groups such as teachers are paid on time

### **3. We worked on the improvement of monitoring and early warning to effectively prevent fiscal operational risks at the grassroots level.**

We continued efforts to improve the monitoring mechanism for local fiscal operations and carried out synchronized monitoring and dynamic early warning on the arrangements and implementation of the local "three priorities" budget as well as the status of local government debt services, suspense debits, and treasury funds. Local regulatory bureaus of the MOF have established a consultation mechanism with provincial finance departments in the provinces where they are located and built a liaison system with key counties and districts to have detailed knowledge on and monitor the fiscal operations at the grassroots level. We urged counties and districts to quickly rectify operational risks found through audit supervision and daily monitoring.

### **VI. We provided support to stabilize industrial and supply chains and facilitate smooth economic circulation.**

We remained committed to pursuing innovation-driven development, made constant efforts to enhance science and technology input, and

continued to innovate and improve policy mechanisms. We also stepped up efforts to eliminate bottlenecks in industrial and supply chains, with a view to stabilizing industrial and supply chains and ensuring smooth economic circulation.

**1. We vigorously pushed forward scientific and technological innovation, and continued to expand industrial development.**

**First, important progress was made in ground-breaking scientific and technological innovation.** To take basic research as a priority area for input, we allocated 76.614 billion yuan of central government expenditures in 2022, an increase of 7 percent. We supported the implementation of a 10-year action plan for basic research, optimized the funding system under the National Natural Science Foundation of China, and encouraged efforts to develop basic research and explore scientific frontiers. We ensured funding needs to achieve major breakthroughs in core technologies and provided financial support for such projects in key fields as pandemic prevention and control, disease prevention and treatment, the seed industry and the green and low-carbon sectors.

We extended mechanisms such as the open competition mode and the "revealing the leaders" system to select the best candidates to undertake key research projects, spared no effort in the organization and implementation of major scientific and technological projects and solved technical bottlenecks. To act under the principle of promoting the project

once matured, we expedited the organization and implementation of the Sci-Tech Innovation 2030 Agenda and continued to extend innovation and improve the industrial chain.

**Second, the country's strategic scientific and technological strength was further improved.** We established a supporting mechanism to bolster stable funding for national laboratories, impelled the reorganization of national key laboratories, facilitated scientific research institutions and high-level research universities in better playing their roles, stimulated the reform and development of central scientific research institutions, and promoted the construction of world-class institutions. We supported the talents building of high-level researchers and encouraged them to engage in independent scientific and technological R&D through relevant projects. We urged scientific research institutions and central universities to spend more than half of their annual basic scientific research budget on young researchers, and to introduce and cultivate high-level talents.

**Third, reform of science and technology fund management was further deepened.** We refined and adjusted science and technology expenditures, shifting the emphasis to strategic and key areas. We strengthened the follow-up and supervision of the implementation of Opinions of the General Office of the State Council on Reforming and Improving the Management of Central Fiscal Funds for Scientific Research Projects, intensified interim and ex-post regulation, and

guaranteed autonomy so that such funds can be delegated, taken over and managed well. We optimized the functions of science and technology innovation guidance funds and encouraged private sector to increase investment in the commercialization of scientific and research findings by setting up venture capital sub-funds for extensive application.

**Fourth, innovation vitality of enterprises was effectively inspired.** We raised the extra tax deduction on the R&D costs of small and medium-sized sci-tech enterprises from 75 to 100 percent and improved policies such as the accelerated depreciation of relevant equipment and tools. We adopted an "implementation before appropriation" funding mode, which allows enterprises and other innovative bodies to first fund and conduct scientific activities, and then be eligible for subsidies once they have passed acceptance inspection. This mode will help enterprises to become principal forces of innovation. Focusing on the industrial requirements, we launched relevant projects under national science and technology plans, and supported enterprises to take the lead in forming innovation consortia to undertake national scientific research tasks and to improve their independent innovation capacity in core technologies of key fields.

**2. We worked to enable fiscal and tax policies to produce effects early on and helped industrial chain and supply chain enterprises to resume work and reach target output with coordinated efforts.**

**First, we promoted the optimization and upgrading of industrial and supply chains.** Paying close attention to key industrial chains in the manufacturing sector, we fixed weak links, supported the construction of public service platforms, and improved the modernization of industrial and supply chains. We continued to implement the insurance compensation mechanism for the first set of major technical equipment and the first batch of key new materials and adopted a market-oriented approach to support the promotion and application of related innovative products. We gave full play to the role of government investment funds in the manufacturing sector and guided private capital to increase investment in integrated circuits, new materials, and new generation information technology to ensure the safety of industrial and supply chains.

**Second, we fueled high-quality development of small and medium-sized specialized and sophisticated enterprises that produce new and unique products.** We focused both on excellent enterprise cultivation and industry strengthening. At the beginning of June, the central finance authorities issued 1.921 billion yuan as reward funds for "little giant" enterprises in related provinces, of which 1.086 billion yuan was used for adding 543 new key "little giant" enterprises. More than 90 percent of these enterprises are involved in mending the weak links of core technologies in niche areas, further reflecting the priorities for enterprise cultivation. Up to now, the central finance authorities has issued a total of 4.68 billion yuan of awards and fiscal assistance to

support 1,922 key "little giant" enterprises, providing strong impetus in strengthening industrial chains.

**Third, we devoted greater efforts to ease difficulties faced by industries and enterprises hit relatively hard by the pandemic, including civil aviation.** We suspended the prepaid VAT for branches of aviation enterprises and refunded excess VAT to air transport enterprises. From May 21 to July 20, we granted temporary fiscal subsidies to domestic passenger flights to maintain the minimum flights volume and ensure flight safety. Statistics show that domestic average daily flights reached 9,867 in the last week of the policy (from July 16 to 20), an increase of 119.3 percent over the first week when the policy was initially implemented.

**Fourth, we promoted smooth functioning of logistics.** We exempted VAT for taxpayers' income earned in courier and express delivery services for essential living materials from late May to the end of the year. To support national comprehensive freight hubs in improving and strengthening the industrial chains, we will, starting from 2022, concentrate our resources on helping about 30 cities over the next three years or so to implement projects for infrastructure and equipment connectivity, improve standards and services for multimodal transportation, and build up a market-based long-term mechanism with multi-party participation. We will play a positive role in increasing the efficiency, enhancing the momentum, and reducing the costs of

circulation, and stand fast to stabilize and extend industrial and supply chains. In 2022, we arranged 5 billion yuan of assistance funds for about 10 cities selected on a merit basis to start relevant work, and allocated 2.36 billion yuan to support construction of the supply chain system of agricultural products, designating local governments to coordinate and support cold-chain logistics enterprises affected by the pandemic that undertook relevant circulation and supply tasks. We also provided 5 billion yuan to support the construction of cold storage and food preservation facilities in agricultural producing areas, with a view to consolidating the foundation for smooth logistics.

**3. We supported the steady increase of major purchases such as automobiles and helped to release the potential of domestic demand.**

We temporarily reduced the tax of eligible vehicles and halved the purchase tax for passenger cars with an engine displacement within 2 liters that are purchased between June 1 and Dec 31, 2022, and priced at no more than 300,000 yuan (excluding VAT), so as to boost automobile consumption. This policy reduced taxes by 60 billion yuan. We supported the orderly development of the new energy vehicle industry, implemented subsidy policies for the purchase of such vehicles, took into account the development plan of the sector, market sales trends, the smooth transition of enterprises and other factors, phased out the subsidies at a steady pace and clarified that the deadline for the new energy vehicle purchase subsidy policy of the year is December 31. In the first half of 2022, the

number of new energy vehicles in China exceeded 10 million, an annual growth of 27.8 percent. Their production and sales surpassed 2.6 million, an increase of 1.2 times year-on-year.

## **VII. We refined policy support for agricultural and rural development and promoted balanced and coordinated regional development.**

We gave full play to our fiscal functions, laid emphasis on the effective connection between consolidating and expanding poverty alleviation achievements and rural revitalization, implemented major regional development strategies, strove to address unbalanced and inadequate development, and promoted coordinated regional development at a higher level.

### **1. We effectively guaranteed production and supply of grain and important agricultural products.**

#### **First, we supported the stabilization of subsidies for grain farmers.**

Continuing with policies to protect farmland fertility, we provided 120.485 billion yuan of subsidy funds for farmland fertility protection, and distributed 30 billion yuan of one-time subsidies in two batches for actual grain farmers to purchase agricultural supplies. We introduced subsidies for the strip cropping of corn and soybean and advocated promotion of this approach in suitable areas such as Northwest China, the



Huang-Huai-Hai Plain, Southwest China and the middle and lower reaches of the Yangtze River.

**Second, we implemented the food crop production strategy based on farmland management and technological application.** We promoted growth in comprehensive grain production capacity and arranged 86.498 billion yuan of farmland construction assistance funds, 476 million yuan of departmental budget funds and 22.6 billion yuan of central infrastructure investment for 100 million mu of newly constructed high-standard farmland across the country (including 15 million mu of high-efficiency and water-saving irrigation areas). We allocated 11.145 billion yuan to support crop rotation and fallow. To help upgrade agricultural mechanization, we spent 21.2 billion yuan to implement the policy for subsidizing the purchase and application of agricultural machinery. We supported the revitalization of the seed industry.

**Third, we worked to ensure the effective supply of important agricultural products.** Efforts were made to promote countywide dairy production capacity improvement, support the development of moderate scale breeding, with both grass and livestock adequately available, in counties with strong dairy production performance, so as to enhance their capacity for milk supply. We took actions to enhance the quantity and quality of beef cattle and mutton sheep, further expanded project areas, and spurred expansion of cow quantity and quality, and of the entire industrial chain of grass planting and cattle and sheep raising. We

subsidized growing superior crop varieties, supported extension of fine livestock breeds in pastoral areas, and expedited the improvement of pig breeds. We allocated 6.899 billion yuan for animal epidemic prevention and control to ensure the related work was done properly. In a timely manner we allocated incentive funds to major supplying counties of hogs, cattle and sheep to promote the production and sales of those animals as well as industrial development of relevant fields. We launched sugar cane full cost insurance and plantation income insurance in Guangxi Zhuang Autonomous Region and started similar insurance pilot programs for soybeans in eligible counties in Heilongjiang Province and Inner Mongolia Autonomous Region.

**Fourth, we pushed forward work in agricultural disaster prevention, reduction and relief.** A total of 5 billion yuan from agricultural production development funds and agricultural production disaster relief funds was distributed to ensure stronger wheat growth and strengthen field management. Efforts were made to guarantee the prevention and control of major crop diseases and pests, and to ensure the full coverage of "one spray, three types of prevention" measures to protect wheat. We allocated 26.593 billion yuan from water conservancy development funds to promote the management of small and medium rivers with a basin area of 200 to 3,000 square kilometers, as well as risk prevention in the reinforcement of low- and high-risk reservoirs, and the prevention and control of mountain torrents.

**2.Efforts were made to consolidate and expand the achievements of poverty alleviation through effective connection with rural revitalization.**

**First, we enhanced financial support.** In 2022, the central government budget allocated 165 billion yuan of supporting funds for consolidating and expanding poverty reduction achievements and promoting rural revitalization (hereinafter referred to as “supporting funds”), an increase of 8.476 billion yuan over 2021, with a more tilted focus on the key counties that need help. We provided guidance for the relevant transfer payments used to support poverty alleviation in the recent past period to continue supporting local governments in consolidating and expanding their achievements in poverty alleviation, and helping them carry on their efforts to promote rural revitalization. We provided guidance for all localities to coordinate and integrate resources from various channels, put in place the pilot policies on the integration of agriculture-related funds in counties lifted out of poverty, and enhance efforts to ensure adequate financial support for the implementation work.

**Second, we emphasized targeted assistance.** With the 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 local governments to consolidate and expand the achievements of poverty alleviation by

relying more on development. We made it clear that all localities should give priority to the key counties that need help in their efforts to consolidate and expand their achievements in poverty alleviation, lend them more support, help them shore up shortcomings and safeguard the bottom line. We took a focused approach for providing financial support, prioritized funding for the industries that can unite, lead and enrich farmers, helped improve the mechanism for linking the interests of industries and projects, to ensure that all the people who have been assisted can be benefited. We supported programs such as offering discount interest on microfinance, skill training, and employment expansion, to see that the people assisted will have their income constantly increased. We supported local efforts to shore up the shortcomings of rural water supply facilities and other necessary public welfare infrastructure, with adjusted measures based on their specific circumstances, to improve people's working and living conditions in the areas that have shaken off poverty. We have made it clear that the budget units both at the central and local level should reserve a share of no less than 10 percent for the procurement of canteen food, and purchase agricultural and sideline products in out-of-poverty areas through the "the 832 online poverty relief platform". In the first half of 2022, budget units at all levels spent a total of 3.8 billion on these products.

**Third, we worked to improve the efficiency of fund use.** We introduced guidelines on strengthening the use and management of the supporting funds and urged all localities to put those funds under good

use and sound management. A third party evaluation on the performance of the supporting funds was organized, in conjunction with relevant departments, to put constant supervisory pressure on and guide localities to improve their work. Focusing on the application of evaluation results, we rewarded provincial-level regions who delivered better performances according to differentiated standards. The reward funds were used to support the implementation work according to the guiding opinions for the management of supporting funds. We regularly asked for progress reports on project implementation and fund disbursement, stepped up efforts to bring to the attention of key provinces and made sure that the policies for the supporting funds were fully implemented.

### **3.Major strategies for regional development were implemented.**

We worked to improve the policy system for promoting coordinated and balanced regional development. We made good efforts to implement the issued fiscal and taxation supporting policies on comprehensively deepening reform and opening-up of Hainan Province, the planning and construction of the Xiongan New Area in its initial stage, constructing the Guangdong-Hong Kong-Macao Greater Bay Area, revitalizing the Northeast China, and developing the Yangtze River Economic Belt. We pushed forward the introduction of fiscal and taxation policies to promote ecological protection and high-quality development in the Yellow River Basin. We continued to study and improve the measures on the Chinese capital's fiscal system and tax sharing. All these efforts were intended to

constantly keep building and improving a policy system that promotes coordinated and balanced regional development.

The fiscal safeguard capacity of special areas was improved. We further expanded the scope of transfer payment subsidies in old revolutionary base areas to achieve full coverage at county-level in these areas. We further increased the support for border areas and promoted population stability and people's livelihoods there. The Measures on Transfer Payment of the Central Government to Local Resource-Exhausted Cities were revised to promote the sustainable economic and social development of resource-dependent areas.

#### **4.The quality of new urbanization development was steadily improved.**

We increased financial support for the urbanization of migrant population from rural areas, revised the Administrative Measures for the Central Fiscal Reward Funds of Urbanizing Migrant Population from Rural Areas to further strengthen and standardize the management of the reward funds. A total of 40 billion yuan of the funds was allocated in 2022. We continued to support the construction of sponge cities. In 2022, 15 billion yuan in subsidy funds for urban pipeline networks and sewage treatment from the central government was distributed to implement sponge city demonstration projects, and to further expand the coverage of demonstration cities. In collaboration with the Ministry of Housing and

Urban-Rural Development, we launched a demonstration program for the protection and utilization of traditional villages contiguously as a whole, and distributed a budget of 1.5 billion yuan in subsidy funds. The 40 demonstration counties that passed the review were given fixed rewards and subsidies. We also provided guidance to improve the public environment of these traditional villages.

### **VIII. Ecological environment was steadily improved and new achievements in green and low-carbon development were made.**

We resolutely implemented Xi Jinping Thoughts on Ecological Civilization, firmly established the concept that "lucid waters and lush mountains are invaluable assets", scientifically coordinated the promotion of ecological protection work, vigorously supported the construction of a beautiful China with blue skies, green land and clear water, and made new progress in comprehensive green transformation.

#### **1. Efforts in pollution prevention and control were further intensified.**

**First, the blue sky protection campaign was constantly carried forward.** We allocated 30 billion yuan for air pollution prevention and control, which increased by 9 percent year-on-year. We expanded the scope of support for clean heating in the winter in northern areas, and selected 25 newly supported cities, such as Qingdao and Harbin, through competitive reviews to promote the transformation and upgrading of

energy consumption. We continued to carry out work such as atmospheric environment governance and management capacity building, and coordinated the control of fine particulate matter (PM2.5) and ozone (O3) pollution to help achieve the goal of carbon peaking and carbon neutrality. In the first half of the year, the concentration of PM2.5 in cities at the prefecture level and above decreased by 5.9 percent year-on-year, and the ratio of days with good air quality on average was 84.6 percent.

**Second, the battle to defend clean water continued.** We allocated 23.7 billion yuan for water pollution prevention and control, which increased by 9 percent year-on-year. Focusing on Yangtze River and Yellow River basins, we supported localities to implement projects such as water pollution control, water ecology protection and restoration, centralized drinking water source protection, groundwater ecological environmental protection, water pollution prevention and control capacity building. We carried out pilot projects for the treatment of black and odorous waters in rural areas across the country, and selected 15 cities, such as Jincheng in Shanxi Province, as part of the first pilot project to help local governments speed up their efforts to shore up weak links that had impeded the improvement of the rural living environment. In the first half of the year, the proportion of surface water with excellent water quality was 85.7 percent, an increase of 4 percent year-on-year; the proportion of inferior grade V was 1.1 percent, a year-on-year decrease of 0.8 percent.

Third, the battle to prevent and control soil pollution kept deepening. A total of 4.4 billion yuan for soil pollution prevention and control was



allocated to support the source control of heavy metal soil pollution, including the reduction of historically heavy metal contaminated solid wastes, discharged heavy metals and other heavy metal pollutants. . We increased support for the prevention and control of soil pollution sources and risk management, and promoted the risk control and restoration of farmland and construction land related to the safety of agricultural products and human settlements.

## **2.Work on ecosystem protection and restoration was continuously strengthened.**

**First, the systemic management of mountains, rivers, forests, fields, lakes, grasslands and sand was solidly promoted.** We distributed 15 billion yuan to continue carrying out the first group of 10 projects for the integrated protection and restoration of mountains, rivers, forests, fields, lakes, grasslands and sand during the 14th Five-Year Plan (2021-25) Period, including the Oujiang River in Zhejiang Province, and to launch the implementation of the second group of 9 projects during the same period, including the eastern section of Qinling Mountains in Henan province and Jingjiang River in Hubei province. All these coordinated efforts to promote comprehensive, systematic and source management of mountains, rivers, forests, fields, lakes, grasslands and sand have effectively upgraded the quality and stability of the ecosystem.

**Second, in-depth implementation of marine ecological protection and**

**restoration projects was carried out.** We allocated 4.046 billion yuan to support 16 cities in implementing marine ecological protection and restoration projects, with a view to improving the quality of the marine ecological environment and enhancing marine ecological carbon sink capacity.

**Third, the demonstration projects for ecological restoration of abandoned mines were started.** We launched 11 demonstration projects for ecological restoration of abandoned mines, including Longyan in Fujian Province and Ya'an in Sichuan Province, in a bid to restore mountains and surface vegetation in these areas, improve the regional ecological conditions, and enhance ecosystem quality and service functions.

**Fourth, the protection and restoration of forest-grass ecosystems were vigorously carried out.** We made efforts to promote the protection of natural forests, returning farmland to forests and grasslands, and grassland ecological restoration. We implemented forest resource management and ecological forest ranger policies to strengthen wetland protection and restoration, improve wildlife protection, and enhance *Camellia oleifera* cultivation, forest and grassland fire prevention, and forestry pest control. We also sped up the construction of a natural reserve system with national parks as the mainstay. We rewarded the localities that achieved remarkable results in the full implementation of the forest chief system.

### **3.Efforts to achieve carbon peaking and carbon neutrality were advanced in an orderly manner.**

We maintained the momentum to advance carbon reduction, pollution control, green expansion and economic growth in a coordinated manner, adopting a gradual approach to do a good job in carbon peaking and carbon neutrality. We studied and issued guidelines on fiscal support to achieve carbon peaking and carbon neutrality, comprehensively used policies and measures, such as fiscal fund leverage, tax adjustments, diversified investment, and government green procurement, to ensure fiscal support. The development of green and low-carbon industries and technological research were prioritized to promote energy conservation and emission reduction in key areas and industries. We improved green procurement standards, increased the government procurement of energy-saving and environment-friendly products, which accounts for more than 85 percent of the government procurement of similar products. We instructed six pilot cities, such as Shaoxing, to carry out government procurement to support the pilot work of applying and promoting green building materials and architecture. At present, the investment amount of pilot projects is about 100 billion yuan. The support policies of clean energy were improved and renewable energy vigorously developed. We supported 20 pilot and demonstration projects in land greening, scientifically promoted large-scale land greening actions, and enhanced the ecosystem's carbon sequestration capacity.

## **IX. Policy measures were optimized to ensure basic livelihoods.**

Improving people's well-being is the fundamental purpose of development. Finance departments have always adhered to a people-centered development philosophy, tried their best to do what they can, striven to ensure and improve people's livelihoods in the process of development, and constantly enhanced the people's sense of gain, happiness, and security.

### **1. We responded to the needs of pandemic prevention and control, as well as natural disaster relief, in a timely manner.**

**First, we took effective measures to ensure adequate funding for COVID-19 vaccines and vaccinations.** We allocated funds in a timely manner to support the scientific and rapid handling of local outbreaks. We stepped up efforts to secure funding for vaccinations, drug research and development, and included local pandemic prevention-related work into the scope of the "three priorities" to ensure funding support for the pandemic prevention and control and medical treatment.

**Second, we carried out natural disaster relief work effectively.** We promptly launched a rapid funding verification and allocation mechanism. 910 million yuan of central funds for natural disaster relief was allocated to support earthquake relief in Lushan, Sichuan Province, flood relief in Liaoning Province, Guangxi Zhuang Autonomous Region, Guangdong

Province, Fujian Province, Guizhou Province, Hunan Province and Jiangxi Province and typhoon relief in the provinces of Hainan and Yunnan, as well as drought relief in Gansu Province, Inner Mongolia Autonomous Region and Shaanxi Province, in a bid to effectively protect the lives and property of the people. A total of 790 million yuan was allocated from central assistance funds to support aircraft leasing for local forest and grassland aviation firefighting and forest and grassland fire prevention. We issued a central plan regarding the procurement of emergency rescue and relief materials to replenish reserves of flood and draught relief materials as well as daily life relief supplies.

**Third, we steadily improved the capability of preventing and controlling mega-scale geological disasters.** A total of five billion yuan was earmarked for local governments to strengthen the comprehensive management of mega-scale geological disasters and improve their comprehensive disaster response institutional development and capacity building, in terms of, among others, carrying out geological disaster survey and evaluation, conducting monitoring and providing early warning in key regions.

## **2.We promoted high-quality development of education.**

**First, we steadily increased input in education.** We continued to take educational input as a national strategic priority. In 2022, the national general public budget for education expenditure was set at 4.1521 trillion

yuan, up by 10.4 percent over the previous year; and 1.9208 trillion yuan was spent in the first half year, an increase of 4.2 percent year-on-year.

**Second, we steadily promoted education equity.** We arranged 324 billion yuan for transfer payments in basic education and financial aid to students through the general public budget, up 5.7 percent year-on-year, to support local governments in consolidating and improving compulsory education funding guarantee mechanisms in rural and urban areas, and implemented the nutrition improvement program for rural compulsory education students, further promoting improvement and capability building of the weak links in compulsory education. We also strengthened construction of rural teaching staff, expanded inclusive pre-school education resources for both public and privately-funded schools, improved basic conditions of ordinary county high schools and implemented financial aid policies for students at all stages of education.

**Third, we enhanced the ability of education to serve economic and social development.** We supported local governments in raising the per-student subsidy level for vocational education and promoted the development of college-level vocational schools and disciplines with Chinese characteristics. We continued to optimize the budget allocation system for the central colleges and universities, and supported them in improving education quality and development levels. We provided support for local governments in reforming and optimizing the budget allocation system for local colleges and universities, consolidated and

improved per-student subsidy levels of local colleges and universities, guided local governments to increase input in higher education and promoted sustainable and healthy development of local colleges and universities.

### **3. We steadily promoted the construction of the health care system.**

We effectively improved the health services level. We allocated 68.5 billion yuan to support the provision of basic free public health services for residents in terms of health education, vaccination and health management of key groups. The fiscal subsidy for basic public health service expenditures was raised from 79 yuan to 84 yuan per person per year. A total of 32.3 billion yuan in subsidy funds was allocated for improving medical services and capacity, promoting comprehensive reform of public hospitals, cultivation of health personnel and capability building of medical and health institutions, as well as inheritance and development of traditional Chinese medicine. We supported grassroots medical institutions' implementation of the national essential drug system, ensuring the provision of family planning services, carried out prevention and control of major infectious diseases such as AIDS and tuberculosis, and promoted a national immunization program.

We made efforts to promote steady progress in the provision of medical care services. The financing standard of medical insurance for urban and rural residents was improved properly. A total of 373.628 billion yuan

was allocated as subsidy funds for medical insurance for rural and urban residents. The basic medical insurance subsidy for rural and urban residents was increased by 30 yuan per person on average, and now stands at no less than 610 yuan per person per year. We reinforced the medical assistance's function as a guarantee to help people in difficulty. Subsidy funds of 31.695 billion yuan were allocated for medical assistance to subsidize eligible people in difficulty with their insurance, subsidize their basic medical out-of-pocket expenses that are not affordable for them and provide emergency assistance for medical treatment. In order to strengthen capacity building of medical insurance services, we allocated 4.295 billion yuan of subsidy funds to the medical insurance services to support their IT reform, fund supervision and management, reformed medical insurance payment methods and centralized pharmaceutical procurement and pricing reform.

#### **4. We continued to improve the social security system.**

**First, the pension insurance system was further improved.** We allocated 124 billion yuan in advance as transfer funds for the nationwide pooling system of the enterprise employees' basic pension, and properly transferred funds from regions with surpluses to regions with deficits. A total of 926.4 billion yuan was allocated for basic pension transfer payments, supporting local governments' ability to pay pensions sufficiently and in a timely way. The basic pension levels of retirees of enterprises and government agencies were adjusted and the minimum



standards of the national basic pension component of urban and rural residents' basic pension schemes were raised. The policy framework of a nationwide pooling system was further improved, promoting the smooth implementation of the national pooling system of basic pension funds.

**Second, we gradually expanded coverage of employment injury and unemployment insurance.** We accelerated implementation of provincial overall planning of employment injury and unemployment insurance, improving the funds' anti-risk capability and ensuring timely and sufficient payment of benefits as well as fair and sustainable operation of the funds. Working together with relevant departments, we carried out pilot work of occupational injury guarantees related to new forms of employment to safeguard the legitimate interests and rights of their practitioners.

**Third, we made efforts to further ensure basic living standards for people in need.** The central government allocated 154.683 billion yuan of subsidy funds for people in need to support related local governments' relief work, included eligible people in the scope of the subsistence allowance system in a timely manner, and granted an additional one-time living allowance for low-income people and people living in dire poverty. We strengthened the assistance and relief for unemployed and uninsured people without sources of income and gave one-time temporary allowances to unemployed eligible people who are living in need and not covered by insurance.

## **5. We gradually improved housing security.**

We made efforts to solve the housing problems of low-income urban families, new citizens and young people and to improve the living conditions of shanty towns and old residential communities. We strengthened coordination and coherence of policies. The development of government-subsidized rental housing was prioritized. We encouraged local governments to make reasonable plans for homes with shared ownership and government-subsidized rental housing by making up shortcomings in accordance with local conditions. Local governments were encouraged to use such methods as physical guarantees and rental subsidies comprehensively and take multiple measures to solve prominent housing problems. Performance management of affordable housing projects was strengthened to ensure the policy was being implemented effectively. In 2022, a total of 70.8 billion yuan was allocated by the central government as subsidy funds for the urban government-subsidized housing project, which has supported the construction of 99,000 public rental houses and 839,000 government-subsidized rental houses, and renovated 1,188,000 shanty houses and 50,900 old residential communities, benefiting 8.222 million households. A total of 6.28 billion yuan was allocated as subsidy funds for the continued renovation of dilapidated houses in rural areas and for anti-seismic construction for key groups such as the low-income people in rural areas.

## **6. We promoted flourishing development of cultural undertakings and**

## **industries.**

We supported the integration of urban and rural public cultural service systems. A total of 23.439 billion yuan was allocated from the central budget to build up the system of public cultural services, support the implementation of cultural projects benefiting the public and safeguard the public's basic cultural interests and rights. More efforts were made to strengthen protection and utilization of cultural relics and also to advance preservation and inheritance of cultural heritages. Important progress was achieved in the field of revolutionary cultural relic and grotto temple preservation. We continued systematic recording of representative inheritors of national intangible cultural heritages, and provided support to the high-quality promotion of national cultural parks themed on the Great Wall, the Grand Canal, the Long March, the Yellow River and the Yangtze River as well as construction of the China National Archives of Publication and Culture. We provided support for the creation of high-quality literary and artistic works and talent cultivation. Relevant special funds were allocated to support creation, promotion and publicity in the fields of stage arts, literature, publishing, and film and television and documentaries, building talents in ideology and culture publicity. We gave a boost to the cultural tourism industry development, implemented relief policies for the tourism industry and supported the industry to tide over difficulties and recover. We promoted reform of central cultural enterprises and the high-quality development of the cultural industry. We endeavored to build China into a world sports power and supported the

successful hosting of the Beijing 2022 Winter Olympics and Paralympics.

**X. We steadily improved fiscal governance through coordinated efforts to advance reform and management.**

We worked actively to leverage the leading role of fiscal reform in making breakthroughs. Centering on the efforts to modernize China's governance system and capacity, we vigorously accelerated our work and made steady progress in the reform of the fiscal and tax systems, and took further steps to intensify fiscal management and supervision measures and ensure continuous improvement in fiscal governance.

**1. We accelerated the establishment of a modern fiscal and taxation system, and effectively brought into play efficacy of fiscal governance.**

**First, the reform of the budget management system continued to forge ahead.** The Opinions on Further Deepening Reform of the Budget Management System was well implemented, elevating the budget management level to a new height. We deepened our efforts to disclose budget information, and to further enhance budget transparency. We improved the performance management system, and accelerated the establishment of a comprehensive and whole-process budget performance management system that covers all sectors, improving the efficiency of the allocation and use of fiscal resources.

**Second, we continued to deepen reform of the tax system.** We implemented a package of tax-and-fee policies on a larger scale, improved the system for refunding VAT credits and extended the policy of fully refunding VAT credits to more industries. We further improved the comprehensive and classified personal income tax system and set up a special additional deduction for personal income tax for infant and child care under the age of three. We endeavored to make related preferential policies coherent after the stamp duty law came into effect and further clarified the policy implementation of certain matters arising from the stamp tax. We implemented the principle of law-based taxation and made proactive efforts to promote legislation on VAT, consumption tax, tariff and other taxes. We continuously improved the local tax system and, in conjunction with legislation on consumption tax, studied and advanced reform of moving the collection of consumption tax to a later stage.

**Third, we further improved the fiscal system.** We successfully 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, worked to improve management measures for transfer payments, and appropriately allocated transfer payment funds. We improved the balanced transfer payment methods from the central government to local governments and regulated management of transfer payments from the central government to local

resource-exhausted cities and to key eco-functional areas. The Guidelines on Furthering the Reform of the Financial System below the Provincial Level was submitted to the State Council for printing and issuing in a bid to further rationalize the financial relationship between governments below the provincial level.

**Fourth, we ensured steady progress in reform of State-owned assets (SOAs) and SOEs.** We carried out the work enumerated in the related three-year action plan. We improved the system of SOA management and accelerated the revision of the Rules on the Evaluation and Management of State Assets. We also stepped up our work of deepening reform of the management of State-owned financial capital and launched a special campaign to register the property rights of State-owned financial capital. We improved the authorized operation system of State-owned financial institutions and promoted reform of key financial SOEs.

**2. We accelerated the integration of budget management, and steadily improved the information-based budget management system.**

The integration of budget management, with unified business norms, technical standards as the core, and an integrated information system as the carrier, aims to promote the integration, coordination and efficiency of budget management systems across all levels. It is the main support and an important part of the drive to deepen the reform of the budget

management system. The MOF has accelerated the comprehensive implementation of budget management integration as required in the Opinions on Further Deepening Reform of the Budget Management System issued by the State Council. The integration of central budget management has been applied nationwide on the basis of successful pilots, where all central units with the budgetary capacity carried out the compilation and reporting of the central budget for 2023. The operations involved in budget implementation were transferred to the integrated central budget management system in three batches. The integrated budget management system has been put into operation in all provincial-level regions, connecting all the financial departments and units with the budgetary capacity at the provincial, city and county levels. The integrated local budget management systems have been connected to the national budget management data system, where budget data at all levels are uploaded on a daily basis and aggregated automatically, and transfer payment funds automatically tracked. It has served as an effective means of coordinating fiscal resources, adjusting and optimizing the expenditure structure, and improving the regular mechanism to directly allocate budgetary funds.

### **3. We strengthened efforts to forestall and defuse major risks and to safeguard against systemic risks.**

We have actively guarded against and defused local government debt risks. We continued to adhere to the principle of “opening the front door”

to further improve local government debt issuance and “blocking the back door” to prevent risks, and formed an effective “closed-loop” system. Taking into account the financial situation and debt risks of different regions, we calculated the proper debt quotas for different regions and have managed to control the scale of newly increased local government debts in high-risk regions to avoid the piling up of risks. We have strengthened information sharing and collaborative supervision among different departments, and created synergy in supervision by forming common understanding, unifying policy standards and implementing unified supervision. We resolutely curbed the increase of hidden debts, dealt with existing hidden debts in a prudent and orderly manner, and publicized typical cases of those who were held accountable for hidden debts to serve as a warning. We promoted the public disclosure of information on local government debts and improved their transparency. We effectively guarded against risks in fiscal operations at the grassroots level. We launched a national monitoring and early warning mechanism for key counties and districts to better monitor their treasury fund balances and level of fund availability on a daily basis, and gave early warnings to counties and districts with low levels of treasury funds availability. Upon receiving the warnings, relevant provincial financial departments promptly verified the situation and urged them to respond. We cooperated with relevant parties in preventing and defusing financial risks, jointly carried out studies on the establishment of a financial stability fund, played our due part in advancing financial legislation, and supported the proper responses to various risks and hidden dangers based



on fiscal functions, market principles, and the rule of law.

**4. We tightened financial and economic discipline and ensured effective fiscal accounting supervision.**

**First, we intensified efforts to build fiscal accounting supervision systems and mechanisms.** We drafted the Opinions on Further Strengthening Fiscal Accounting Supervision, and promoted the improvement of the fiscal accounting supervision system and working mechanism. We made solid progress in advancing the revision process of the Accounting Law of the People's Republic of China, the Law of the People's Republic of China on Certified Public Accountants, and the Regulations on the Punishments and Disciplinary Actions for Fiscal Violations, and issued the Measures for the Supervision and Inspection of Accounting Firms, the Administrative Measures for Self-Examination and Self-Correction Reports of Accounting Firms, and the Measures for the Integrated Management of Accounting Firms, among others, with a focus on establishing a long-term fiscal accounting supervision system.

**Second, we earnestly performed the duty of accounting supervision.**

We made unremitting efforts to regulate the accounting and auditing industry, and conducted rectification campaigns against unlicensed business operations of accounting firms, the online sales of audit reports, CPAs who were registered but not practicing, and practicing beyond competence. We made solid progress in special inspections of major cases

in the accounting industry, including those related to the practice quality of some accounting firms, and publicized the results and punishments imposed on accounting firms in 2021, so as to promote the healthy development of the CPA industry. We improved the information-based supervision and service of the CPA industry, and launched a unified supervision platform for the CPA industry, creating a common portal and standardized rules for the CPA industry. We implemented the nationwide security code system for audit reports, and promoted the establishment of a single data source system for audit reports. We pushed some listed companies, accounting firms and financial institutions to carry out a pilot program on bank confirmation letters.

**Third, we intensified fiscal supervision and evaluation.** Focusing on the central authorities' major decisions and key areas, we launched special inspections on the fiscal operations of low-income counties and districts, as well as on the management of local special fiscal accounts. We continued to rectify problems related to the unauthorized construction of government buildings, halls and museums, strengthened coordination and guidance, and regulated fiscal management. We made continuous efforts on key performance evaluation, with a focus on such key areas as science and technology, culture, agriculture and rural areas, covering 72 projects involving 1.3 trillion yuan. Expenditures on treasury bond issuance and interest payments, central government infrastructure investment projects, and budget items for central state-owned capital operations were evaluated for the first time. We achieved favorable

results in the evaluation of performances after transfer payments and the implementation of major expenditure policies, which improved the efficiency of transfer payments and the efficacy of major expenditure policies.

## **XI. Fiscal Policy Outlook**

In the second half of 2022, the MOF will adhere to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, and earnestly implement the decisions and plans of the CPC Central Committee and the State Council. The MOF will act on the general principle of pursuing progress while ensuring stability, and fully implement the requirements of containing the pandemic, stabilizing the economy and ensuring safe development. The MOF will effectively coordinate pandemic prevention and control with economic and social development, better balance development with security, and implement and fine-tune the package of policies and measures aimed at smooth economic development. The MOF will continue to work to ensure “stability on six fronts” and maintain “security in six areas”, take active steps to expand demand, consolidate the upward trend of economic recovery, strive to keep employment and prices stable, and keep the economy operating within a proper range, in order to achieve the best possible results.

**First, we will implement and fine-tune proactive fiscal policies.**

The MOF will continue to implement a policy mix to cut taxes and fees, steadily generating the benefits of these policies. We will earnestly study and solve major problems reported by market entities, urge local governments to introduce corresponding policies, tap their own potential to strengthen policy support, and continue to help market entities weather difficulties. We will make good use of funds from special-purpose bonds for local governments and support local governments in making the most of special bonds. We will consolidate the management responsibilities of competent departments and project operators, and implement a reporting and early warning mechanism for expenditure progress in a bid to achieve tangible results as quickly as possible. We will strengthen the coordination of fiscal and monetary policies, support the introduction and implementation of policy-based and developmental financial instruments, in order to achieve the combined result of expanding effective investment, creating jobs, and boosting consumption.

**Second, we will strengthen financial support for major strategic tasks.**

The MOF will adhere to a problem-oriented approach, continue to promote breakthroughs to overcome core technological bottlenecks in key areas, support enterprises in strengthening technological research and development, and continuously improve their capacity for scientific and technological innovation. We will support the coordinated progress of key tasks in rural development, construction, and governance, and resolutely

safeguard national food security. We will implement fiscal and tax policies to support the coordinated development of the Beijing-Tianjin-Hebei region, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the ecological protection and high-quality development of the Yellow River basin, and the development of the Hainan Free Trade Port, promoting balanced development among different regions. We will support efforts to develop renewable energy, ensure energy supply and maintain price stability. We will improve the emergency support mechanism, the state reserve system, and the market regulation mechanism.

**Third, we will continue to guarantee and improve people's livelihoods.**

The MOF will actively respond to the effects of the pandemic, natural disasters and hot weather, and provide timely assistance to the unemployed, those who need to be included in the subsistence allowance program, and those in temporary distress. We will make every effort to provide adequate support and assistance to ensure the basic livelihoods of people in need. We will consolidate and expand our achievements in poverty alleviation, accelerate rural revitalization across the board, ensure that people do not sink back into poverty in large numbers, and continue to improve the working and living conditions of people who have been lifted out of poverty. We will expand channels for market-based employment, encourage enterprises to create jobs through social security

subsidies, start-up loans, tax cuts and exemptions, and implement preferential policies to guide graduates to find jobs at the grassroots level. We will try every means possible to stabilize and expand employment. We will continue to ensure that pensions are paid on time and in full, and deliver sound results in compulsory education, basic medical care and basic housing.

**Fourth, we will strengthen the management of fiscal revenues and expenditures.**

The MOF will make greater efforts to coordinate budgetary revenues, collect fiscal revenues in accordance with laws and regulations, and put existing funds to good use. We will strengthen budgetary constraints and performance management, accelerate the development of the expenditure standard system, further regulate expenditure management, and optimize the expenditure structure. We will advance the nationwide application of the integrated budget management system, and ensure that budget management at all levels is more regulated, scientific and standardized. We will insist that the government tighten its purse strings, strictly reduce outlays on non-essential and non-obligatory items, allocate more funds for market entities, stabilize employment, and guarantee people's livelihoods.

**Fifth, we will strengthen fiscal sustainability.**

The MOF will further deepen reforms of the fiscal and taxation systems and accelerate the establishment of a modern fiscal system. In combination with the reform of the fiscal system below the provincial level, we will enhance local governments' fiscal capacity and ensure that the "three priorities" at the grassroots level are fully secured. We will conduct regular checks on the use of special-purpose bonds, strictly implement the negative list management requirements for these bonds, and ensure that they are used in compliance with laws and regulations. We will strengthen information sharing and coordinated supervision among government departments, resolutely curb new hidden debts of local governments, and support local governments in resolving existing hidden debts in an orderly manner.

**Sixth, we will further tighten financial and economic discipline.**

We will intensify supervision and inspections in line with the major decisions and plans of the CPC Central Committee and the State Council, and advance the implementation of major fiscal and tax policies. We will continue to regulate the auditing industry and increase penalties for financial fraud and other violations of laws and regulations. We will improve the fiscal and accounting supervision system and working mechanism, strengthen supervision coordination between fiscal accounting and other areas, and make full use of modern information technology tools, such as "internet + regulation" and big data, to enhance supervision capacity and effectiveness.