

REPORT ON THE IMPLEMENTATION OF CHINA'S FISCAL POLICY IN THE FIRST HALF OF 2025

Overview

Since the beginning of 2025, in the face of an increasingly complex and challenging external environment, all regions and departments, under the strong leadership of the Communist Party of China (CPC) Central Committee with Comrade Xi Jinping at its core, adhered to Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the guiding principles of the 20th CPC National Congress and the second and third plenary sessions of the 20th CPC Central Committee, and acted in accordance with the decisions and arrangements of the Central Economic Work Conference and the Government Work Report. We have maintained the general principle of pursuing progress while ensuring stability, fully implemented the new development philosophy in an accurate and comprehensive manner, coordinated both domestic and international imperatives, and balanced development and safety. We accelerated the implementation of more proactive and effective macro policies and strengthened counter-cyclical adjustments. China's economy has demonstrated strong vitality and resilience, and new progress has been made in promoting high-quality development. Fiscal policy has become more proactive and sustained, focusing on stabilizing employment, enterprises, markets, and expectations, while there is growing synergy with other macro policies to support the steady recovery and sustained growth of the economy.

First, we supported the expansion of domestic demand in an all-round way. We placed greater emphasis on boosting consumption. A total of 300 billion yuan in ultra-long-term special treasury bonds has

been allocated to support the trade-in program for consumer goods, with the scope of subsidies further expanded. In the first half of the year, the program drove total sales of 1.6 trillion yuan across all eligible product categories. We promoted the integration of livelihood improvement and consumption stimulation, with a focus on employment-led income growth, continuously enhancing social security and strengthening consuming capacity and consumer confidence. We actively expanded effective investment. We coordinated the use of ultra-long-term special treasury bonds, local government special-purpose bonds, and central budget investment, with government investment directed toward key areas and weak links to enhance investment benefits. We made efforts to implement the Action Plan for the Reinforcement and Upgrading of Industrial Chains for National Comprehensive Freight Hubs and to support technological transformation in manufacturing. We also issued special treasury bonds to help large state-owned commercial banks replenish core tier-one capital, further improving their capacity to serve the real economy.

Second, we advanced the implementation of major national strategies.

We accelerated the development of new quality productive forces. In 2025, central government expenditure on science and technology reached 398.119 billion yuan, a year-on-year increase of 10 percent, with more funds channeled to basic research, applied basic research, and major national scientific and technological tasks. We supported the implementation of actions for high-quality development of key industrial chains in manufacturing and facilitated industrial transformation and upgrading. We took solid steps to advance all-round rural revitalization. Efforts were intensified to ensure stable production and supply of grain and other key agricultural products, consolidate and expand the achievements of poverty alleviation, and strengthen industry and employment-oriented assistance. We worked to promote coordinated regional development by supporting major cross-regional projects,

advancing the construction of the Hainan Free Trade Port, and accelerating development in old revolutionary base areas, ethnic areas, border areas, and resource-depleted regions. We effectively supported ecological progress by intensifying ecological protection and restoration, steadily advancing efforts toward carbon peaking and carbon neutrality, and improving the cross-regional ecological compensation mechanism.

Third, we made efforts to ensure and improve people’s livelihoods.

We effectively utilized a combination of policies, including tax and fee reductions, employment subsidies, and job stabilization rebates to better stabilize and expand employment. We promoted the expansion and improvement of educational resources, advanced the high-quality and inclusive development of pre-school education, the balanced and high-quality development of compulsory education, and the diversified development of senior high schools, while refining student financial aid policies. We continued to raise per-capita government subsidies for basic public health services and medical insurance for urban and rural residents. The national minimum standard for basic pensions of urban and rural residents has been increased, and nationwide pooling and adjustment of basic pension insurance have been steadily advanced to ensure that pensions are paid in full and on time. We strengthened the development of inclusive childcare services, established a childcare subsidy system, and promoted the expansion of affordable elderly care services. Benefits and living subsidies for eligible groups have been implemented to ensure the basic livelihoods of people in difficulty. We reinforced the emergency response capacity at the grassroots level, promptly allocated central government funds for disaster relief, and supported emergency rescue and assistance for disaster-stricken populations.

Fourth, We effectively prevented and defused risks in key areas.

We allocated more fiscal resources to lower-level governments and improved the tiered guarantee responsibility system to ensure funding for the “three

priorities”, namely people’s basic well-being, payment of salaries and normal government functioning, so as to maintain overall stability in local fiscal operations. We have implemented a package of policies to defuse debt risks, utilized debt-quota allocations in advance, and took multiple measures to reduce hidden debt. The reform and transformation of local government financing platforms have been accelerated. We coordinated efforts to prevent and defuse major financial risks. By combining the use of local government special-purpose bonds, special funds, and tax policies, we have helped stabilize the real estate market and support its gradual recovery.

Fifth, we strengthened fiscal management in a scientific way. We deepened reforms of the fiscal and taxation systems across the board, improved the modern budget system, strengthened the coordination of fiscal resources, intensified zero-based budgeting reform, and continued to develop the system of expenditure standards. We improved the tax system by advancing the reform to shift the collection of consumption tax on certain items to later stages and allocate revenues thereof to local governments. We also made active progress in the legislation on consumption tax and value-added tax. The fiscal framework was optimized by improving the transfer payment system, enhancing the incentive and constraint mechanism of transfer payments for promoting high-quality development, and deepening reform of the fiscal systems below the provincial level. We upheld the principle that Party and government institutions must live on a tight budget, launched pilot programs for scientific fiscal management, strengthened fiscal and accounting supervision, and improved the overall effectiveness of fiscal governance.

I. Overall fiscal operations remained stable, with budget execution on track

In the first half of 2025, China's economy continued to make steady progress, and overall fiscal operations remained stable. Finance departments at all levels strengthened the coordination of fiscal resources, maintained a necessary expenditure level, and ensured robust funding for key sectors.

1. Fiscal revenue continued to recover, with tax revenue showing a gradual rebound.

In the first half of the year, national general public budget revenue reached 11.56 trillion yuan, representing a 0.3 percent year-on-year decline, with the rate of decline narrowing by 0.8 percentage points compared with the first quarter.

First, tax revenue has shown a steady upturn. In the first half of the year, national tax revenue totaled 9.29 trillion yuan, down 1.2 percent year-on-year. Since April, monthly tax revenue has maintained a positive year-on-year growth for three consecutive months, up 1.9 percent in April, 0.6 percent in May, and 1 percent in June. In the first half of the year, major tax categories recorded steady increases: domestic value-added tax rose by 2.8 percent, domestic consumption tax by 1.7 percent, and personal income tax by 8 percent. Export tax rebates amounted to 1.27 trillion yuan, 132.2 billion yuan more than the same period last year, providing strong support for foreign trade exports. Tax revenues from key industries such as equipment manufacturing and modern services remained robust. Tax revenue from railway, shipbuilding, and aerospace equipment manufacturing increased by 32.2 percent, from computer and communication equipment manufacturing by 9.2 percent, and from electrical machinery manufacturing by 6.3 percent. Meanwhile, tax revenue from scientific research and technical services rose by 13.8 percent, and that from cultural, sports, and entertainment industries rose by 8.6 percent.

Second, growth in non-tax revenue under the general public budget has slowed. In the first half of the year, national non-tax revenue reached 2.27 trillion yuan, up 3.7 percent year-on-year, which represents a decline of 5.1 percentage points compared with the first quarter. Non-tax revenue declined by 2.2 percent in May and 3.7 percent in June. In the first half of the year, non-tax revenue from the paid use of state-owned resources and assets under the general public budget increased 4.8 percent, mainly due to local governments' revitalizing assets through multiple channels, and the disposal, leasing, and lending of state-owned assets by administrative and public institutions. Revenue from administrative and institutional fees increased by 1 percent, down 4.5 percentage points from the first quarter, while revenue from fines and confiscations fell by 4.3 percent, with the rate of decline widening by 2.9 percentage points from the first quarter.

Third, most regions recorded revenue growth. In the first half of 2025, local general public budget revenue grew by 1.6 percent year-on-year, with that in the eastern, central, western, and northeastern regions grew by 1.3 percent, 1.3 percent, 2 percent, and 5.7 percent respectively. Among 31 provincial-level regions, 27 achieved positive growths.

2. We further increased expenditure and guaranteed effective funding for key areas.

In the first half of 2025, national general public budget expenditure totaled 14.13 trillion yuan, an increase of 3.4 percent year-on-year. Of this, central general public budget expenditure amounted to 1.99 trillion yuan, up 9 percent, and local general public budget expenditure reached 12.14 trillion yuan, up 2.6 percent. We continued to optimize the expenditure structure and strengthen funding support for key areas. Expenditure on social security and employment increased by 9.2 percent, education by 5.9 percent, healthcare by 4.3 percent, science and technology by 9.1 percent, energy conservation and environmental protection by 5.9 percent,

and culture, tourism, sports, and media by 5 percent.

3. We strengthened budget execution to ensure timely allocation and effective use of funds.

We reviewed budgets and approved them promptly to ensure that funds were allocated and utilized as early as possible to deliver timely results. By the end of March, the central departmental budgets had all been approved. In the first half of the year, central-to-local transfer payments totaling 9.29 trillion yuan were delivered, accounting for 89.8 percent of the annual budget target, an increase of 1.7 percent higher than the same period last year.

II. We coordinated efforts to boost consumption and expand investment to further stimulate domestic market vitality.

Expanding domestic demand is not only vital for maintaining economic stability but also crucial for safeguarding economic security. It is not a temporary measure, but a strategic decision. We have earnestly implemented the strategy of expanding domestic demand, adhering to the principle of coordinated efforts on both the supply and demand sides to promote the virtuous interaction between consumption and investment, thereby giving full play to the role of domestic demand as a driving and stabilizing force.

1. We took multiple measures to stimulate consumption.

First, we strengthened efforts to expand and support the trade-in programs for consumer goods. In 2025, the central government allocated 300 billion yuan of ultra-long-term special treasury bond funds to support the trade-in of consumer goods, doubling the size in 2024. In addition to continuing support for trade-in programs in the four major areas, namely automobiles, household appliances, home improvement

and kitchen/bath renovation, and electric bicycles, the central government also provided subsidies for new purchases of digital products such as mobile phones. In the first half of the year, two batches of funds totaling 162 billion yuan were pre-allocated, driving sales of over 1.6 trillion yuan and boosting total retail sales of consumer goods by 5 percent year-on-year, 1.5 percentage points higher than the previous year.

Second, we expanded consumption demand in the process of guaranteeing and improving people's livelihoods. We put emphasis on increasing income through employment to enhance consumption capacity. Policies such as job stabilization rebates, tax and fee reductions, guarantee loans, and employment subsidies were utilized to support the improvement of employment services and vocational training. The social security system was further strengthened to improve elderly care, healthcare, and social assistance, reducing people's concerns about their future and bolstering their confidence in consumption.

Third, we made further efforts to unlock consumption potential in counties and rural areas. In 2025, the central government allocated 7.279 billion yuan in service industry development funds to promote the development of county-level commercial systems. Of the funds, 4.479 billion yuan has been arranged to support 27 provincial-level regions, including Hebei and Shanxi, in implementing county-level commercial system development initiatives. The program for the second batch of pilot cities on developing modern commercial circulation systems has been launched, with 20 pilot cities selected through competitive evaluation to improve urban-rural circulation networks and establish urban circulation and supply guarantee systems. In the first half of the year, the consumption vitality in county and township markets continued to grow, with their combined market scale taking up 38.9 percent of the total retail sales of consumer goods.

2. We drove the expansion of effective investment.

First, we gave play to the guiding role of government investment. The issuance of ultra-long-term special treasury bonds began in April, one month earlier than in 2024. In the first half of the year, 555 billion yuan of the bonds was issued, completing 42.7 percent of the annual target and 17.7 percentage points ahead of last year's pace. The newly added quota of 4.4 trillion yuan in local government special-purpose bonds was fully allocated to local governments by April, and 2.16 trillion yuan was issued in the first half of the year, accounting for 49.1 percent of the annual quota and 11 percentage points ahead of the previous year's pace. Local governments actively expanded the use of special-purpose bonds, both in terms of investment fields and as capital for projects, focusing on infrastructure construction, land reserve, and the acquisition of existing commercial housing. In the first half of the year, 460.1 billion yuan of central government budgetary investment was allocated, accounting for 63 percent of the annual plan, mainly supporting projects in modern industrial systems, modern infrastructure systems, new-type urbanization, and rural revitalization on all fronts.

Second, we made efforts to promote the development of a modern and integrated transportation system. In the first half of the year, the central government allocated 295.524 billion yuan in key projects funding and special funds for the transportation sector to support the construction of highway and waterway infrastructure. Of this, 5.102 billion yuan was allocated for the reinforcement and upgrading of industrial chains for national comprehensive freight hubs, improving cargo transport quality and service efficiency; 5.75 billion yuan was allocated to promote the digital transformation and upgrading of highway and waterway infrastructure. The central government allocated civil aviation development funds of 30.75 billion yuan to support civil aviation airport construction, the operation of small and medium-sized airports, and

regional airline subsidies. In addition, 19.801 billion yuan in subsidy funds was arranged for the maintenance of national and provincial highways and rural roads.

Third, we supported new technological transformation in the manufacturing sector. 26 cities including Dongguan, Yantai and Wuxi, have been selected as the second batch of pilot cities for the program on new-type technological transformation in manufacturing. This initiative aims to encourage local governments to build major demonstration projects under the “intelligent transformation, digital empowerment, and network connectivity” model, advancing high-end, intelligent, and green development in manufacturing. In the first half of the year, these initiatives drove national industrial investment to grow by 10.3 percent, manufacturing investment by 7.5 percent, and industrial technological transformation investment by 3.6 percent.

At the same time, we strengthened fiscal and financial coordination. In 2025, 500 billion yuan of special treasury bonds were issued to inject capital into large state-owned commercial banks, which is expected to leverage approximately 6 trillion yuan in new credit issuance, continuously enhancing their capacity to serve the real economy.

3. We made efforts to stabilize foreign trade and investment

First, we effectively utilized tariffs as a regulatory tool. Starting from Jan 1, 2025, provisional import tariff rates lower than the most-favored-nation (MFN) rates have been applied to 935 commodities, enhancing the synergistic effect between domestic and international markets and resources. We further the expanded high-standard free trade zone network; based on 24 free trade agreements and preferential trade arrangements signed with 34 trading partners, China and partners have jointly implemented tariff reductions. The China-Maldives Free Trade

Agreement took effect on Jan 1, 2025, where tariff reductions will eventually lead to zero tariffs on nearly 96 percent of tariff lines between the two sides. We have taken timely and effective measures to respond to external shocks, firmly implementing counter-tariffs against the United States' additional tariffs to safeguard China's legitimate rights and interests. The MOF also participated in China-US economic and trade consultations, promoting significant tariff reductions and an extension of the tariff suspension arrangement, which has effectively boosted market expectations and confidence in both countries and globally.

Second, we strengthened the guiding and leveraging role of fiscal funding policies. We used China Trade in Service Innovation Investment Fund to mobilize social capital to support innovation and development of trade in services and explore overseas service markets. Demonstration programs for improving the quality and efficiency of foreign trade and investment were implemented, guiding local governments to focus on key export-oriented industrial chains and launch a number of demonstrative projects to promote high-quality development of foreign trade and investment.

Third, we introduced preferential tax policies. From Jan 1, 2025, to Dec 31, 2028, foreign investors who made new effective investments with profits received from domestic enterprises will be eligible for a tax credit equal to 10 percent of the reinvested amount (or a lower rate if specified by an applicable tax treaty). Any uncredited portion will be carried forward for future deduction.

III. We supported the deep integration of scientific and technological innovation and industrial innovation to accelerate the cultivation and growth of new quality productive forces

Chinese modernization is underpinned by modernization of science and technology, and achieving high-quality development depends on new growth drivers fueled by technological innovation. We continued to make science and technology a top fiscal priority, coordinating the use of multiple policy instruments to promote the integration of sci-tech and industrial innovation and to accelerate the realization of sci-tech self-reliance and self-strengthening at higher levels.

1. We strengthened sci-tech innovation capabilities to steadily advance sci-tech self-reliance and self-strengthening at higher levels

First, we continued to increase investment in basic research. Greater emphasis was placed on enhancing original innovation capabilities. In 2025, the central government's budget for basic research increased by 12.1 percent compared with the previous year. Regular support for research institutions and scientific manpower was strengthened. The basic research funding mechanism combining competitive and regular support was improved, along with a diversified investment system that encourages society-wide investment in basic research.

Second, we guaranteed funding for national strategic science and technology initiatives. We provided funding to drive breakthroughs in core technologies in key fields, as well as to support the forward-looking deployment and implementation of major national science and technology projects. Funds were allocated to meet the needs of ongoing major national science and technology initiatives, and the management system for these funds was further improved, leading to significant advancements in key areas such as artificial intelligence.

Third, we further enhanced the national strategic scientific and technological strength. We actively provided support for the construction and development of national laboratories and the

restructuring of key national laboratories across the country. We ensured stable funding for basic operations, independent research, and infrastructure improvement of national research institutions. The leading role of enterprises in technological innovation was reinforced by encouraging them to undertake national research tasks. We also supported the implementation of national programs for science and technology talents.

Fourth, we took measures to promote the commercialization of scientific and technological achievements and to support local science and technology development. Relevant policies were continuously improved to ensure that researchers can enjoy ownership or long-term usage rights over their scientific achievements, and to accelerate the transformation of scientific outcomes into tangible productivity. We kept strengthening regional innovation systems. In 2025, 6 billion yuan in central government funds was allocated to guide local technological development, helping regions enhance their innovation capabilities, optimize innovation layouts, and support the building of international and regional innovation centers, thereby developing distinctive regional innovation hubs.

Fifth, we effectively applied the procurement model for collaborative innovation. We provided “window guidance” for central and local authorities to adopt cooperative innovation in eligible procurement projects, using government procurement orders to encourage and support product innovation, promotion and application. So far, the first batch of seven typical demonstrative cases of cooperative innovation procurement projects have been launched, including the image-based automatic recognition technology R&D project for pollen observation equipment and the invasive brain-computer interface system project, covering fields such as scientific research, healthcare, and aerospace. These efforts have promoted breakthroughs that turn innovative ideas into reality.

2. We guided industrial transformation and upgrading to continuously optimize the economic structure

First, we made efforts to address stranglehold problems. Funding support was strengthened for key R&D programs and major projects in the manufacturing sector to improve the resilience and security of industrial and supply chains.

Second, we actively promoted the high-quality development of small and medium-sized enterprises. The role of enterprises as the main actors of innovation was reinforced. We have provided incentives to drive the cultivation of more innovative enterprises at different stages. Thirty-five cities were selected for pilot programs on SME digital transformation to accelerate their digitalization process.

Third, we gave play to government investment funds. We guided government investment funds for industry to support the deep integration of technological and industrial innovation in key areas and critical links. Accelerated efforts were made to establish the national venture capital guidance fund, focusing on early-stage, small-scale, long-term, and hard technology investments. The fund is designed to support the innovative development of strategic emerging industries and future industries, thereby expediting the realization of sci-tech self-reliance and self-strengthening at higher levels.

3. We implemented policies that benefit and support enterprises to continuously enhance their innovation vitality.

First, we focused on key sectors. We implemented preferential income tax policies for high-tech enterprises, including full monthly VAT credit refunds for industries such as manufacturing, scientific research and technical services to improve the R&D and innovation capabilities of enterprises.

Second, we concentrated efforts on critical areas. We implemented policies such as tax incentives for enterprise investment in basic research, additional tax deductions for enterprise R&D expenses, accelerated depreciation of fixed assets and one-time pre-tax deduction for equipment and instruments to encourage enterprises to increase their R&D spending.

Third, we promoted the commercialization of research outcomes. We allocated 173.4 billion yuan in funds from ultra-long-term special treasury bonds and extended the implementation period of the fiscal interest subsidy policy for equipment upgrade loans to promote enterprises purchasing new equipment and apply new technologies. We implemented preferential income tax reduction for technology transfer by enterprises, VAT exemptions for taxpayers involved in technology development, technology transfer, technical consultancy and technical services, as well as tax incentives for national and provincial-level sci-tech business incubators, university science parks and nationally registered makerspaces to facilitate the integration of industry, academia and research.

Fourth, we prioritized talent attraction and utilization. We implemented preferential individual income tax policies for high-end and urgently needed talent in specific regions such as the Guangdong-Hong Kong-Macao Greater Bay Area and the Hainan Free Trade Port.

Fifth, we prioritized financing and development of enterprises. We continuously guided the government-backed financing guarantee system around the country in implementing special guarantee programs for sci-tech innovation to strengthen the guidance of financial resources in supporting the financing and development of sci-tech innovation enterprises. In the first half of the year, the special guarantee program supported approximately 22,000 sci-tech innovation SMEs in securing loans totaling around 90 billion yuan.

IV. We ensured and improved people's well-being in development, continuously enhancing public welfare

We prioritized safeguarding and improving people's livelihoods while pursuing high-quality development. We consistently increased investment in areas crucial to people's wellbeing, proactively addressed pressing difficulties and problems that concerned the people most. We further enhanced basic medical services, education and basic eldercare services, leading to a continuous improvement in people's lives.

1. We strengthened efforts to stabilize and boost employment.

First, we ensured robust financial support for employment. In the first half of the year, the central government allocated 66.74 billion yuan in employment subsidies to support local governments in implementing policies such as social insurance subsidies, vocational training subsidies and public service job subsidies. We also continued implementing the demonstration project to enhance public employment service capabilities, contributing to an overall improvement in employment services nationwide. During the first half of the year, 6.95 million new urban jobs were created, achieving 58 percent of the annual target.

Second, we intensified support for enterprises to maintain and boost employment. We further reduced the enterprises' contribution rates of unemployment and work-related injury insurances, increased job stabilization rebates through unemployment insurance, expanded the scope of social insurance subsidies and one-time job expansion subsidies, and continued the policy of early issuance of internship subsidies. We continuously promoted the expansion of entrepreneurship-guaranteed loans, with the central government allocating approximately 8 billion yuan in awards and subsidies for such loans in 2025. In the first half of the year, the outstanding balance of guaranteed loans reached 261.6

billion yuan nationwide. We actively leveraged the role of government-backed financing guarantees to stabilize employment and alleviate the difficulties and high costs of financing faced by small and micro enterprises. By the first half of 2025, the National Financing Guarantee Fund accumulated re-guarantee business worth over 6 trillion yuan, serving over 50 million employed individuals and reducing the overall financing costs to below 5 percent.

Third, we strengthened employment assistance for key groups. We broadened employment channels for college graduates and other young people, strengthened employment assistance for disadvantaged groups such as people with disabilities and members of zero-employment households and improved the employment assistance mechanism. We further expanded the pilot program for occupational injury insurance for those in new forms of employment, with a clear plan to gradually expand, in phases, the scope of the occupational injury insurance pilot program in three years.

Fourth, we reinforced vocational skills training. We improved the mechanism linking vocational skills training with employment and shifted the training's focus from quantity to quality. By coordinating funds and resources, we implemented the "Skills Illuminate the Future" Training Initiative, supported large-scale vocational skills improvement training for key groups and strengthened training in urgently needed professions (trades) to cultivate more skilled professionals.

2. We expanded and improved educational resources.

First, we continuously increased educational funding. We implemented *the 2024-2035 Master Plan on Building China into a Leading Country in Education* and *the Three-Year Action Plan for Accelerating the Development of a Leading Country in Education*

(2025-2027). We constantly increased financial support in education in accordance with the principles of ensuring that national fiscal expenditure on education generally remains above 4 percent of the GDP, and that both general public budget expenditures on education and the per-student allocation of this expenditure increase annually. In the first half of the year, national general public budget expenditures on education reached 2.15 trillion yuan, a year-on-year increase of 5.9 percent.

Second, we supported inclusive and accessible pre-school education. We allocated 22.5 billion yuan to continue supporting local governments in expanding the supply of inclusive pre-school education resources and strengthening aid programs for groups such as children from families facing economic hardship.

Third, we accelerated high-quality and balanced development of compulsory education. A total of 179.432 billion yuan in subsidies for urban and rural compulsory education was allocated to support local governments in consolidating and improving the funding guarantee mechanism for compulsory education and effectively implementing policies such as exempting rural students in compulsory education from textbook and miscellaneous fees and subsidizing their lodgings. Starting from the spring semester of 2025, the per-student public funding standard for special education schools at the compulsory education stage was increased from 6,000 yuan to 7,000 yuan per year. We continued to support local governments in implementing the Special-Post Teachers Program for Rural Compulsory Education and the Student Nutrition Improvement Program. Furthermore, 33 billion yuan in subsidies for improving weak links and enhancing capacity in compulsory education was allocated to support local governments in continuously improving basic school conditions in rural areas and orderly increasing school enrollment quotas in urban areas.

Fourth, we expanded the supply of regular senior high school education resources. We allocated 13 billion yuan in subsidies for improving school conditions in regular senior high schools, an increase of 1 billion yuan over the previous year, to support local governments in improving basic school conditions in county-level regular senior high schools, accelerate the expansion of resource supply and promote the diversified development of regular senior high education.

Fifth, we promoted the high-quality development of modern vocational education. We guided local governments in researching and establishing differentiated per-student funding systems for vocational education based on major professional categories. A total of 31.257 billion yuan in funding was allocated for the development of modern vocational education to support local governments in raising the per-student funding for vocational schools, deepen the integration of industry and education and cooperation between enterprises and colleges, facilitate the development of high-level higher vocational schools and majors with Chinese characteristics and strengthen the training of full-time teachers possessing both academic and practical skills.

Sixth, we fostered quality development of higher education. We accelerated the development of world-class universities and top-tier academic disciplines with Chinese characteristics. We promoted reforms in clinical medicine training programs and supported the cultivation of urgently needed high-level and top-tier talents. We also supported the implementation of breakthrough plans for basic and interdisciplinary subjects, as well as pilot projects to support the research and innovation capabilities of young faculty at central universities. We steadily expanded high-quality undergraduate education. A total of 40.387 billion yuan was allocated to support the reform and development of local institutions of higher education, guide local governments to increase investment in higher education and enhance the overall capacity and standards of these

institutions.

Seventh, we adjusted and improved student financial aid policies.

Starting from the spring semester of 2025, we increased the national grant standard for senior high school students and expanded the coverage of national grants for secondary vocational schools. Beginning in 2025, we increased the central government's financial support for academic scholarships for graduate students at central universities, with the allocation of awards prioritizing basic subjects and disciplines (majors and directions) urgently needed by the country, as well as top innovative talent, talent in urgent need and short supply, and research-oriented graduate students. A total of 75.7 billion yuan in subsidy funds was allocated to support local governments in implementing national financial aid policies for regular senior high school education, secondary vocational education and higher education across the country. The policy of interest-free national student loans and deferred principal repayment was extended, exempting interest due in 2025 for students who graduated in 2025 or earlier, with repayment of principal deferred for one year.

Eighth, we strengthened the cultivation of a high-caliber teaching workforce.

We allocated 2.2 billion yuan for the national-level training program for primary and secondary school and kindergarten teachers to support local governments to deepen the implementation of the National Training Program for Primary and Secondary School Teachers and strengthen the training of core rural teachers. We supported local governments in further implementation of the Talent Support Program in Remote and Poor Areas, Areas with Large Ethnic Minority Populations, and Old Revolutionary Base Areas, the Special Work plan for Teachers and the Silver Age Teaching Program to improve the quality of the rural teaching workforce.

3. We ensured targeted guarantees for basic medical services.

First, we continuously improved the quality and efficiency of public medical services. In the first half of the year, the central government allocated 80.435 billion yuan in subsidies for basic public medical services, raising the per-capita fiscal subsidy standard for basic public medical service funding by another 5 yuan over 2024, reaching 99 yuan per person per year. This supported local governments in carrying out basic public medical services and strengthening resident health management. A total of 20.923 billion yuan was allocated in subsidies for major public medical services to support the implementation of the national immunization program, the prevention and control of major infectious diseases such as AIDS, tuberculosis, schistosomiasis and hydatid disease, as well as prevention and control of mental and chronic non-communicable diseases.

Second, we enhanced the medical service system. In the first half of the year, the central government allocated 9.115 billion yuan in subsidies for the essential medicine system to support local governments in consolidating the achievements of the essential medicine system reform. A total of 34.533 billion yuan was allocated in subsidies to improve medical service and insurance capabilities to support comprehensive reform of public hospital, health personnel training, capacity building of medical and health institutions, capacity building of medical security services and the inheritance and development of traditional Chinese medicine.

Third, we consolidated and improved basic medical security. In the first half of the year, the central government allocated 377.544 billion yuan in subsidies for medical insurance for urban and rural residents to support the continued increase of the financial subsidy standard by 30 yuan to 700 yuan per person per year and support local governments in stabilizing the participation rate in basic medical insurance. A total of 29.651 billion yuan was allocated in subsidies for urban and rural medical

assistance to support local governments in providing categorized subsidies for the individual payment portions of disadvantaged populations participating in medical insurance for urban and rural residents and provide assistance for their unaffordable out-of-pocket expenses after reimbursement by medical insurance, thereby reinforcing the bottom-line guarantee function of medical assistance.

4. We steadily improved the level of social security.

First, we continuously improved the pension security system. We steadily advanced the implementation of national coordination of pension insurance to promote the stable operation of the fund. The basic pension benefits for retirees were raised by a national average of 2 percent and the national minimum standard for basic pensions for urban and rural residents was raised by 20 yuan. The central government increased its subsidies to the basic pension insurance fund, allocating 1.1 trillion yuan in subsidies in the first half of the year to support the timely and full payment of basic pension insurance benefits in various regions. We also accelerated the development of a multi-level and multi-pillar pension insurance system to further promote the sustainable development of the individual pension system.

Second, we steadily advanced social assistance and child welfare undertakings. In the first half of this year, the central government allocated 156.683 billion yuan in assistance funds for people in difficulty, supporting local governments in coordinating efforts to provide subsistence and assistance to low-income people, people in extreme difficulty, individuals and households that encounter financial difficulties due to medical emergencies, vagrants and beggars and orphans, ensuring their basic needs of life. Basic elderly care and assistance services for disadvantaged or disabled elderly people were also strengthened. A total of 4.16 billion yuan was dedicated to renovation of dilapidated houses

and seismic retrofitting of houses for low-income rural groups and other key target groups in rural areas. Welfare services for children in difficult circumstances were also advanced.

Third, we effectively guaranteed benefits for entitled groups. In the first half of this year, the central government allocated 62.67 billion yuan in subsidies for entitled groups and 2.26 billion yuan in medical security funds to ensure that the benefits were disbursed in full and on time, so as to help eligible recipients address special medical needs. We continued to carry out programs with the support of the central special public welfare lottery fund to enhance the capacity of hospitals, and pooled 270 million yuan from this program to support 15 related hospitals in purchasing common medical (rehabilitation) equipment to better meet the medical and care needs of disabled veterans and other entitled groups.

Fourth, we achieved long-term development in basic elderly care services. In the first half of this year, the central government allocated 3.482 billion yuan to support local initiatives on elder-friendly home renovation for families with disadvantaged elderly people, equipment renewal of nursing homes, and training of nursing staff. We allocated 1.2 billion yuan to support relevant regions in building in-home nursing beds and providing home nursing services for eligible elderly people with financial difficulties and disabilities. We researched and formulated implementation plans for the provision of consumption subsidies for the elderly with moderate or severe disabilities.

5. We further improved the public cultural service system.

First, we effectively safeguarded people's rights to enjoy basic public cultural services. We allocated 22.71 billion yuan to enhance public cultural development at the grassroots level, including beneficial initiatives such as bringing opera performances to villages, making radio

and TV services accessible to all households, and conducting pilot reforms on rural libraries. We promoted the free public access of approximately 50,000 public cultural facilities nationwide such as museums, memorial halls, public libraries, art galleries, and cultural centers (stations), and provided basic cultural services such as public lectures and exhibitions.

Second, we provided more high-quality public cultural services. We allocated 2.933 billion yuan through China National Art Fund, National Publication Foundation, China Special Fund for Literature and Art, and the special fund for the development of the movie industry, to strengthen guidance and support for literary and artistic creation and production, so as to produce more outstanding works that can enrich people's cultural life.

Third, we made efforts in cultivating a pool of excellent cultural talents. We supported efforts to train cultural workers at the primary level in old revolutionary areas, ethnic areas, border areas and areas lifted out of poverty, and to select and arrange such workers to work in these regions in order to enhance local talent teams. We also supported programs to cultivate professionals in the cultural sector, and supported stated-owned art troupes and theaters in seeking development and fostering a high-caliber cultural workforce.

Fourth, we supported efforts to build China into a leading sports nation. A total of 3.983 billion yuan in transfer payments for sports was allocated to ensure free or low-cost access of public sports venues for the general public, and to improve the public sports facilities and training conditions for national teams, thereby promoting the all-round development of mass sports and competitive sports.

Fifth, we advanced the implementation of the national cultural

digitization strategy. We continuously promoted the development of the national cultural big data system, the nationwide smart library network, and the public cultural cloud platform for cultural data services. We supported central state-owned cultural enterprises in promoting integrated and innovative development, advancing cultural digitization, and carrying forward fine traditional Chinese culture.

6. We strengthened efforts to promote carbon reduction, pollution control, and expand green development, thereby enhancing all-round development of ecological civilization.

First, we made further progress in the battle against pollution. We allocated 34 billion yuan for air pollution prevention and control, supporting coordinated management of PM2.5 and ozone layer protection, with a focus on key sectors and programs. In the first half of this year, the average PM2.5 concentration in cities at the prefecture level and above nationwide decreased to 32.1 micrograms per cubic meter, down 2.4 percent year-on-year, while the proportion of days with good air quality reached 83.8 percent, up 1.0 percentage point from the same period of the previous year. We disbursed 26.7 billion yuan for the Clean Water Protection Campaign, focusing on the Yangtze River and Yellow River basins to enhance water resource conservation, water pollution treatment, and ecological restoration, and conducting competitive reviews to support the protection and construction of beautiful rivers and lakes. In the first half of this year, the proportion of surface water with good quality reached 89 percent nationwide, a 0.2 percent year-on-year increase. We allocated 4.4 billion yuan for the Clean Soil Protection Campaign to support source prevention and risk control of soil pollution with a focus on the remediation of heavy metal-related tailing ponds. In the first half of this year, we ensured effective risk management and safe utilization of key construction land, and kept the soil environment of agricultural land generally stable.

Second, we advanced efforts to promote the development of a cross-regional ecological compensation mechanism. Together with other relevant departments, we issued the *Guidelines on Further Improving the Cross-regional Ecological Compensation Mechanism* and the *Implementation Plan for Further Promoting the Construction of Cross-regional Ecological Compensation Mechanism for Major River Basins* to specify the future objectives, key tasks and measures of the ecological compensation mechanism. We allocated incentive funds to encourage voluntary inter-provincial negotiation and agreement signing. At present, 24 provincial-level regions have established 30 inter-provincial basin ecological compensation mechanisms, while Jiangsu, Fujian, Sichuan and Yunnan provinces have included all key basins in their jurisdictions into the ecological compensation mechanism. A joint ecological governance system featuring not only top-down coordination but also collective efforts across multiple levels has taken shape.

Third, we continued to advance ecosystem protection and restoration. 5.05 billion yuan of funds was allocated to support local governments in promoting the integrated conservation and restoration of mountains, rivers, forests, farmlands, lakes, grasslands and deserts. A total of 4.95 billion yuan was allocated to implement pilot projects of ecological restoration in abandoned historical mines, with a view to improving ecosystem quality and carbon sink capacity. To enhance the quality of the marine ecological environment and enhance marine carbon sink capacity, a total of 3.78 billion yuan was allocated to coastal cities for marine ecological conservation and restoration projects. We allocated 10 billion yuan for the Three-North Shelterbelt Forest Program to support integrated protection and restoration of forests, grasslands, wetlands, and deserts, consolidate achievements in desertification control, provide compensation for closed-off protection of desertified land, and formulate

reward and compensation policies to promote the integrated development of industry and ecological environment to solidify the ecological barrier of North China. Furthermore, we allocated 86.7 billion yuan to promote the establishment of a national park-based nature reserve system, carry out large-scale land greening initiatives in a scientific manner, support the development of oil-tea industry, strengthen forest resource protection and restoration, advance grassland ecological restoration and management, implement subsidy policies for ecological forest rangers, enhance wetland protection and restoration and the protection of national key protected wild animals and plants, and intensify forest and grassland fire prevention and the prevention and control of forest and grassland pests, in a bid to support the ecological protection and restoration of forests and grasslands.

Fourth, we made steady progress in advancing carbon peaking and carbon neutrality. We continued to enhance the promotion and application of clean energy, advance the low-carbon transformation of key industries, and consolidate and strengthen carbon sink capabilities. We allocated 5 billion yuan to promote standardized and environmentally friendly dismantling of waste electrical and electronic products, enhancing the recycling of solid waste. By leveraging the National Green Development Fund, we guided non-governmental capital to increase investments in clean energy, green transportation, and other key areas. We also made efforts to expedite the development of a unified national carbon market, channeling more production factors to green and low-carbon fields. We formulated and released the *Sovereign Green Bond Framework of the People's Republic of China* and issued the first bond of 6 billion yuan in London this April, lauded by the British government, international organizations and investors.

Fifth, we advanced clean and efficient use of energy. We supported reserve and production increases of unconventional natural gas to

enhance domestic supply security capacity. We propped up the development of renewable energy, promoting installed capacity and technological level of wind power, photovoltaic power and biomass to maintain global leadership. We supported initiatives including demonstrative city clusters of fuel cell vehicles, pilot projects for improving county-level battery charging and swapping infrastructure, trade-in of old vehicles for new ones, and the promotion of new energy buses and their power batteries, thereby continuing to advance energy conservation and emission reduction in the transportation sector.

Sixth, we improved green government procurement policy. In 101 cities (and municipal districts), we allowed the procurement of 108 certified green building material products in nine types of government projects, including hospitals, schools, office buildings, and sports venues, while promoting pre-fabricated and smart construction methods to drive the green transformation and upgrading of the building material industry. We mandated that new energy vehicles should account for at least 30 percent of the annual procurement of government vehicles, so as to support the application of such vehicles. At present, the purchase of energy-saving and environmentally friendly products through government procurement accounts for over 85 percent of the total purchases in related categories.

7. We supported disaster prevention, mitigation and relief, and ensured safe production, following the principle of putting people and their lives first.

We supported efforts to enhance natural disaster prevention and mitigation capacities at the primary level. From 2025 to 2028, support will be provided for 200 counties nationwide with high disaster losses, high risks, high hidden dangers and low disaster reduction capacity in enhancing their disaster relief capacities in a comprehensive way. We

supported integrated prevention and relief programs against extremely large-scale geological disasters. We promoted the building of national comprehensive fire and rescue teams, strengthened aviation emergency rescue capacity building and improved emergency material reserves. We supported efforts to prevent and contain major and particularly serious production accidents and to ensure effective emergency response and disaster relief. We promptly allocated central disaster relief funds. In the first half of the year, we initiated eight rapid disbursement mechanisms and allocated a total of 725 million yuan to support local emergency rescue and livelihood assistance for affected people, helping address major natural disasters, such as the earthquake in Dingri County of Xizang Autonomous Region; the landslides in Junlian County of Sichuan Province, and Bijie County of Guizhou Province, as well as Typhoon Wutip, and protecting people's lives and property. Efforts were also made to aid in disaster prevention, mitigation and relief in agriculture, allocating a total of 2.438 billion yuan to help local governments respond effectively to floods, droughts, major crop disease and pests.

V. We coordinated efforts to advance new-type urbanization and all-round rural revitalization, achieving positive progress in promoting coordinated urban-rural and regional development.

We gave full play to the role of public finance, took comprehensive measures to consolidate the foundation of food security, implemented the rural revitalization strategy in an all-round way, steadily advanced new-type urbanization, and carried out the country's major regional development strategies, while effectively addressing unbalanced and inadequate development and promoting coordinated urban-rural and regional development.

1. We ensured stable and secure supplies of grain and key agricultural products.

First, we made solid progress in implementing the strategy of ensuring food security through farmland protection. We arranged funds through multiple channels to vigorously promote the development of high-standard farmland. 42.09 billion yuan in related transfer payments and 134.487 billion yuan in ultra-long-term special treasury bonds were allocated to improve the quality of farmland. A total of 5.4 billion yuan was allocated to support the conservation and utilization of black soil, steadily advancing the implementation of the conservation tillage action plan for the black soil in Northeast China. 9.876 billion yuan was allocated to support farmland rotation and fallowing, promoting the sustainable use of cultivated land resources.

Second, we advanced the strategy of ensuring food security through application of agricultural technology. We provided strong support for the revitalization of the seed industry, the protection and utilization of germplasm resources, and the integrated program of breeding, promoting and using major varieties. We arranged a total of 20.795 billion yuan to implement the subsidy policy for agricultural machinery purchase and application, focusing on the promotion and use of high-performance seeders, intelligent high-speed rice transplanters, and large-scale intelligent high-end combine harvesters, to better meet the urgent needs of agricultural production in hilly and mountainous areas and to accelerate the improvement of agricultural equipment. At present, the comprehensive mechanization rate for crop plowing, planting, and harvesting across the country has exceeded 75 percent, with the rate for wheat exceeding 97 percent.

Third, we continued to strengthen the mechanism for ensuring grain farmers' income. We allocated 121.485 billion yuan to steadily implement the subsidy policy for farmland fertility protection, with enhanced management of subsidies for farmers. We supported to implement the minimum purchase price policy for wheat and rice,

improve the subsidy policy for corn and soybean producers, and steadily carry out the rice subsidy policy. We gave full play to agricultural insurance in supporting, benefiting, enriching, and strengthening farmers and agriculture. In the first half of the year, the agricultural insurance premiums reached 100 billion yuan, up 5.4 percent year on year, providing more than 3.3 trillion yuan in risk protection for 84.25 million farming households. Among them, insurance premiums for the three major grain crops exceeded 38 billion yuan, offering 812.9 billion yuan in risk protection for 60.87 million farming households. Insurance institutions were required to follow the principles of “compensating promptly, fully, and reasonably in advance where possible”, ensuring timely compensation for disaster-stricken farmers. In the first half of the year, agricultural insurance paid out about 50 billion yuan in compensation to nearly 11 million affected farming households.

Fourth, we ensured stable production and supply of key agricultural products. We implemented various subsidy policies to support the programs to expand and promote high-quality sugarcane varieties, those to increase and improve beef and mutton production, as well as those to promote the steady development of sugar crops, rubber, animal husbandry and fisheries. We took actions to promote green, high-yield, and efficient production of key grain and oil crops, as well as to increase per-unit yields among large-scale producers. A subsidy policy for intercropping soybeans and corn in strips was implemented, and efforts were made to raise per-unit yield of major grain and oil crops on a large scale. Grain production in summer this year achieved another bumper harvest, reaching 149.74 million tons, marking the second highest in history. The sown area, per-unit yield, and total output of summer oil crops all increased, laying a solid foundation for stable grain and oil production throughout the year.

Fifth, we fully mobilized local governments’ enthusiasm for

prioritizing agriculture and grain production. We launched the inter-provincial benefit compensation under the central government's overall coordination for grain-producing and grain-consuming regions. We allocated reward funds to major grain-producing counties, and initiated pilot programs in 40 counties to improve the quality and efficiency of grain circulation, ensuring that local governments gain tangible benefits and sustainable development by prioritizing agriculture and grain production.

2. We aligned efforts to consolidate the results of the battle against poverty with rural revitalization.

First, we strengthened funding support for this alignment. We kept the policies unchanged and maintained the support at full strength during the transition period, and allocated subsidy funds of 177 billion yuan from the central government to advance rural revitalization. We further increased support for key groups, including those prone to poverty reoccurrence, and tilted the funds to key recipient counties of national rural revitalization assistance and relocation settlements. We established and improved a monitoring and support mechanism to prevent large-scale poverty reoccurrence. By mid-year, we have helped more than 6.8 million monitored individuals steadily eliminate their risk of returning to poverty, and helped 32.833 million people lifted out of poverty find jobs, overfulfilling the annual target.

Second, we strengthened fund support for old revolutionary base areas. We allocated 2.4 billion yuan of central special lottery public welfare fund to support rural revitalization projects in old revolutionary base areas. Additional subsidies were provided to help 48 counties that are home to old revolutionary bases launch new rural revitalization projects, as well as to continue and consolidate projects initiated in the previous year. These efforts promoted the development of distinctive and

competitive rural industries in old revolutionary base areas and explored pathways for comprehensive rural revitalization with features unique to these regions.

Third, we helped areas and people that have just shaken off poverty enhance their own momentum for growth. We maintained the proportion of rural revitalization transition fund allocated to industrial development, with efforts focused on cultivating and expanding distinctive and competitive industries in less-developed regions, improving mechanisms for recruiting and benefiting more rural residents, and promoting sustained income growth for people lifted out of poverty. At the same time, measures such as tax incentives, government procurement, and microcredit policies were used to leverage social and financial capital to help consolidate and expand the achievements of poverty alleviation.

Fourth, we emphasized the management and tracking of the effectiveness of the transition fund. We joined hands with relevant departments to guide and supervise local governments to strengthen the management of fund use. We also conducted rigorous performance evaluation for 2024 and used the results to improve the work in the next stage. The disbursement progress and project implementation status were regularly reviewed, and, together with relevant departments, we promptly urged key provinces lagging behind in fund allocation to ensure that the rural revitalization transition fund is fully put to use as soon as possible.

3. We supported the sustained improvement of rural industries, rural development, and rural governance.

First, we made efforts to promote the integrated development of agricultural industries. We focused on building a modern agricultural industrial system, with more support provided for projects that advance

integrated industrial development such as modern agricultural industrial parks, industrial clusters with distinctive advantages, and towns with strong agricultural industries, thereby boosting rural industrial revitalization. In the first half of the year, funding was provided to support the establishment of 50 new national modern agricultural industrial parks, 40 distinctive and competitive industrial clusters, and 198 towns with strong agricultural industries.

Second, we strengthened the protection of agricultural ecological resources. Following the green development philosophy, we allocated 3.6 billion yuan to support the scientific use and recycling of plastic mulch films and 2.773 billion yuan to support the comprehensive utilization of crop straw, thereby promoting the resource utilization of agricultural waste. Another 16.482 billion yuan was allocated to implement the policy of subsidies and rewards for grassland ecological conservation, encouraging herders to adopt grazing bans and limits.

Third, we strengthened water conservancy infrastructure. We allocated 47.13 billion yuan to improve the water conservancy infrastructure system and enhance national water security. Of this, 22.09 billion yuan was allocated for flood and drought disaster prevention, covering the management of small and medium-sized rivers, key mountain torrent gullies, and the maintenance of flood control facilities, aiming to enhance basin-wide disaster prevention and mitigation capacity; 9.78 billion yuan was allocated for the intensive and efficient use of water resources, supporting the construction of small reservoirs and minor water diversion projects, as well as the continuation and water-saving upgrades of medium-sized irrigation districts; and 15.26 billion yuan was allocated for water resource protection and restoration, supporting comprehensive soil and water conservation, the “Happy Rivers and Lakes” Initiative, and integrated management of groundwater over-extraction.

Fourth, we provided support for the establishment of a new agricultural management system. We allocated 4.25 billion yuan to implement agricultural credit guarantee incentive policies. New agricultural credit guarantees issued nationwide reached 150.9 billion yuan in the first half of the year, supporting 253,000 applications from new agricultural entities and effectively alleviating their financing difficulties. In addition, 5.523 billion yuan was allocated to support family farms and farmer cooperatives in improving production and management as well as their capacity to recruit and benefit farmers. Furthermore, 8.204 billion yuan was allocated to promote commercial services for agriculture, focusing on mechanized and specialized support for small household farmers in key and weak areas of grain, cotton, oil, and sugar production.

Fifth, we further advanced comprehensive rural reform. We allocated 29.213 billion yuan in transfer payments to implement fiscal incentive policies for rural public welfare projects, accelerating the development of projects under the “Inside Village, Outside Household” rural public welfare initiative, and continuously improving rural production and living conditions. Efforts were made to advance the pilot programs on comprehensive rural reform and those on building beautiful and harmonious villages (villages that are environmentally-friendly, well planned, developed and managed, and rich in local culture, and that are livable and suitable for work and entrepreneurship), creating demonstration models for all-round rural revitalization. We guided and supervised local governments to ensure stable funding for village-level organizational operations primarily through fiscal input, stimulating the initiative and entrepreneurial spirit of village officials.

4. New-type urbanization is steadily advancing.

First, we continued to use central government fund to support urban

renewal initiatives. We made efforts to explore sustainable urban renewal mechanisms, address deficiencies in urban infrastructure, strengthen consumer-oriented infrastructure, and build livable, resilient, and smart cities. In the first half of the year, 20 target cities were selected through competitive evaluation as the second batch of cities eligible for such support, and 4.5 billion yuan was allocated to support projects in the selected cities in both batches.

Second, we provided support for the construction and upgrading of urban infrastructure. In the first half of the year, approximately 240 billion yuan was allocated through central budgetary investment, ultra-long-term special treasury bonds, and central fiscal subsidies to fund projects such as the renovation of urban gas pipelines and the construction and upgrading of underground utility tunnels and networks, further enhancing urban safety and resilience.

Third, we steadily pushed forward the urbanization of the rural-to-urban migrant population. In 2025, the central government allocated 42 billion yuan in incentive funding, taking into account actual population mobility and local conditions, to increase fiscal support for areas with large inflows of migrants and accelerate equitable access to basic public services.

5. We extensively implemented major regional strategies.

We continued to advance major regional strategies, such as the coordinated development of the Beijing-Tianjin-Hebei Region, the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, the integrated and high-quality development of the Yangtze River Delta, the high-quality development of the Yangtze River Economic Belt, and the ecological protection and high-quality development of the Yellow River Basin. We also took measures to promote revitalization of special regions.

In 2025, the central government allocated 25.54 billion yuan in transfer payments to old revolutionary base areas, 33.68 billion yuan to border regions, and 119.6 billion yuan to ethnic minority areas, steadily enhancing the balanced development of different regions.

VI. We better coordinated between development and security, and efficiently guarded against and defused risks associated with local government debt.

We established and improved a government debt management mechanism in line with high-quality development, strictly enforced local government debt limits, improved the management system for local government special-purpose bonds, and continued to defuse debt risks in the course of development and pursue development in a debt risk-defused environment, providing strong support for sustained and stable economic growth.

1. Hidden debt replacement policies achieved tangible results.

We guided and urged local governments to adopt scientific categorization and precise replacement methods, strengthened oversight over the entire process of bond issuance and fund use, and prevented policy execution from deviation. A local government debt ceiling of 2 trillion yuan was allocated to support local governments in replacing existing hidden debts. In the first half of the year, local governments issued 1.8 trillion yuan in replacement bonds, reaching 90 percent of the 2025 target. The average interest cost of post-replacement debt decreased by over 2.5 percentage points as a result. The debt replacement policy helped to achieve multiple objectives, such as enhancing local debt transparency and facilitating unified debt management. It also significantly reduced local government debt-servicing pressure, freed up more fiscal resources and policy room for localities, unlocked the chain of local debt, and promoted the smooth circulation of the micro-economy. Meanwhile, we accelerated the reform

and transformation of financing platforms, effectively improved the asset quality of financial institutions, and strengthened their willingness and capacity to extend credit to the real economy.

2. We enhanced the supervision over and management of special-purpose bond funds.

We guided local governments in continuously improving management mechanism for special-purpose bonds, enhancing comprehensive management from the borrowing process to the repayment process, and better leveraging the proactive role of special bonds in strengthening infrastructure, addressing shortcomings, improving people's well-being and expanding investment. In collaboration with relevant departments, we established a project application and review mechanism featuring "routine reports and quarterly reviews". We urged local governments to implement special account management and designated use for bond funds, further strengthened oversight over the use of special-purpose bond funds, and strictly prevented misappropriation, withholding, or diversion. We also guided local governments in the asset management of special-purpose bond projects and the management of funds for principal and interest repayments.

3. We effectively curbed the growth of hidden debts.

We improved the mechanism for information sharing and collaborative supervision to comprehensively monitor the debts that local governments are responsible for repaying, with dynamic analysis and timely early warnings to prevent risks. We reinforced budget constraints, making the prevention of new hidden debts "a non-negotiable discipline." We continued efforts to strengthen budget management, urging local governments to implement investment projects in accordance with the laws and regulations. Any government expenditure or investment projects

not included in the budget were prohibited, and we banned local governments from raising illegal or non-compliant debts. We strictly enforced a lifelong accountability mechanism for debt-related violations and a retrospective review mechanism for debt issues, establishing a closed-loop management mechanism for accountability of hidden debts. Through auditing, review, verification, inspection, research, and supervision, we improved the identification and collection of new hidden debt clues. Any instances of newly incurred hidden debt or falsified debt resolution were immediately investigated, addressed, and subject to accountability, including lifelong responsibility and retrospective review. We also enhanced the transparency of the disclosure of accountability outcomes to serve as a warning and further strengthen fiscal discipline.

VII. We continued to deepen fiscal reform and management to fully unleash the efficacy of fiscal governance.

We focused on accelerating the integration of reforms with scientific fiscal management, continued to deepen reforms in the fiscal and tax systems, and initiated pilot programs on scientific fiscal management. We intensified fiscal and accounting supervision, and comprehensively built a more systematic, refined, standardized and law-based fiscal management model, in a bid to better leverage the fundamental and pivotal role of public finance in state governance.

1. We steadily promoted fiscal and tax system reforms, and accelerated the establishment of a modern fiscal system suited to Chinese modernization.

First, we advanced the reform of the budget management system in an orderly manner. We strengthened the coordination of fiscal resources, deepened the pilot zero-based budgeting reform in central government departments, continued to advance the development of expenditure

standard systems, and accelerated the formulation and application of fiscal standards. We deepened reform of the government procurement system and facilitated the implementation of collaborative and innovative government procurement projects. We also advanced the integration of budget management systems, improved the functions of the integrated central budget management system, and accelerated the development of functional modules for government debt management, performance management, social insurance fund budget management, and internal control management.

Second, we steadily advanced tax system reform. By properly balancing elements such as the division of central and local revenues and tax collection capabilities, we accelerated reforms in moving the collection of excise tax on certain item categories further down to the production-to-consumption chain, with the power of collection steadily being passed to local governments. We steadily cleaned up and standardized tax incentives. We also actively advanced the legislation of the consumption tax and the revision of the *Tax Collection and Administration Law*. We expedited the formulation of implementation regulations for the *Value-Added Tax Law*, and established a comprehensive reporting system for tax-related information from Internet-based enterprises.

Third, we steadily advanced fiscal system reform. We improved the central-to-local transfer payment system, and increased the scale of general transfer payments to balance financial capacity across regions. We implemented incentive and constraint mechanisms for transfer payments to promote high-quality development, and guided local governments in developing industries and cultivating fiscal resources. We deepened fiscal system reforms, and regulated the division of fiscal powers and revenues below the provincial level.

2. We strengthened the development of a unified national accounting system and fiscal and accounting supervision and inspection, ensuring stable financial and economic performance.

First, we advanced the improvement and effective implementation of a unified national accounting system. We strengthened the systematic development of government accounting standards, and issued the *Interim Provisions on Accounting Treatment for Local Government Special-purpose Bonds*. We launched pilot projects on accounting for the transfer of mining rights, and cost collection and information disclosure for the governance of public data resources. We also drafted accounting methods in coordination with the healthcare system reform, and issued the *Provisions on the Transition Between the Old and New Accounting Frameworks for Non-governmental and Non-profit Organizations*. We enhanced the enterprise accounting standards system, focused on reducing implementation costs for small and medium-sized insurance companies, and organized to create industry-specific accounting manuals to strengthen practical guidance. We advanced the development of accounting data standards, and issued the *Notice on Promoting the Application of Electronic Voucher Accounting Data Standards* in collaboration with relevant departments. We launched in-depth pilot projects on the accounting data standards for small and micro enterprises' credit enhancement, and leveraged the role of accounting data in financing credit enhancement.

Second, we enhanced the role of fiscal and accounting supervision. We improved fiscal and accounting supervision system and mechanisms, continued to thoroughly implement the *Opinions on Further Strengthening Fiscal and Accounting Supervision*, and coordinated revisions to laws and regulations including the *Budget Law*, the *Law on Certified Public Accountants*, the *Asset Appraisal Law*, and the *Regulations on Punishment for Financial Violations*. We deepened the

launch of special campaigns on fiscal and accounting supervision, and carried out routine investigations into violations in the CPA profession and targeted rectification in the outsourced bookkeeping profession, with a focus on cracking down on illegal practices such as nominal CPA registration, to optimize the environment for the CPA profession. We further enhanced the public disclosure of accountability and disciplinary actions, imposing administrative penalties on 285 accounting firms and asset appraisal institutions and 637 CPAs and asset appraisers, and reporting 27 typical cases.

Third, we rigorously implemented regular supervision of budget execution. We issued the *Guidelines on Further Strengthening Regular Supervision of Local Budget Execution and the Guide for Corrective Actions and Rectifications in Regular Budget Execution Supervision (Trial)*, strengthening the development of institutional framework for regular supervision of budget execution. We improved the functionality of the integrated budget management system's budget execution monitoring module for central departments and the transfer payment monitoring module, and continued to optimize early warning rules. By combining online monitoring and offline verification, we strengthened daily supervision and process control, and promptly corrected errors and deviations, reinforcing the role of budget execution as a fundamental support for major national strategic tasks.

3. We enhanced scientific fiscal management to make our governance more systematic, refined, standardized, and law-based.

First, we launched pilot projects for scientific fiscal management. Starting from the year 2025, pilot programs for scientific fiscal management were launched in 12 provinces. With a focus on reform tasks outlined at the third plenary session of the 20th CPC Central Committee and the needs of fiscal management, these programs lay out 11 specific

tasks including strengthening the coordination of fiscal resources and budgets, implementing the principle of prudent spending management within Party and government institutions, and deepening zero-based budgeting reform. The goal is to achieve new progress and breakthroughs in key areas and tasks of fiscal management within two years. Currently, the provinces under the pilot programs have issued their own provincial implementation plans, and all related work is progressing steadily and in an orderly manner.

Second, we carried out whole-process budget performance management. We strengthened budget performance pre-assessment for new major policies and projects, improved performance target management, and enhanced monitoring of performance execution to promptly identify issues and make adjustments for correction. We improved the quality and efficiency of performance evaluation by establishing a multi-level evaluation system covering self-evaluation, departmental evaluation, and fiscal evaluation. We also intensified the application of evaluation results to promote the rectification and implementation of identified issues.

Third, we strengthened monitoring and analysis of fiscal operations of local governments. We improved the monitoring and management system for fiscal operations, based on coordination, joint contribution and shared benefits between central and local governments. This system dynamically monitored fiscal operations of local governments, promptly captured potential risks, strengthened early warning alerts, and urged local governments to take early actions and initiate a prompt response.

Fourth, we strengthened state-owned asset management. We earnestly followed the state-owned asset reporting requirements. We established a nationwide shared platform for the adjustment and allocation of state-owned assets in administrative and public institutions, enabling

cross-departmental, cross-level, and cross-regional asset sharing and adjustment. In the first half of the year, the platform aggregated over 200,000 pieces of information on asset adjustment and demand, completing the adjustment of more than 200 assets and saving over 40 million yuan in budget funds. We solidly advanced budget management and state-owned capital management, directing state-owned capital towards areas related to economic development and forward-looking and emerging industries. We established and improved an asset management system for investment projects financed by local government special-purpose bonds, and actively promoted pilot projects for the whole-process management of data assets.

Fifth, we deepened the management of state-owned financial capital.

We completed a high-quality report on the management of state-owned assets in financial enterprises. We strengthened financial management in state-owned financial enterprises by establishing a financial risk monitoring mechanism in financial enterprises. We enhanced long-cycle assessments for state-owned commercial insurance companies, guiding insurance funds towards long-term and prudent investments to better leverage their role as market stabilizers. We improved the property rights management of state-owned financial capital, comprehensively standardizing the asset appraisal and transfer of state-owned financial institutions. We explored the establishment of a specialized evaluation mechanism for property rights management and enhanced the supervision and management of property rights exchange institutions. We reinforced the accountability fulfilled by equity directors and improved measures to ensure the performance of their duties. We continuously tracked the financial conditions of financial enterprises and notified central financial institutions and local fiscal departments of identified issues from audits. We enhanced the law-based governance of state-owned financial capital management, contributing to drafting the *Law on State-owned Assets* and

promoting the revision of regulations such as the *Measures for the Supervision and Management of Asset Appraisals of State-owned Assets in Financial Institutions*, further strengthening the supervision and management of state-owned asset appraisals in financial enterprises, and effectively safeguarding the rights and interests of state-owned financial capital.

Sixth, we steadily advanced the compilation of the government financial report. We improved the accrual-basis comprehensive government financial reporting system and supplemented and refined the government financial statement system. We carried out the compilation and review of the 2024 central and local government financial reports in a solid and orderly manner, and made special efforts to enhance the quality of the compiling of government financial reports.

VIII. Fiscal Policy Outlook

In the second half of the year, under the strong leadership of the CPC Central Committee with Comrade Xi Jinping at its core, the Ministry of Finance will anchor its efforts to achieving the annual development goals and tasks, place greater emphasis on strengthening the domestic circulation, implement a more proactive fiscal policy, and fully carry out the decisions and plans made by the CPC Central Committee and the State Council. We will adhere to a problem-oriented approach, identify key priorities, enhance coordination and collaboration, strengthen bottom-line thinking, and continue to refine the policy toolkit. We will maintain the continuity and stability of policies while increasing their flexibility and foresight, and continue to work hard to stabilize employment, enterprises, markets, and expectations, thereby promoting the stable and healthy development of China's economy. Priority will be given to the following six areas:

1. We will make full and effective use of a more proactive fiscal policy.

We will strengthen accountability in budget execution, ensure the effective and secure use of fiscal funds, and speed up the implementation of funds and relevant policies. The special campaign to boost consumption will continue, with fiscal interest subsidies granted to individual consumer loans in key sectors and business loans in related industries, further unlocking the potential of services consumption in areas such as elderly care and childcare services. We will actively utilize local government special-purpose bonds and ultra-long-term special treasury bonds, improve coordination between fiscal and financial policies, and broaden the scope of public services eligible for investment support. We will also actively encourage private investment to play a greater role in driving economic growth.

2. We will strengthen support to stabilize employment and foreign trade.

We will make greater efforts to implement the job stabilization policies, supporting the provision of public employment services, vocational skills training, and job stabilization and creation initiatives. We will spare no effort to secure employment, promote entrepreneurship and employment for key groups, and guarantee basic living standards for the unemployed. We will help enterprises maintain orders, expand domestic sales, explore markets, and sustain operations by helping address their practical difficulties. We will also leverage multilateral and bilateral financial communication and cooperation mechanisms to advance the signing of more free trade agreements and continuously deepen international economic and trade cooperation.

3. We will accelerate the cultivation and expansion of new growth drivers.

We will strengthen industrial and technological innovation supply, advance breakthroughs in core technologies in key fields, and actively cultivate emerging and future-oriented industries to drive the transformation and modernization of the manufacturing sector. We will

improve the mechanism of allocation, management and use of public science and technology funds, optimize overall coordination of scientific and technological resources, and enhance the efficacy of fiscal inputs in this area. We will step up support for the digital transformation of SMEs and support SMEs that use specialized and sophisticated technologies to produce novel and unique products. We will advance the development of a unified national market, ensure equal treatment for all market entities and foster a favorable environment for business operation and development.

4. We will further guarantee and improve people's well-being. We will strengthen services for elderly care and child care by providing consumption subsidies for elderly care services to senior citizens with moderate or severe disabilities, carrying out free pre-school education, and implementing the child care subsidy policy. We will improve inter-departmental coordination on major livelihood policies, continuously refine support mechanisms in key areas such as education and healthcare, and effectively expand the coverage of the social security system. We will strengthen support for low-income groups to meet their basic needs, and make people's well-being more equitable, balanced, inclusive and accessible.

5. We will sustain efforts to guard against and defuse risks in key areas. We will continue to implement a package of policies to defuse debt risks. Enhanced analysis, forecasting, and dynamic monitoring of fiscal operations will be implemented, along with strengthened state coffer fund allocation management and emergency response mechanisms, to ensure that the "three priorities" are fully met and fiscal operations remain stable at the primary level. We will make good use of relevant policy tools to support the reform and transition of local government financing platforms, reform and defusing risks in small and medium-sized financial institutions, facilitating land acquisition and reserve and

purchase of commodity housing stock as government-subsidized housing.

6. We will continue to improve the efficacy and level of fiscal governance. In accordance with the plans and requirements of the third plenary session of the 20th CPC Central Committee and based on pilot programs for scientific fiscal management, we will deepen fiscal and tax reform measures to achieve tangible progress in fiscal resources and government budget coordination, zero-based budgeting, the system of fiscal transfer payments, consumption tax reform, and the regulation of preferential tax policies. We will intensify fiscal and accounting oversight, ensure effective follow-up audit rectification, and hold local governments and departments accountable for managing and using fiscal funds properly. We will also enhance budget discipline and enforcement of fiscal and tax laws and regulations. Meanwhile, we will strictly follow the requirement of “living on a tight budget” and ensure that fiscal funds are used more effectively to meet development needs and public expectations.