Report on the Implementation of China's Fiscal Policy in the First Half of 2026

Overview

The year 2026 marks the beginning of the 15th Five-Year Plan (2026-2030) period. In the face of risks and challenges arising from the complex environment at home and abroad, the Communist Party of China (CPC) Central Committee with Comrade Xi Jinping at its core strengthened its overall leadership over economic work. All regions and departments, guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, fully implemented the guiding principles of the 20th CPC National Congress and all plenary sessions of the 20th CPC Central Committee, and conscientiously carried out the arrangements made at the Central Economic Work Conference and the Government Work Report. We fully implemented the new development philosophy in an accurate and comprehensive manner, and carried out in a deep-going way the education campaign for establishing and practicing a correct understanding of governance performance, and implemented more proactive and effective macro policies. China's economy sustained a development trajectory marked by new growth drivers, an optimized structure, and solid progress in high-quality development. The fiscal policy was made more proactive and better targeted, and coordination with other policies was strengthened, laying a solid foundation for a good start to the 15th Five-Year Plan period.

First, we continued to unleash the potential of domestic demand. This year, the central government allocated 100 billion yuan to

introduce an innovative package of fiscal-financial coordination policies to boost domestic demand. The package comprised measures including interest subsidies on individual consumption loans, interest subsidies on loans to business entities in the service sector, interest subsidies on loans to micro, small and medium-sized enterprises, interest subsidies on loans for equipment upgrades, a special guarantee program for private investment, and a risk-sharing mechanism for bonds issued by private enterprises, so as to guide financial resources and social capital toward key areas for expanding domestic demand. We continued to implement the consumer goods trade-in program and adjusted and optimized its scope and subsidy standards. Fifty cities were selected for the pilot reward-based invoice program, generating over 300 billion yuan in sales in catering, accommodation, tourism and other related fields. We supported pilot programs for new consumption formats, models and scenarios, deepened the development of international consumption center cities, and created a more convenient and comfortable consumption environment. We made coordinated use of funds from ultra-long-term special treasury bonds, special-purpose bonds and central government budgetary investment, with a focus on key areas, to improve the quality and efficiency of investment.

Second, we supported the accelerated cultivation and growth of new drivers of economic development. We enhanced the capacity for systematic breakthroughs in scientific and technological innovation. The central-level expenditure on science and technology for 2026 was budgeted to increase by 10 percent, with greater focus on basic research, applied basic research and national strategic sci-tech tasks, and stronger support for national laboratories, national

research institutions and high-level research universities. We underscored the principal position of enterprises in innovation and advanced the development of a modern industrial system. A total of 200 billion yuan of ultra-long-term special treasury bond funds was allocated to support equipment upgrades in over 11,000 projects across 22 fields. We carried out pilot programs for new-type technological transformation in manufacturing cities and added 30 cities to the program. Twenty cities were included in the third group of pilot cities for developing a modern commercial distribution system, and 10 cities were included in the first group of cities supported under the new round of initiatives to shore up weak links and strengthen key segments of national comprehensive freight hubs. We advanced the standardization of preferential tax policies and fiscal subsidy policies in support of the accelerated development of a unified national market. We carried out in depth the special campaign to address violations of laws and regulations in the field of government procurement and strengthened the oversight of electronic marketplaces.

Third, we intensified efforts to ensure and improve people's livelihoods. We extended time-limited measures such as social insurance subsidies and job stabilization rebates to promote employment for key groups including college graduates. We improved the quality of public education services, optimized the structure of basic education expenditure, supported efforts to enhance the capacity of vocational education, and fully implemented student financial aid policies. We continued to raise the per-capita fiscal subsidy standard for basic medical insurance for urban and rural residents, supported the implementation of the initiative to

strengthen the foundations of medical and health services, and accelerated the establishment of a long-term care insurance system. The central government continued to increase subsidies to the basic pension insurance fund to support local governments in ensuring the timely and full payment of basic pensions. We fully implemented the childcare subsidy system, issued elderly care service consumption subsidies to seniors with moderate to severe functional impairment, and ensured funding for subsistence allowances, assistance and support for people in extreme difficulty, and preferential treatment and resettlement for ex-service members. We enhanced capacity for disaster prevention, mitigation and relief, promptly activated the rapid allocation mechanism for central disaster relief funds, and responded effectively to earthquakes, typhoons, floods and geological disasters.

Fourth, we promoted urban-rural integration and regional coordination. We strengthened the coordination and integration of agriculture-related transfer payments, and advanced the development of high-standard farmland and the protection of black soil. The central government allocated 177 billion yuan in regular assistance funds to support industrial assistance, employment assistance and development-oriented assistance in underdeveloped areas. We advanced people-centered new-type urbanization and improved the system under which basic public services are provided by places of habitual residence. We made solid progress in implementing major regional strategies and the coordinated regional development strategy, and applied a mix of policies including incentive funds for promoting high-quality development to guide localities in giving play to their comparative advantages.

Fifth, we promoted the green and low-carbon transition. We introduced trial implementation measures for levying the environmental protection tax on volatile organic compounds. We deepened the development of cross-basin horizontal ecological protection compensation mechanisms. We strengthened comprehensive ecological and environmental governance, and the central government allocated 61.8 billion yuan in subsidy funds to fully support the battles for blue skies, clear waters and clean soil. We launched nine cross-provincial Shan-Shui initiative projects and continued to support the critical campaign for the Three-North Shelterbelt Forest Program. We made active and prudent efforts toward carbon peaking and carbon neutrality goals and promoted the adjustment and optimization of the energy structure.

Sixth, we effectively prevented and defused risks in key areas. We supervised and guided localities in making good use of the central government's debt resolution support policies and accelerating the resolution of existing hidden debt. We deepened cross-departmental regulatory coordination and held those involved strictly accountable for such acts as incurring new hidden debt and falsifying debt resolution. We advanced the consolidated supervision of hidden debt and statutory debt and strengthened comprehensive monitoring of local government debt. We advanced the reform and transformation of local government financing platforms. Central government transfer payments to local governments totaled 10.42 trillion yuan as initially budgeted for the year, of which 9.4 trillion yuan had been allocated in the first half of the year. We stepped up the monitoring of local fiscal operations and consolidated the bottom lines for the "three priorities", namely people’s basic well-being,

payment of salaries, and the normal functioning of government, at the grassroots level.

Seventh, we deepened fiscal reform and management. We strengthened the alignment of supporting measures to ensure the smooth implementation of the VAT Law and its implementing regulations. We improved the local tax system and steadily advanced legislation on local surtaxes. We improved the transfer payment system and launched pilot programs for the integrated and coordinated use of transfer payment funds. We guided localities in advancing reform of the fiscal system below the provincial level. We further advanced pilot programs for scientific fiscal management and continuously made fiscal management more systematic, refined, standardized and law-based. We intensified fiscal and accounting supervision and launched the three-year action to enhance the quality and efficiency of fiscal and accounting supervision. We upheld the principle of practicing strict budget austerity and ensured that fiscal funds were used where they were most needed for development and where they mattered most for people's wellbeing.

I. Fiscal operations remained stable and improved, with sound budget execution.

In the first half of the year, China's economy pressed ahead with resilience and made steady progress, laying the foundation for the stable operation of public finance. Fiscal authorities at all levels strengthened the coordination of fiscal resources, overall maintained a front-loaded pace of expenditure, and ensured robust funding for key sectors.

1. Fiscal revenue grew steadily, with the cumulative growth rate continuing to rise.

In the first half of the year, national general public budget revenue totaled 12.1 trillion yuan, representing a year-on-year increase of 4.7 percent. Revenue remained generally stable and followed a trajectory toward new drivers and an upgraded structure. This was mainly attributable to the strong resilience and vitality of China's economy, and was also strongly supported by factors including rising prices, an active stock market and robust growth in foreign trade.

First, tax revenue grew steadily. In the first half of the year, national tax revenue totaled 9.79 trillion yuan, a year-on-year increase of 5.3 percent, with the growth rate 3.1 percentage points higher than that in the first quarter. By tax category, domestic VAT increased by 6 percent, mainly driven by sustained growth in industry and services and the rise in producer prices for industrial products. VAT and consumption tax on imports increased by 11.8 percent, mainly driven by rapid growth in imports. Corporate income tax increased by 3.9 percent, mainly driven by growth in corporate profits. Stamp duty on securities transactions increased by 97.3 percent, mainly driven by growth in stock market turnover. Refunds of VAT and consumption tax on exported goods amounted to 1.34 trillion yuan, 68.5 billion yuan more than in the same period of last year, an increase of 5.4 percent, lending support to the growth of exports.

Second, non-tax revenue grew modestly. In the first half of the year, national non-tax revenue totaled 2.32 trillion yuan, a year-on-year increase of 2.3 percent. Within this total, revenue from

the compensated use of state-owned resources (assets) increased by 3.5 percent, mainly due to increases in proceeds from the transfer of mining rights; and revenue from administrative and institutional fees decreased by 4.4 percent, mainly because, starting from the autumn semester of 2025, care and education fees were waived for children in the final preschool year in public kindergartens.

Third, revenue continued to grow in most regions. In the first half of the year, general public budget revenue at the local level totaled 6.88 trillion yuan, a year-on-year increase of 2.7 percent, with the growth rate 0.6 percentage points higher than that in the first quarter. By region, revenue grew in the eastern, central, western and northeastern regions. Of the 31 provincial-level regions, 28 recorded revenue growth, three more than in the first quarter.

2. Fiscal expenditure continued to grow, with strong support for key sectors.

In the first half of the year, national general public budget expenditure reached 14.33 trillion yuan, a year-on-year increase of 1.5 percent, with the growth rate 0.7 percentage points higher than that of January to May. Within this total, central government expenditure under the general public budget amounted to 2.12 trillion yuan, up 6.5 percent, maintaining a high level of intensity. Local government expenditure totaled 12.21 trillion yuan, up 0.6 percent, with the cumulative growth rate turning from negative to positive. Among the major expenditure categories nationwide, expenditure on healthcare reached 1.22 trillion yuan, up 10.8 percent, mainly due to increases in childcare subsidy payments and government subsidies to the basic medical insurance fund. Expenditure on social insurance and employment totaled 2.64

trillion yuan, up 7.6 percent, and expenditure on housing security amounted to 430.9 billion yuan, up 6.1 percent.

3. We devoted great efforts to budget execution, ensuring that fiscal funds were allocated early and delivered results quickly.

We strictly implemented the requirements of the Budget Law, made preparations for budget allocation in advance, and promptly approved and allocated budgets in accordance with the budget approved by the National People's Congress, so that funds could be channeled more quickly to specific entities and projects and favorable conditions were created for the use of funds. At the central level, budget approval for all central government departments was completed before the end of March. With regard to central government transfer payments to local governments, 9.4 trillion yuan had been allocated in the first half of the year, accounting for 90.3 percent of the budget approved at the beginning of the year, with the pace of allocation 0.5 percentage points faster than in the same period of last year.

II. We firmly implemented the strategy of expanding domestic demand to effectively improve the quality and efficiency of the national economic circulation.

We conscientiously implemented the strategy of expanding domestic demand, made coordinated efforts on both the supply and demand sides, and introduced a series of policy packages, so as to promote the virtuous interaction between consumption and investment and give better play to the role of domestic demand as the main driver and a stabilizing anchor.

1. We redoubled efforts to boost consumption and continuously unleashed the advantages of China's super-large market.

First, we continued to implement the consumer goods trade-in program. In 2026, the central government arranged 250 billion yuan of ultra-long-term special treasury bond funds to support consumer goods trade-ins, and continuously optimized the scope of support and subsidy standards. In the first half of the year, a total of 125 billion yuan had been allocated in two batches, generating over 1.1 trillion yuan in sales of related products and benefiting 150 million person-times, effectively unleashing consumption potential. Of the total, automobile trade-ins accounted for 3.707 million vehicles, helping push the penetration rate of new energy vehicles in the retail market to 62.4 percent in the second quarter, a record high; 63.266 million household appliances were traded in; and 79.098 million digital products such as mobile phones were newly purchased. Nineteen localities implemented subsidy policies for locally determined product categories, driving sales of 992,000 units of related goods.

Second, we strengthened fiscal and financial coordination to drive consumption. We provided targeted support to households and businesses in the consumer service sector on both the supply and demand sides to unleash consumption vitality. On the supply side, we improved implementation of the interest subsidy policy for loans to business entities in the consumer service sector by raising the maximum interest-subsidized loan limit per eligible entity from 1 million yuan to 10 million yuan and expanding the coverage to 11 consumption sectors. On the demand side, we improved the implementation of the interest subsidy policy for personal

consumption loans by providing an interest subsidy of one percentage point for consumption financed by personal consumption loans extended by designated financial institutions, putting credit card bill installment plans under the coverage of the subsidy and removing restrictions on consumption sectors. From January to June, newly issued loans in related sectors totaled over 17 trillion yuan, a year-on-year increase of 4.6 percent, with borrowers benefiting about 99 million times from the interest subsidies.

Third, two pilot programs were launched to accelerate the development of new consumption business models, trends and scenarios and to develop an international consumption environment. Concerning new consumption business models, trends and scenarios, an initial 8.6 billion yuan had been fully allocated to prioritize the development of the debut economy, service consumption and the "IP (intellectual property) + consumption" model, fostering new momentum for consumption by developing a range of far-reaching and eye-catching new consumption scenarios. Concerning the development of an international consumption environment, an initial one billion yuan had been fully allocated to enrich the supply of high-quality consumer goods and services and improve facilitation services such as payment and language services, so as to create a more convenient and comfortable consumption environment and attract more inbound consumption. Preliminary progress has been made in the pilot programs, with a number of flagship projects featuring cross-sector integration of commerce, culture and tourism, sports, health and wellness, and cultural and creative industries emerging across the country.

Fourth, we supported the pilot invoice lottery program. A total of

10 billion yuan was allocated to support the pilot program in 50 cities, covering major consumption scenarios closely related to people's daily needs, including shopping, catering, tourism and accommodation, cultural and sports activities, and domestic services, so as to stimulate household consumption demand. In the first half of the year, the 50 pilot cities issued 7.72 billion yuan in prizes (including prizes won but not yet claimed), with a cumulative 750 million participations in the program and 330 million prize wins.

2. We drove the expansion of effective investment to empower high-quality economic development.

First, we continued to arrange ultra-long-term special treasury bonds for implementing major national strategies and building security capacity in key areas. In the first half of the year, 606.46 billion yuan of ultra-long-term special treasury bond funds was allocated for such purposes, pushing 936 major projects to generate tangible progress as soon as possible. We strengthened the full-process management of funds for these purposes, optimized fund allocation procedures, established a mechanism to detect duplication of projects, and ensured that performance targets were issued in tandem with project budgets.

Second, we actively guided local governments in accelerating the issuance of special-purpose bonds. The newly added quota of local government special-purpose bonds for the year reached 4.4 trillion yuan. In the first half of the year, localities issued a total of 2.07 trillion yuan of new special-purpose bonds, supporting over 17,000 construction projects, of which over 170 billion yuan was used as capital for projects, thereby giving better play to the leveraging role of government investment.

Third, we promoted private investment through fiscal-financial coordination. We implemented the interest subsidy policy for loans to micro, small and medium-sized enterprises (MSMEs), providing interest subsidies of 1.5 percentage points for a maximum term of no more than 2 years on fixed-asset loans to private MSMEs related to key industrial chains and their upstream and downstream sectors, producer services, and agriculture, forestry, animal husbandry, sideline production and fishery, and other fields, with the ceiling of the subsidized loan set at 50 million yuan per eligible entity. We established a special guarantee program for private investment to provide guarantees for medium- and long-term loans to eligible private MSMEs, with the ceiling of guaranteed credit set at 20 million yuan per entity. We established a risk-sharing mechanism to support bond issuance by private enterprises, providing credit enhancement for bonds issued by private enterprises and private equity investment institutions. We improved the implementation of the interest subsidy policy for equipment upgrade loans, providing interest subsidies of 1.5 percentage points for a maximum term of no more than 2 years on fixed-asset loans related to equipment upgrades and on eligible loans for sci-tech innovation.

Fourth, we improved the utilization efficiency of central government budgetary investment. A total of 755 billion yuan of central government budgetary investment was arranged for 2026, an increase of 20 billion yuan from 2025, mainly supporting projects in modern industrial systems and infrastructure systems, new-type urbanization and all-round rural revitalization, green development, public welfare, and emergency response and disaster relief. We improved the coordination mechanism for the management of

central government budgetary investment and strengthened the alignment between investment plans and budget allocation. In the first half of the year, a cumulative total of 430.094 billion yuan of central government budgetary investment was allocated.

3. We actively expanded autonomous opening up and enhanced the mutually-reinforcing development of the domestic and international dual circulations.

First, we actively engaged in international economic and trade cooperation. This year, in addition to applying zero tariffs to all least developed countries that have diplomatic relations with China, we applied zero tariffs for a period of two years to 20 African countries with diplomatic relations with China that are not classified as least developed countries. We also actively advanced the negotiation and signing of agreements on economic partnership for shared development with relevant countries. Starting on April 1, agreed tariff rates have been applied to imports originating in the Republic of the Congo pursuant to the early outcome arrangement for the agreement on economic partnership for shared development signed between the two countries.

Second, we improved tariff and other import tax policies. We implemented the tariff adjustment plan for 2026, applying provisional import tariff rates lower than the most-favored-nation rates to 935 commodities, so as to amplify the interplay between the domestic and international markets and resources and expand the supply of quality goods. We actively supported the development of science and technology, the introduction of improved agricultural varieties, and the development and utilization of energy resources, strengthened support in key areas, and promoted opening up and

cooperation.

Third, we supported the development of the Hainan Free Trade Port (FTP). Zero tariffs were applied to certain inbound goods consumed by residents in the Hainan FTP, with an annual duty-free shopping quota of 10,000 yuan per person and no limit on the number of purchases, so that the benefits of the development of the FTP would be better shared by its residents.

Fourth, we facilitated and expanded inbound consumption. We stepped up efforts to optimize departure tax refund measures and introduced facilitation measures including paperless processing of departure tax refunds and random spot checks of applications involving refund-eligible purchases of less than 10,000 yuan, continuously enhancing the appeal of "Shopping in China." One new inbound duty-free shop was established at each of 20 airport ports, including Wuhan Tianhe International Airport, and 21 water and land ports, including Xiamen Wutong Passenger Terminal and Shenzhen Bay, to facilitate duty-free shopping by inbound travelers.

III. We remained committed to innovation-driven development and accelerated the cultivation and growth of new drivers of economic development.

We further advanced the innovation-driven development strategy, promoted the deep integration of sci-tech innovation and industrial innovation, facilitated the connectivity between innovation chains and industrial chains, and continuously fostered new quality productive forces.

1. We supported the pursuit of greater self-reliance and self-improvement in scientific development, and the capacity for

independent innovation continued to improve.

First, we continued to increase investment in basic research. Central government investment in basic research was increased. In 2026, the central-level spending on basic research increased by 16.3 percent compared with 2025. We improved the basic research funding mechanism that combines competitive support with stable support, and guided and encouraged society-wide investment in basic research.

Second, major national sci-tech initiatives were carried out continuously. Targeting the major strategic needs of the country and the requirements of industrial development, we strengthened the safeguarding of sci-tech resources, supported the deployment and implementation of a batch of strategic, overarching and forward-looking major national sci-tech projects, and made sustained and intensified efforts to achieve breakthroughs in core technologies in key fields.

Third, we further strengthened the national strategic sci-tech capabilities. We actively supported the construction and development of national laboratories and key national laboratories, increased stable support for central-level research institutes and universities, supported the cultivation and growth of leading sci-tech enterprises, and provided comprehensive support for cultivating, introducing, and making good use of sci-tech talents.

Fourth, we continuously improved the management of sci-tech funds. We continued to improve the mechanism for the allocation, management, and use of central government budgetary funds for science and technology, strengthened whole-process performance

management, enhanced and improved supervision and inspection, and raised the efficiency of fund utilization.

Fifth, we effectively advanced the development of regional sci-tech innovation systems. We optimized the supply of fiscal policies and supported the high-standard development of international sci-tech innovation centers in Beijing (the Beijing-Tianjin-Hebei Region), Shanghai (the Yangtze River Delta) and the Guangdong-Hong Kong-Macao Greater Bay Area, while guiding and encouraging localities to draw on their own endowments, increase sci-tech investment and factor guarantee, and accelerate the building of distinctive regional innovation highlands.

Sixth, we accelerated efforts to increase the supply of science popularization resources. We broadened channels of support and established new projects under the central government's special lottery public fund to support the construction of 204 township science popularization halls in key counties receiving rural revitalization assistance, Xinjiang Uygur Autonomous Region, Xizang Autonomous Region, and other regions, by drawing on existing venues and resources.

2. We guided industrial transformation and upgrading, and made solid progress in developing a modern industrial system.

First, we supported the high-quality development of small and medium-sized enterprises (SMEs). We encouraged enterprises to increase investment in sci-tech innovation, and supported over 1,500 "little giant" enterprises in fostering new drivers, achieving breakthroughs in new technologies and developing new products, so as to strengthen their capacity to support industrial chains. We

evaluated the final performance of the first batch of pilot cities for SME digital transformation, and encouraged and guided local governments to increase support and continue to advance the digital transformation of SMEs.

Second, we effectively leveraged the role of government investment funds in promoting industrial upgrading, innovation, and entrepreneurship. Through the National Manufacturing Transformation and Upgrading Fund, the National SME Development Fund, the National Artificial Intelligence Industry Investment Fund and other funds, we guided and mobilized private capital to prioritize investment in new materials, artificial intelligence and other fields, and increased support for fields with bottleneck problems. We advanced the establishment of the second phase of the National SME Development Fund and launched the investment operations of the National Venture Capital Guidance Fund, so as to support the development of strategic emerging industries and future industries.

Third, we continued to advance the upgrading and quality improvement of key industries. In the first half of the year, we launched the third batch of city-level pilot programs for new-type technological transformation in manufacturing. We selected and supported 30 pilot cities including Nanjing and Zhuhai, and allocated 4.5 billion yuan in start-up funds to the relevant cities, driving enterprises to carry out equipment upgrades, technology upgrading, digital empowerment and management innovation, and advancing the smart, green and integrated development of the manufacturing sector.

3. We promoted the deep integration of sci-tech innovation and

industrial innovation, and accelerated the development of new quality productive forces.

First, we implemented tax policies supporting enterprise innovation in science and technology. In recent years, we have continuously strengthened tax support for innovation in science and technology and established the tax incentive policy system featuring broad coverage, substantial benefits, and application across all links of the entire process of enterprise innovation. In the first half of the year, tax cuts, fee reductions, and tax refunds under existing major policies supporting sci-tech innovation and policies for manufacturing development amounted to 1.91 trillion yuan, playing an important role in stimulating the innovation vitality of enterprises, consolidating the foundations of self-reliance and strength in science and technology, and fostering and expanding new growth drivers of economic development.

Second, we accelerated the efficient transformation and application of major sci-tech achievements. We implemented the insurance compensation policies for the first set of major technical equipment and the first batch of new materials, supported the iterative upgrading, promotion, and application of innovative products consisting of the first set of major technical equipment and the first batch of new materials, and facilitated the transformation of sci-tech innovation achievements into real productive forces.

Third, we gave full play to the role of the government-backed financing guarantee system. We launched the special guarantee program for sci-tech innovation, and increased risk-sharing and compensation for SMEs engaged in sci-tech innovation, effectively lowering financing thresholds and costs. In the first half of the year,

the program helped over 60,000 such SMEs secure more than 290 billion yuan in bank loans.

IV. We coordinated and advanced new-type urbanization and all-around rural revitalization, making new progress in coordinated urban-rural and regional development.

We gave full play to the functions of public finance, comprehensively consolidated the foundation of food security, supported the building of beautiful and harmonious countryside that is desirable to live and work in, advanced people-centered new-type urbanization, thoroughly implemented regional development strategies, and effectively promoted urban-rural integration and regional coordination.

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

First, we promoted the protection and quality improvement of farmland. The central government allocated 121.485 billion yuan to steadily implement the subsidy policy for farmland fertility protection and motivate farmers to grow grain. We allocated 39.7 billion yuan for farmland development and utilization and 105.049 billion yuan of ultra-long-term special treasury bonds funds to support localities in developing and upgrading 61.08 million *mu* (4.072 million hectares) of high-standard cropland. We steadily implemented the conservation tillage action plan for the black soil in Northeast China and strengthened the protection and utilization of black soil. We advanced crop rotation and fallowing to promote the sustainable use of cultivated land resources.

Second, we strengthened support for the development of

agricultural science, technology and equipment. The central government allocated 16.25 billion yuan in subsidies for the purchase and application of agricultural machinery, with priority support for the promotion and application of high-performance seeders, intelligent high-speed rice transplanters, and large intelligent high-end combine harvesters, so as to accelerate efforts to shore up weaknesses in agricultural machinery and equipment. We allocated 1.264 billion yuan to support the revitalization of the seed industry, advance the protection and utilization of agricultural germplasm resources, carry out production performance testing of breeding livestock and poultry, and promote the integrated development of the research, development, promotion and application of major varieties. The area planted with independently bred crop varieties accounted for over 95 percent of China's total farming area, with the market shares of domestically developed seed sources for vegetables, livestock and poultry, and aquatic products exceeding 91 percent, 80 percent and 86 percent, respectively.

Third, we provided reasonable safeguards for farmers' income from grain production. We improved the policy system featuring the three-in-one combination of prices, subsidies and insurance. We improved the mechanism for safeguarding farmers' income from grain production and implemented the policy on minimum purchase prices for rice and wheat. We steadily implemented the subsidy policy for corn and soybean producers and the subsidy policy for rice to protect the basic income of grain growers. In 2026, the central government allocated 54.6 billion yuan in agricultural insurance premium subsidies. In the first half of the year, China's agricultural insurance premiums exceeded 108 billion yuan, providing risk

coverage of 3.3 trillion yuan for rural households in more than 77 million cases.

Fourth, we supported the stable production and sufficient supply of key agricultural products. We supported the promotion of improved varieties and farming techniques for sugarcane and natural rubber, and accelerated the improvement of quality and efficiency in livestock and poultry farming and the high-quality development of the fisheries sector. We implemented the green, high-yield and high-efficiency initiatives for key grain and oil crops and the per-unit yield improvement programs for large-scale grain and oil producers, implemented the subsidy policy for intercropping soybeans and corn in strips, and promoted the increase of per-unit yields of grain and oil crops over large areas. In the first half of the year, national output of pork, beef, mutton and poultry meat reached 50.5 million tons, a year-on-year increase of 4.3 percent, and domestic output of aquatic products reached 35.12 million tons, a year-on-year increase of 4.4 percent.

Fifth, we advanced the development of a new-type agricultural management system. The central government allocated 8.2 billion yuan to support the development of agricultural socialized services, focusing on meeting the needs of small-scale farming households for mechanized and specialized services in key and weak links of the production of important agricultural products such as grain, cotton, oilseeds and sugar. We allocated 4.3 billion yuan to implement the subsidy and reward policy for the agricultural credit guarantee business and help ease the difficulties in accessing and affording financing. In the first half of the year, the national agricultural credit guarantee system provided 151.81 billion yuan in new guarantees

and extended new support to 217,100 new-type agricultural business entities.

Sixth, we supported agricultural disaster prevention, mitigation and relief and water conservancy disaster relief. In active response to floods, droughts, typhoons and other disasters, the central government promptly allocated 2.758 billion yuan in batches for agricultural disaster prevention and relief and water conservancy disaster relief in the first half of the year, providing strong support for disaster-affected areas in accelerating the resumption of agricultural production.

Seventh, we improved the benefit compensation mechanism for major grain-producing areas. We implemented the reward policy for major grain-producing counties and continued the policy on grain risk funds, so as to ensure that local governments gained tangible benefits and achieved development by prioritizing agriculture and grain production. We supported local governments in strengthening grain reserves and stabilizing the grain market. We implemented the cross-provincial horizontal compensation mechanism between major grain-producing areas and major grain-consuming areas under the overall coordination of the central government.

2. We supported the implementation of regular and targeted assistance.

First, we consolidated funding guarantees for regular assistance. We restructured the central fiscal subsidy funds for facilitating the transition to rural revitalization into regular assistance funds and allocated 177 billion yuan, the same as the previous year, with a focus on industrial assistance, employment assistance and

development-oriented assistance in underdeveloped areas. We strengthened fund oversight to ensure safe, compliant, and effective use of funds.

Second, we focused on priorities and ensured the implementation of policies. We highlighted priorities in industrial support, strengthened categorized guidance and long-term cultivation of industries in light of local conditions, promoted whole-industry-chain development, supported the improvement of mechanisms to link farmers with industries, bring them tangible benefits, and increase their incomes. Through measures such as transport subsidies for cross-provincial employment, work-for-relief programs and public welfare jobs, we gave priority support to stabilizing and expanding employment for people at risk of returning to or falling into poverty and for people lifted out of poverty who were previously registered in the poverty files and need continued assistance. In the first half of the year, the employment scale of laborers lifted out of poverty exceeded 32 million, and the per-capita disposable income of rural residents in counties lifted out of poverty continued to grow faster than the national average for rural areas.

Third, we increased financial support for old revolutionary base areas. The central government allocated 2.6 billion yuan from the special lottery public welfare fund to provide additional subsidies supporting 53 counties in old revolutionary base areas in launching rural revitalization projects, as well as the continuation, consolidation and upgrading of projects launched in the previous year, helping these areas develop rural industries with local distinctive advantages, improve living environments, and explore paths of rural revitalization with characteristics of old revolutionary

base areas.

3. We made strong progress in the modernization of agriculture and rural areas.

First, we accelerated the development of a modern agricultural industrial system. We remained committed to developing local and special products in rural areas, supported the standardized development of industrial convergence projects such as modern agricultural industrial parks, clusters of competitive and distinctive industries, and towns specializing in agricultural sectors, and promoted the revitalization of rural industries. In the first half of the year, we supported the establishment of 49 new modern agricultural industrial parks, 40 clusters of competitive and distinctive industries, and 198 towns specializing in agricultural sectors.

Second, we continuously strengthened the protection of agricultural ecological resources. The central government allocated 1.9 billion yuan and 2.627 billion yuan respectively to support the scientific use and recycling of plastic mulch films and the comprehensive utilization of crop straw, and to promote the resource utilization of agricultural waste. We allocated 17.163 billion yuan to implement the fourth round of the subsidy and reward policy for grassland ecological protection, motivating herders to adopt grazing prohibition and grazing restrictions.

Third, we continued to consolidate water conservancy infrastructure. The central government allocated 44.773 billion yuan in water conservancy development funds as transfer payments to local governments, supporting the improvement of the water conservancy infrastructure system and enhancing the national water

security.

Fourth, we further advanced comprehensive rural reform. We supported the implementation of fiscal incentive policies for rural public welfare projects and pilot programs for comprehensive rural reform, continuously improved production and living conditions in rural areas, and explored effective paths for all-around rural revitalization.

4. We made steady progress in people-centered new-type urbanization.

First, we continued to make progress in granting permanent urban residency to people moving to cities from rural areas. In 2026, the central government allocated 42 billion yuan in reward funds for granting urban permanent residency to rural migrants, with funding tilted toward areas with large numbers of rural migrants obtaining urban residency and high costs of basic public services. The funds were used to support efforts to address the issues of greatest concern to rural migrants, including their children's education, housing security and social insurance, and to advance people-centered new-type urbanization.

Second, we continued to support the implementation of urban renewal initiatives. Through competitive reviews, 15 cities at or above the prefecture level, including Jincheng, Anshan and Changchun, were included in the scope of support. The central government provided fixed subsidies of 800 million yuan, 1 billion yuan and 1.2 billion yuan for each city in the eastern, central and western regions respectively, to support the development of key demonstration projects and the establishment of mechanisms in the

selected cities.

Third, we continued to carry out the development of traditional village conservation areas. The central government provided fixed subsidies to the selected counties. Through competitive reviews, 25 counties (cities, districts) were included in the first batch of support for 2026, advancing the development of distinctive traditional village conservation areas under five themes, which are Huizhou-style architecture, the ancient Tea Horse (Salt) Road, Central Plains Farming, Hakka hometowns of overseas Chinese, and Jiangnan water towns.

5. We further advanced regional development coordination.

We advanced the implementation of major regional strategies and the strategy for coordinated regional development including the coordinated development of the Beijing-Tianjin-Hebei Region, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, high-quality integrated development of the Yangtze River Delta, high-quality development of the Yangtze River Economic Belt, and ecological conservation and high-quality development in the Yellow River Basin. We supported localities in leveraging their comparative advantages and respective strengths to accelerate high-quality development. We strengthened central government funding support for the revitalization and development of special types of regions, including border regions, old revolutionary base areas, and resource- and energy-based regions, and worked to enhance coordination in regional development.

V. We further strengthened efforts to ensure and improve people's livelihoods, continuously enhancing public well-being.

We remained committed to ensuring and improving people's livelihoods while pursuing high-quality development, doing our utmost within our capacity, focusing on the most pressing difficulties and concerns of the people, increasing investment in human capital, striving to shore up weaknesses in public well-being, and weaving a tighter and stronger social safety net.

1. We continuously strengthened employment support.

First, we strengthened the coordination between fiscal policy and employment policy. We implemented the employment-first strategy. The central government allocated 66.74 billion yuan in employment subsidies to support local governments in implementing various employment and entrepreneurship support policies. We continued the time-limited policies of job stabilization rebates and expanding the scope of social insurance subsidies to support enterprises in maintaining and expanding employment and hiring more employees. In the first half of the year, 6.95 million new urban jobs were created nationwide, and the average surveyed urban unemployment rate stood at 5.2 percent, with the overall employment situation remaining stable.

Second, we promoted employment and entrepreneurship for key groups. We continued the implementation of policies such as one-time job expansion subsidies, and guided enterprises and social organizations in hiring young people including college graduates. We strengthened employment assistance for disadvantaged groups such as people with disabilities and members of zero-employment households. We steadily and orderly expanded the pilot program for occupational injury protection, and strengthened occupational injury protection for workers in new forms of employment. We continued

the award and subsidy policy for entrepreneurship guaranteed loans, with the central government allocating about 7.3 billion yuan for 2026. In the first half of the year, the outstanding balance of entrepreneurship guaranteed loans nationwide exceeded 280 billion yuan.

Third, we strengthened vocational skills training. We improved the mechanism linking vocational training subsidies to employment outcomes and strengthened the employment-oriented training. We guided local governments in coordinating relevant funds and resources, supporting the implementation of the "Skills Illuminate the Future" training initiative, and strengthening training in urgently needed and in-short-supply professions (trades), so as to cultivate more skilled workers.

Fourth, we encouraged the government-backed financing guarantee system to provide stronger support for entrepreneurship and employment. We further leveraged the role of the government-backed financing guarantee system in stabilizing employment, created an employment contribution indicator, and guided the National Financing Guarantee Fund in linking employment contribution to credit lines and preferential re-guarantee fees, so as to direct more guarantee resources to where they best support employment. In the first half of the year, the National Financing Guarantee Fund cumulatively served over 6.5 million instances (household-visits) of business entities, including micro- and small-sized enterprises.

2. We steadily improved equity and quality in education.

First, we accelerated the high-quality and balanced development of compulsory education and the integration of urban and rural compulsory education. The central government allocated 173.637 billion yuan in subsidies for urban and rural compulsory education, consolidated and improved the funding guarantee mechanism for urban and rural compulsory education, and further enhanced the portability of education funding. We continued to effectively implement the Special-Post Teachers Program for Rural Compulsory Education and the Student Nutrition Improvement Program. The central government allocated 29.7 billion yuan in subsidies for improving weak links and enhancing capacity in compulsory education, supporting local governments in continuously improving the basic operating conditions of rural schools and orderly expanding the supply of education resources in areas with net inflows of school-age population.

Second, we expanded and improved pre-school education and regular high school education. The central government allocated 45.8 billion yuan in funds supporting the development of pre-school education, supporting local governments in orderly expanding the supply of inclusive pre-school education resources and in implementing the policy on the exemption of childcare and education fees in pre-school education. The central government allocated 11.7 billion yuan in subsidies for improving the operating conditions of regular high schools, supporting local governments in implementing the plan for revitalizing county-level regular high schools and increasing the supply of regular high school education resources.

Third, we supported the high-quality development of modern vocational education. The central government allocated 31.257 billion yuan to support localities in implementing differentiated per-student funding systems for vocational colleges based on major professional categories, improving school operating conditions, advancing the integration of vocational and general education, and integrating industry and education in vocational colleges. We supported localities in implementing the National Plan for the Development of High-Level Vocational Schools and Specialty Programs with Chinese Characteristics, and in strengthening the training and cultivation of teachers possessing both academic and practical skills in vocational education.

Fourth, we promoted the upgrading and quality improvement of higher education. Central-level expenditure on education in 2026 is budgeted at 192.476 billion yuan, a year-on-year increase of 5 percent, with a focus on supporting universities directly under the central government departments in accelerating the development of world-class universities and top-tier academic disciplines with Chinese characteristics. We strengthened the cultivation of urgently needed high-level and top-tier talent, thoroughly implemented initiatives to make breakthroughs in basic and interdisciplinary research, and steadily expanded access to high-quality undergraduate education. The central government allocated 40.387 billion yuan to support the reform and development of local institutions of higher education, guiding local governments to increase investment in higher education and enhance the overall capacity and standards of these institutions.

Fifth, we effectively implemented student financial aid policies. The central government allocated 76.931 billion yuan in student financial aid subsidies to support localities in implementing national student aid policies for regular high school education, secondary vocational education, and higher education, with an estimated 150 million student beneficiaries over the year.

Sixth, we promoted the continuous growth of a high-quality teaching workforce. We supported local governments in thoroughly implementing the National Teacher Training Program, the special teacher program under the Talent Support Program for the "Three Regions," and the Silver-age Lecturers Program, with a focus on enhancing the quality of the teaching workforce.

3. We improved the quality and efficiency of basic medical and health services.

First, we substantively strengthened public health services. The central government allocated 80.3 billion yuan in subsidies for basic public health services to support the free provision of services, including health management for key population groups, health education, and screening for breast and cervical cancer among rural women, continuously enhancing equal access to basic public health services. The central government allocated 20.26 billion yuan in subsidies for major public health services to support localities in implementing the national immunization program, strengthening the prevention and control of major infectious diseases such as AIDS and tuberculosis, supporting the development of the social psychological service system, and enhancing capacity for preventing and responding to major public health risks.

Second, we continuously improved the capacity of medical and health services. The central government allocated 35.21 billion yuan in subsidies for enhancing medical service and healthcare security capacity, supporting comprehensive reform of public hospitals, health personnel training and the development of primary-level medical and health institutions, and the inheritance, innovation and development of traditional Chinese medicine. We enhanced the medical insurance service capacity. The central government allocated 8.66 billion yuan in subsidies for the national essential medicine system, supporting primary-level medical and health institutions such as township health centers and village clinics in implementing the system, consolidating and improving their operating mechanisms, and enhancing their capacity for basic diagnosis and treatment.

Third, we continued to consolidate and raise the level of basic medical security. The central government allocated 386.37 billion yuan in subsidies for medical insurance for urban and rural residents, raising the per-capita fiscal subsidy standard for their medical insurance by 24 yuan to no less than 724 yuan per person per year. A total of 29.71 billion yuan was allocated in subsidies for medical assistance to support local governments in providing tiered subsidies for eligible disadvantaged groups to cover their individual contributions to basic medical insurance and long-term care insurance. The funds also cover out-of-pocket medical expenses that remain unaffordable after reimbursement under medical insurance, thereby reinforcing the safety-net function of medical assistance for people in need.

4. We continued to improve social security.

First, we further safeguarded the basic living standards of the elderly. The central government continued to increase subsidies to the basic pension insurance fund, allocating 1.2 trillion yuan in subsidies in 2026 to support local governments in ensuring the timely and full payment of basic pensions. We implemented the national pooling and adjustment of pension funds in a well-regulated manner. Together with relevant departments, we approved and issued the plan for contribution and allocation of 250.6 billion yuan from the national pooling and adjustment funds in 2026.

Second, we ensured that the basic living needs of people in difficulty were fully and effectively met. The central government allocated 156.68 billion yuan in assistance and subsidy funds for people in difficulty, supporting local governments in coordinating efforts to provide subsistence allowances and assistance and support for people in extreme difficulty. In the first half of the year, about 44.29 million people nationwide received basic living assistance in the form of subsistence allowances and assistance and support for people in extreme difficulty. The average standards of urban and rural subsistence allowances stood at 841 yuan and 629 yuan per person per month, respectively, up 31 yuan and 26 yuan from the same period last year.

Third, we continuously improved policies supporting elderly care and childcare. The central government allocated 99.93 billion yuan in childcare subsidy funds, an increase of 10.6 percent over the previous year, to support local governments in providing childcare subsidies for eligible infants and toddlers, thereby reducing child-rearing costs for urban and rural residents. Childcare subsidies for 2026 had been disbursed to over 25 million people nationwide.

The central government allocated a cumulative total of 12.09 billion yuan in subsidy funds for elderly care service consumption, implementing a nationwide program to provide elderly care service consumption subsidies for seniors with moderate to severe functional impairment. The program aims to ease the financial burden of care for such seniors and to improve the quality of such care services.

Fourth, we effectively safeguarded the benefits of entitled groups. The central government allocated 64.71 billion yuan in subsidies for entitled groups, ensuring the timely and full payment of benefits to entitled groups and others receiving preferential treatment, and helping eligible entitled groups address difficulties in seeking medical services.

Fifth, we continuously strengthened housing security. In 2026, the central government budgeted 67.241 billion yuan in subsidies for urban affordable housing projects, supporting local governments in the acquisition and supply of public rental housing, affordable rental housing and government-subsidized housing for sale, and in the disbursement of rental subsidies for public rental housing, in light of local conditions, so as to meet the housing needs of low and middle-income urban residents, new urban residents and young people. We continued to support the renovation of dilapidated and unsafe urban houses, urban villages and old residential communities, eliminating housing safety hazards and continuously improving people's living conditions. The central government allocated 3.95 billion yuan in subsidies for the renovation of dilapidated rural houses, supporting rural residents at risk of returning to or falling into poverty and other groups in carrying out the renovation of

dilapidated rural houses and seismic retrofitting of rural homes, and ensuring their basic housing safety.

5. We vigorously developed cultural programs and the cultural industry.

First, we better protected people's rights to basic public cultural services. The central government budgeted 21.574 billion yuan to continuously strengthen cultural development at the grassroots level and optimize the allocation of public cultural service resources in urban and rural areas. We continued to implement cultural projects that benefit the public, such as bringing traditional Chinese opera to rural areas and extending radio and television coverage to every household, advanced the development of new-era civilization practice centers and converged media centers, and supported approximately 50,000 grassroots public cultural facilities nationwide, including museums, memorial halls, public libraries, art museums, and cultural centers, in opening to the public free of charge in accordance with regulations.

Second, we improved fiscal support policies for public cultural services. In coordination with relevant departments, we launched the pilot program for the reform and upgrading of rural libraries, promoted the co-development and sharing of grassroots public cultural resources, and expanded the coverage and effectiveness of public cultural services. We continued to advance the development of the national cultural big data system, the national smart library system and public culture cloud platforms, established cultural data service platforms, and enhanced the supply capacity for digital public cultural content.

Third, we increased the supply of quality public cultural services. Through the China National Arts Fund, National Publication Fund, Special Fund for Chinese Literature and Art Development, Special Fund for High-quality Films, and Special Fund for the Development of the Film Industry, a total of 3.018 billion yuan was allocated. We strengthened guidance and support for artistic creation and production and brought forth more outstanding works that inspire and uplift the public.

Fourth, we cultivated a pool of outstanding cultural talent. The central government budgeted 327 million yuan in special funds for cultural talent, supporting the training and dispatch of cultural professionals to remote and underdeveloped areas and to front-line grassroots posts, and strengthening the cultural talent pool at the grassroots level. We supported the implementation of talent programs in the field of publicity, ideology and culture and supported the development of State-owned art troupes.

Fifth, we accelerated the building of China into a leading sports nation. The central government allocated 3.212 billion yuan in special funds to support localities in carrying out nationwide fitness activities and improving public sports facilities, promoting the comprehensive development of mass sports and competitive sports. We supported 3,680 public sports venues in opening to the public free of charge or at low cost, helping raise facility utilization and improve public services.

Sixth, we promoted the high-quality development of the cultural industry. We supported central cultural enterprises in advancing integrated and innovative development, promoting digital transformation of the cultural sector and carrying forward fine

traditional Chinese culture, and helped them become stronger, better, and larger. We supported local governments in continuously implementing the strategy of using major cultural industry projects to drive growth and in improving the modern cultural industry system and market system.

6. We continuously enhanced capacity for disaster prevention, mitigation and relief.

First, we supported emergency response and relief for major natural disasters. In the first half of the year, the rapid allocation mechanism was activated three times. The central government allocated 380 million yuan in central natural disaster relief funds, supporting local governments in emergency rescue and relief operations and providing living assistance to disaster-affected people, effectively responding to major natural disasters including the earthquakes in Liuzhou, South China's Guangxi Zhuang Autonomous Region and in Haixi Mongol and Tibetan Autonomous Prefecture, Northwest China's Qinghai Province, and floods in Fujian, Jiangxi, and Hunan Provinces, effectively safeguarding people's lives and property.

Second, we enhanced comprehensive natural disaster prevention and control capacity. The central government allocated 4.331 billion yuan to support key counties with high disaster losses, high concentrations of hazards, high risks, and low disaster reduction capacity in strengthening comprehensive disaster prevention capacity at the grassroots level, and to support the comprehensive control of exceptionally large geological disasters, as well as the development of comprehensive prevention and control systems and capacity, including geological disaster risk survey and assessment in

key areas, identification of major hidden risks, and monitoring and early warning.

Third, we strengthened emergency rescue capacity and supply reserves. We supported the development of the national comprehensive fire and rescue corps and defined the funding guarantee arrangements following the integration and reform of the fire and rescue corps. We strengthened emergency supply reserves, arranging 350 million yuan for the procurement and replenishment of central emergency rescue and disaster relief reserves to ensure that emergency response and disaster relief needs were met.

VI. We actively advanced the comprehensive green transition and made new progress in building a Beautiful China.

Focusing on the key tasks of building a Beautiful China, we increased fiscal input, enhanced policy support and strengthened comprehensive governance of the ecological environment. We made active and prudent efforts to work toward the goals of carbon peaking and carbon neutrality, so as to elevate ecological civilization development to a new level.

1. We intensified efforts to win the battles for blue skies, clear waters and clean soil.

First, we underscored air pollution prevention and control. The central government allocated 32.3 billion yuan to support 48 beautiful blue sky projects, accelerated the resolution of prominent air pollution problems and achieved synergy in reducing pollution and carbon emissions. The funding was also used to support clean winter heating in northern China to ensure that local residents could stay warm in a clean and safe manner throughout winter. In the first

half of the year, the average concentration of fine particulate matter (PM2.5) in cities at the prefecture level and above was 29.9 micrograms per cubic meter, down 6.6 percent year-on-year, while the average proportion of days with good air quality reached 82.8 percent, up 4.5 percentage points from the same period of the previous year.

Second, we focused on water pollution prevention and control. With the Yangtze River and Yellow River basins as the main focus, the central government allocated 25.365 billion yuan to support local governments in water pollution control, aquatic ecosystem protection and restoration, the protection and development of beautiful rivers and lakes, and the prevention and control of groundwater pollution, so as to improve the state of river and lake ecosystems. We continued to improve the cross-regional ecological compensation mechanism and advance the implementation of a unified cross-regional ecological compensation mechanism for the Yangtze River and Yellow River basins. Together with relevant departments, we carried out the settlement of the cross-regional ecological compensation funds for provinces along the main streams of the Yangtze River and Yellow River for 2025, and supervised and guided local governments in completing the settlement and payment of such funds. In the first half of the year, the proportion of surface water sections with good water quality reached 87.4 percent, up 3.0 percentage points year-on-year.

Third, we emphasized soil pollution prevention and control. Focusing on the prevention and control of heavy metal-related pollution, the central government allocated 4.18 billion yuan to prevent soil pollution at the source and manage risks thereof. We

strengthened the long-term mechanisms for the prevention and control of heavy metal-related pollution to improve the quality of the soil environment.

2. We continued to advance ecosystem protection and restoration.

The central government allocated 5.7 billion yuan for integrated protection and restoration projects across mountains, rivers, forests, farmlands, lakes, grasslands and deserts, supporting local governments in protecting mountains, rivers, forests, farmlands, lakes, grasslands and deserts and addressing their degradation at the source in a coordinated way. We allocated 3.8 billion yuan for demonstration projects of ecological restoration of abandoned mines. We helped local governments in restoring and treating the geological environment, reshaping landforms and recovering vegetation, thereby improving ecosystem quality and carbon sink capacity. We allocated 3.591 billion yuan for marine ecological protection and restoration, supporting coastal provinces in implementing marine ecological protection and restoration projects. The funding was also used for comprehensive, full-sea-area and full-process marine ecological protection and restoration from a systematic and holistic perspective, thereby improving the quality of the marine ecological environment and increasing the carbon sink capacity of marine ecosystems. We allocated 2.4 billion yuan as subsidy funds for the Three-North Shelterbelt Forest Program to support integrated protection and restoration of forests, grasslands, wetlands and deserts, consolidate achievements in desertification prevention and control, and provide compensation for closed-off protection of desertified land, so as to reinforce the foundation for implementing

the program. We allocated 21.9 billion yuan of funds for forestry and grassland-related transfer payments to promote the establishment of a nature reserve system with national parks as the mainstay. The funds were also used to carry out large-scale land greening initiatives in a scientific manner, strengthen forest resource protection and restoration, and advance grassland ecological restoration and management, in a bid to provide strong support for the ecological protection and restoration of forests and grasslands.

3. We improved the diverse ecological compensation mechanism.

We continued to improve the cross-regional ecological compensation mechanism and advanced the implementation of a unified cross-regional ecological compensation mechanism for the Yangtze River and Yellow River basins. Together with relevant departments, we carried out the settlement of the cross-regional ecological compensation funds for provincial-level regions along the main streams of the Yangtze River and Yellow River for 2025, and supervised and guided local governments in completing the settlement and payment of such funds. At present, 104 counties nationwide have been included into key areas for comprehensive ecological compensation, and the mechanism of "those who pollute shall remediate, and those who protect shall benefit" was effectively brought into play.

4. We made active and steady efforts in advancing carbon peaking and carbon neutrality.

We promoted the development of renewable energy, including wind power, advanced the clean and efficient use of fossil energy, and launched pilot programs for the comprehensive application of

hydrogen energy. Fifty-nine counties were newly included in the joint pilot program for improving county-level battery charging and swapping infrastructure. We selected 25 projects for pilots that use government procurement to support the green development of highways.

VII. We strengthened management of government debt to coordinate risk prevention with development promotion.

We kept the "front door" for legitimate borrowing open and firmly closed the "back door" against irregular borrowing. We improved the government debt management system and brought central and local government bonds, domestic and foreign debt, as well as debt issuance and management under unified supervision, in a bid to establish a new framework for government debt management.

1. We continuously strengthened treasury bond management.

First, we actively carried out treasury bond issuance. In the first half of the year, we issued 7.75 trillion yuan of treasury bonds, including 7.565 trillion yuan in book-entry treasury bonds and 189.7 billion yuan in savings bonds. In April, we started to issue ultra-long-term special treasury bonds for 2026, with 572 billion yuan having been issued since then, accounting for 44 percent of the annual issuance target. With overall progress in issuance faster than last year, these bonds provided strong support for the smooth implementation of major projects.

Second, we launched sovereign bond issuance for 2026 in an orderly manner. We designed reasonable currency composition, maturity structure, places of issuance and innovative instruments for sovereign external bonds. In May, we successfully issued 6 billion

yuan of yuan-denominated green sovereign bonds in Hong Kong, with its issuance yield reaching a record low for yuan-denominated sovereign bond issuance via bookbuilding. The subscription rate reached 10.4 times, with the order book setting a new record for offshore yuan bond issuance via bookbuilding. Both the scale and share of sovereign investment hit record highs. In June, we successfully issued 5 billion euros of sovereign bonds in Luxembourg, setting multiple records, including the largest ever euro-denominated bond issuance from the Asia-Pacific Region and the narrowest ever issuance spread. We issued yuan-denominated treasury bonds in Hong Kong on a regular basis, cumulatively issuing 50.5 billion yuan in the first half of the year.

Third, we smoothly advanced the inclusion of electronic savings bonds in the scope of products eligible for personal pension accounts. In June, the electronic savings bonds business for personal pension accounts was launched as scheduled, supporting the accelerated development of a multi-tiered and multi-pillar pension insurance system and meeting investors' needs to purchase electronic savings bonds with their personal pension funds.

Fourth, we continuously expanded electronic channels for savings bonds. Mobile banking was added as a new sales channel for savings bonds. At present, all 40 members of the savings bond underwriting group are able to sell electronic savings bonds to investors via mobile banking, enabling people to purchase savings bonds in a more convenient manner. Meanwhile, we made appropriate adjustments to the single-person purchase limit for each savings bond issue, so as to make savings bonds accessible to more people.

Fifth, we advanced the inclusion of treasury bonds in the China-UK over-the-counter bond business and completed the first transaction. We guided domestic treasury bond registration, custody and settlement institutions in upgrading their systems, enabling overseas investors to open real-name accounts in the domestic market. By doing so, we comprehensively consolidated the risk prevention foundation for cross-border interconnected business while ensuring the smooth and orderly operation of the China-UK over-the-counter treasury bond business. China Construction Bank formally included treasury bonds in the product variety of the China-UK over-the-counter bond business and completed the first treasury bond transaction of 100 million yuan with HSBC on June 1.

2. We effectively mitigated risks stemming from existing hidden debt.

First, we resolved existing hidden debt in an orderly manner. We implemented a package of debt resolution plans and guided local governments in making solid progress in resolving their existing hidden debt. As of the end of July, local governments had issued 1.73 trillion yuan of debt-swap bonds, completing 86.7 percent of the 2 trillion yuan quota for 2026.

Second, we accelerated the reform and transformation of local governments' financing vehicles. We guided local governments in accelerating the resolution of the existing hidden debt on financing vehicles, clarifying the rights and obligations of governments and enterprises in accordance with laws and regulations, and facilitating the separation of governments' financing functions from these vehicles. In coordination with financial regulatory authorities, we optimized policies on resolving the financing vehicles' debt risks via

financial support, and guided financial institutions in reducing the liquidity risks and interest burdens of financing vehicles through means such as debt restructuring.

3. We improved the management of special-purpose bonds.

First, we optimized the use of special-purpose bonds. We added new special-purpose bonds to support the development of major projects, swap hidden debt and clear government arrears. By upholding the principle of positive incentives and taking into account the funding needs of major strategies and major projects designated by the CPC Central Committee and the State Council, we rationally allocated quotas based on factors including regional debt risks, fiscal capacity, management capacities and project funding needs, with priority given to regions that had well-prepared projects, featured higher investment efficiency and achieved better returns on utilization of funds. As of the end of July, we had issued 2.41 trillion yuan of new special-purpose bonds, supporting over 18,000 projects.

Second, we expanded the scope of the pilot programs for "self-review and self-issuance" of special-purpose bonds. The State Council approved that Hebei Province, Jiangxi Province, Hubei Province and Chongqing Municipality were added as new pilot regions in 2026. We guided and urged newly included pilot regions to further improve their working mechanisms, formulate local pilot work plans, strengthen inter-departmental coordination, increase the quality of reserved projects, and accelerate the bond issuance and use. In the first half of the year, pilot regions issued 1.6 trillion yuan of new special-purpose bonds, accounting for 77 percent of the national total.

Third, we strengthened the review of projects funded by special-purpose bonds. We guided and urged local governments to improve their regular mechanism for project planning and reserving, carry out thorough and substantive preliminary work, and ensure that projects are ready to start construction as soon as possible. We guided and urged "self-review and self-issuance" pilot regions to improve their review standards, strengthened the review, guidance and scrutiny of projects in regions not included in the pilot, firmly prohibited projects with no revenue, and tightened scrutiny over projects involving redundant development or low input-output ratios.

Fourth, we improved the full-chain management of special-purpose bonds. We guided and urged local governments to coordinate the pace and progress of bond issuance to ensure its early issuance and use. We strengthened end-to-end oversight of special-purpose bond funds, carried out comprehensive, systematic reviews of their use, and firmly investigated and punished violations. We strengthened the management of assets of projects funded by special-purpose bonds and established asset registers for such projects, so as to promote the establishment of an integrated management framework covering the entire cycle extending from fund management to asset management and from the debt side to the asset side.

VIII. We continued to deepen fiscal reform and management and steadily improved the efficiency of fiscal governance.

Taking pilot programs for scientific fiscal management as a means, we strengthened management to promote standardization, deepened reform to enhance effectiveness, and comprehensively raised the level of fiscal management, making it more systematic, refined,

standardized and law-based.

1. We made solid progress in reforming the fiscal and tax systems.

First, we carried out budget system reform in an orderly manner. We deepened zero-based budget reform, and, in preparing the 2027 budget in 2026, we further added pilots at central government departments, achieving essentially full coverage of first-level budget institutions. For the first time, the comprehensive financial report of the central government was filed for records at the Standing Committee of the National People's Congress. We also actively advanced the revision of the Government Procurement Law.

Second, we continued to deepen tax system reform. We carried out comprehensive work to ensure the implementation of the VAT Law and its related regulations. We prudently advanced the standardization of preferential tax policies, adjusted export tax rebate policies for photovoltaic and other products, fully levied individual income tax on offshore trusts, adjusted preferential policies on vehicle and vessel tax for energy-saving and new energy vehicles, restored in steps the levy of consumption tax on lithium-ion and other batteries, and adjusted preferential policies on urban land use tax for certain energy and resource industries. We promoted the improvement of the local tax system, brought all volatile organic compounds into the coverage of the environmental protection tax, advanced in an orderly manner the shifting of the collection of consumption tax further down the production-to-consumption chain and its steady delegation to local governments, and advanced legislation on local surtaxes. We also strengthened tax administration of the platform economy.

Third, we steadily advanced reform of the fiscal system. We optimized the structure of transfer payments, reduced certain special transfer payments by a certain proportion, and increased the scale of transfer payments supplementing local fiscal capacity. We selected certain provinces to launch pilot programs for the integrated and coordinated use of transfer payment funds, so as to enhance local capacity for coordination. We gave play to the incentive and constraint mechanisms for transfer payments that promote high-quality development, and mobilized the enthusiasm of local governments for developing the economy. We deepened reform of the fiscal system below the provincial level, standardized the division of fiscal powers and expenditure responsibilities at the sub-provincial level, strengthened the capacity of provincial-level governments for coordination and adjustment, and effectively channeled fiscal resources to lower-level governments.

2. We strengthened the development of the accounting system and fiscal and accounting supervision and inspection to further enforce financial and economic discipline.

First, we strengthened the development and implementation of accounting laws and accounting standards. We facilitated the completion of the revision of the Law on Certified Public Accountants. We revised the standards on the presentation of financial statements and issued Interpretation No. 20 of the Accounting Standards for Business Enterprises. We carried out analysis of the implementation of the Accounting Standards for Business Enterprises, and released the 2025 analysis report on their implementation along with questions-and-answers cases on standards implementation. We organized the drafting of accounting

manuals for the power and banking sectors. We launched a pilot program on cost accounting for the governance of public data resources. We carried out the pilot implementation of the corporate sustainability disclosure standards and steadily advanced the development of a unified national system of sustainability disclosure standards. We strengthened pilot programs for internal control development in administrative and public institutions. We issued guidelines on financial shared services. We completed the formulation and issuance of 10 categories of national standards for accounting data of electronic vouchers.

Second, we strengthened the role of fiscal and accounting supervision. We carried out the 2026 campaign to rectify financial and economic discipline, focusing on key areas including the investigation and handling of major cases in the financial and economic sector, the special campaign to address key issues concerning financial and economic discipline in central government departments, the special campaign to address key issues concerning financial and economic discipline in local authorities, oversight and inspection in the accounting valuation sector, and the routine supervision of budget execution. We rigorously investigated and punished violations of laws and regulations, continuously intensified rectification, public exposure and accountability, and ensured that financial and economic discipline was strictly enforced with a strong deterrent effect. We strengthened oversight, inspection and the imposition of penalties in the accounting valuation sector, organized professional quality inspections of 40 leading and key accounting firms and 15 asset appraisal institutions, and imposed penalties in accordance with the law on Zhongxingcai Guanghua Certified

Public Accountants, the auditor of Tunghsu Group and its affiliated companies. In the first half of the year, administrative penalty decisions were issued in accordance with the law against two accounting firms and 49 certified public accountants, eight enterprises and 12 persons in charge, and four asset appraisal institutions and 12 asset appraisers. Three announcements on fiscal and accounting supervision and inspection were released and 19 typical cases were publicly disclosed, giving full play to the deterrent and warning effect.

Third, we carried out routine supervision of budget execution in a solid manner. Focusing on oversight priorities including major national strategies, funds for public well-being, and the implementation of the requirement that Party and government institutions get accustomed to practicing budgetary austerity, we strengthened day-to-day supervision and process control over the budget execution of departmental budgets and transfer payment funds, reinforced online system alerts and offline on-site verification, and promptly corrected errors and deviations. We expanded the scope of dynamic monitoring over the actual funds held by central budget entities, strengthened coordinated oversight with centralized treasury payment funds, and strictly enforced financial and economic discipline. We launched monitoring of the pilot program for the integrated and coordinated use of transfer payment funds, achieving full-chain tracking and monitoring of the integrated funds.

3. We continued to deepen scientific fiscal management.

First, we further advanced pilot programs for scientific fiscal management. With top-down and bottom-up approaches, we

continued to organize 12 provincial-level regions to explore effective paths for scientific fiscal management in light of local conditions, focusing on 11 pilot tasks, including strengthening the coordination of fiscal resources and budgets and implementing the requirement of getting accustomed to practicing budgetary austerity. We guided local finance departments in establishing systems, setting standards and strengthening oversight, promptly drew replicable and scalable experiences, and accelerated the development of a management system that covers all areas and is implemented at all levels, running through the entire process and all aspects from the central to the local level, from budget formulation to fund use, and from finance departments to individual budget entities, so as to unlock potential and improve efficiency through scientific management.

Second, we strengthened the management of State-owned assets. We completed work related to the report on state-owned assets with high quality. We actively advanced the adjustment and sharing of state-owned assets in administrative and public institutions, used digital means to resolve management problems such as inefficient and idle assets, and realized the cross-departmental, cross-level and cross-regional adjustment and sharing of assets. As of the end of June, the national platform for the adjustment and sharing of state-owned assets in administrative and public institutions had gathered over 710,000 pieces of information on asset adjustment, sharing and demand, and had completed the adjustment of 90,000 sets of equipment and furniture-type assets and approximately 325,000 square meters of buildings, saving about 1.59 billion yuan in budgetary funds.

Third, we deepened the management of state-owned financial

capital. We improved the management system for state-owned financial capital. We consolidated the foundations of property rights management for state-owned financial institutions, strengthened full-process management of property rights registration, asset appraisal and property rights transfer, carried out in greater depth the closed-loop evaluation of property rights management of state-owned financial capital, and strengthened the application of evaluation results. We strengthened the monitoring of the operation of state-owned financial capital, assessed on an annual basis the operation and management of state-owned financial capital, dynamically monitored on a quarterly basis the financial position of central financial enterprises and their subsidiaries at all levels, and promoted the sustained and sound operation of these enterprises and the preservation and appreciation of state-owned financial capital.

Fourth, we enhanced the effectiveness of budget performance management. We improved the mechanism for budget performance pre-assessment, and, in an innovative move, invited external experts to conduct on-site meetings to carry out fiscal pre-assessment of key projects of 10 central government departments, strictly guarding the entry point for projects. Building on the full coverage of performance self-evaluation of projects at the central department level, we conducted a review of the self-evaluation results of 756 projects in the draft final accounts of central government departments. We organized performance self-evaluation of 86 items of central government transfer payments to local governments, strengthened sampling-based review and verification of self-evaluation results, continued to urge rectification of identified problems, and improved the performance of transfer payment funds.

Focusing on key areas including boosting consumption, sci-tech innovation, industrial development, the ecological environment and public well-being, we organized key performance evaluations of 55 policies and projects.

IX. Fiscal Policy Outlook.

In the face of increasingly complex changes in circumstances and intertwined risks and challenges, the Ministry of Finance will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, adhere to the principle of pursuing progress while maintaining stability, implement the new development philosophy in a full, accurate and comprehensive manner, accelerate efforts to foster a new development paradigm, better coordinate both domestic and international imperatives, and balance development and security. We will effectively implement a more proactive fiscal policy, give full play to the effectiveness of existing policies, promptly formulate and introduce pragmatic and effective incremental policies in light of macroeconomic performance, intensify counter-cyclical adjustment, step up efforts to expand domestic demand and optimize supply, and effectively ensure and improve people's livelihoods, so as to promote sustained progress toward new drivers, an upgraded structure and better performance of the economy and provide a strong guarantee for a good start to the 15th Five-Year Plan period (2026-2030). Priority will be given to the following six areas of work:

1. We will implement a more proactive fiscal policy with force and effectiveness.

We will appropriately accelerate the pace of fund allocation and use,

continuously optimize the structure of fiscal expenditure, ensure funding for key sectors, strengthen fund oversight, and effectively improve the efficiency of fund utilization and the effectiveness of policy implementation. We will appropriately accelerate the issuance and use of government bonds, better align project implementation with bond issuance, support thorough and detailed preliminary planning for key projects, press ahead with project implementation, and generate more physical progress as quickly as possible. We will issue special treasury bonds to inject capital into eight central financial enterprises, enhancing their capacity for sound operation, risk resilience and serving the real economy.

2. We will support the comprehensive expansion of domestic demand.

We will support the implementation of major national strategies and the building of security capacity in key areas, as well as large-scale equipment upgrades and consumer goods trade-ins, and improve implementation mechanisms. We will optimize the implementation of the package of fiscal-financial coordination policies to boost domestic demand, improve the working mechanisms for inter-departmental coordination and central-local linkage, and better encourage household consumption and leverage private investment. We will make coordinated use of funds from ultra-long-term special treasury bonds, local government special-purpose bonds and central government budgetary investment, with greater focus on key areas such as new quality productive forces and new-type urbanization and greater investment in areas of strategic significance that help raise total factor productivity, and vigorously support the construction of major projects identified in the outline of the 15th Five-Year Plan.

3. We will promote sci-tech innovation and industrial innovation.

Highlighting the driving roles of the supply of sci-tech innovation and of industrial demand, we will make comprehensive use of policy instruments including special funds and government investment funds to promote the optimization and upgrading of traditional industries and the cultivation and growth of emerging industries and future industries. We will implement fiscal support policies to promote the expansion, quality improvement and better development of producer services and consumer services. We will improve the efficiency of investment in sci-tech innovation.

4. We will continue to ensure and improve people's livelihoods.

We will actively stabilize employment and promote income growth, and strengthen employment assistance for key groups and people in difficulty. We will adapt to structural changes and mobility trends in the population and optimize the distribution of basic public services including education and medical and health services. We will effectively implement policies on childcare subsidies, free pre-school education, and elderly care service consumption subsidies. We will strengthen the development of inclusive, fundamental and bottom-line public well-being programs, improve the care system for the elderly and children, and refine the tiered and categorized social assistance system. We will ensure emergency response and disaster relief support and enhance capacity for preventing and responding to natural disasters.

5. We will strengthen the prevention and resolution of risks in key areas.

We will continue to effectively implement the policy package for

defusing debt risks, accelerate the resolution of existing hidden debt, strictly guard against falsified debt resolution and newly incurred hidden debt, and advance the exit, reform and transformation of local government financing vehicles. We will support the stable operation of grassroots-level public finance, implement responsibilities for ensuring funding at different levels of government, strengthen operational monitoring and treasury fund management, and firmly safeguard the bottom lines at the primary level, ensuring basic living needs are met, salaries are paid, and governments function normally. We will make coordinated use of existing policies and assist in clearing arrears owed to enterprises.

6. We will deepen reform of fiscal management.

We will further advance pilot programs for scientific fiscal management. We will promote the steady implementation of zero-based budget reform, pilot programs for the integrated and coordinated use of transfer payment funds, the standardization of preferential tax policies and fiscal subsidy policies, and consumption tax reform. We will strengthen the management of fiscal expenditure with stricter standards and more substantive measures, and fully implement the requirement that Party and government institutions get accustomed to practicing budgetary austerity. We will intensify fiscal and accounting supervision, carry out in depth the three-year action to enhance the quality and efficiency of fiscal and accounting supervision, strengthen the development of the systems and mechanisms for fiscal and accounting supervision, further enforce financial and economic discipline, and continuously enhance the authority and effectiveness of fiscal and accounting supervision.